Middle East Paper Company

شركة الشرق الأوسط لصناعة وإنتاج الورق

DELIVERING SUSTAINABLE GROWTH

INVESTING FOR THE FUTURE

Annual Report

2 0 2 2

The Custodian of the Two Holy Mosques
King Salman Bin Abdulaziz Al Saud

His Royal Highness Crown Prince
Mohammad Bin Salman Bin Abdulaziz Al Saud

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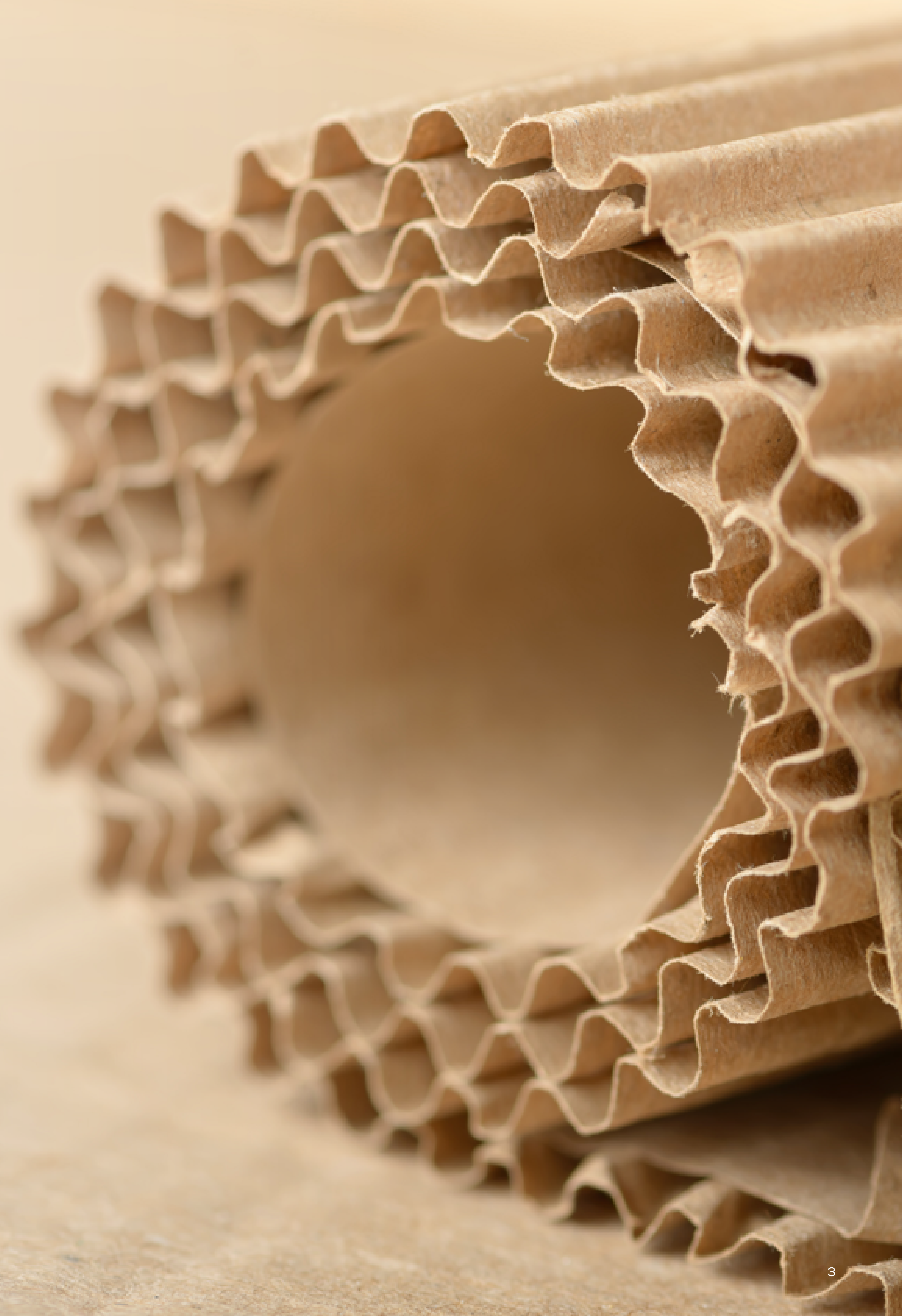
Delivering sustainable growth. Investing for the future.

MEPCO CONTINUES TO STAND TALL AS A RESPONSIBLE CORPORATE LEADER FOR OUR INDUSTRY AND TRAILBLAZER FOR SUSTAINABILITY IN THE KINGDOM OF SAUDI ARABIA. AS THE KINGDOM POSITIONS ITSELF TO BE AN EVER-GREATER INFLUENCE AND IMPACT ON THE WORLD STAGE, WE ALIGN, ECHO, AND CONTRIBUTE TO THESE LOFTY AMBITIONS WITH PRIDE AND DETERMINATION.

Our outstanding track record of sustainable financial growth unlocks value for our Stakeholders and propels our business to new heights. As our market share at home and across our international footprint continues to increase, we take a balanced approach to spur further growth, reward our Shareholders, and give back to our people and society.

Our passion and commitment to sustainability and the circular economy runs deep. It has been at the heart of our business model since the day we were founded and continues to underlie innovation and infuses the corporate culture that inspires and motivates our tremendous team each day.

On these unshakable foundations, we invest with confidence for the future. Our core business will double in size as we build complementary capabilities and capacity through our subsidiaries and strategic partnerships. Ultimately, this will allow us to better serve our clients, achieve our strategic objectives, and create increasing value for our Shareholders and all our Stakeholders.



At a Glance

Financial Highlights

Sales Revenue
SAR 1.19 billion
+12.3% YoY

Gross Profit
SAR 503 million
+27.6% YoY

Gross Profit Margin
42.4%
+5.1 bps

EBITDA
SAR 304 million
+25.6% YoY

EBITDA Margin
25.6%
+2.7 bps

Net Income
SAR 270 million
+22.2% YoY

Net Income Margin
22.7%
+1.8 bps

Operational Highlights

50
markets globally across 5 continents

Nearly
1,200
employees

MEPCO installed production capacity of
475,000 tons

Total WASCO recycling capacity of
+500,000 tons

Juthor installed production capacity of
60,000 tons

Sustainability Highlights

7
products certified by the Forest Stewardship Council (FSC)

95%
utilization of recycled input materials

43.3%
increase in recycled wastewater utilization

100%
of electricity generated in-house

Zero
safety incident investigations required

Awards

قـــادرون
Qaderoon

Qaderoon Award 2022 in the Medium Enterprises category

TOP CEO

Top CEO Award 2022

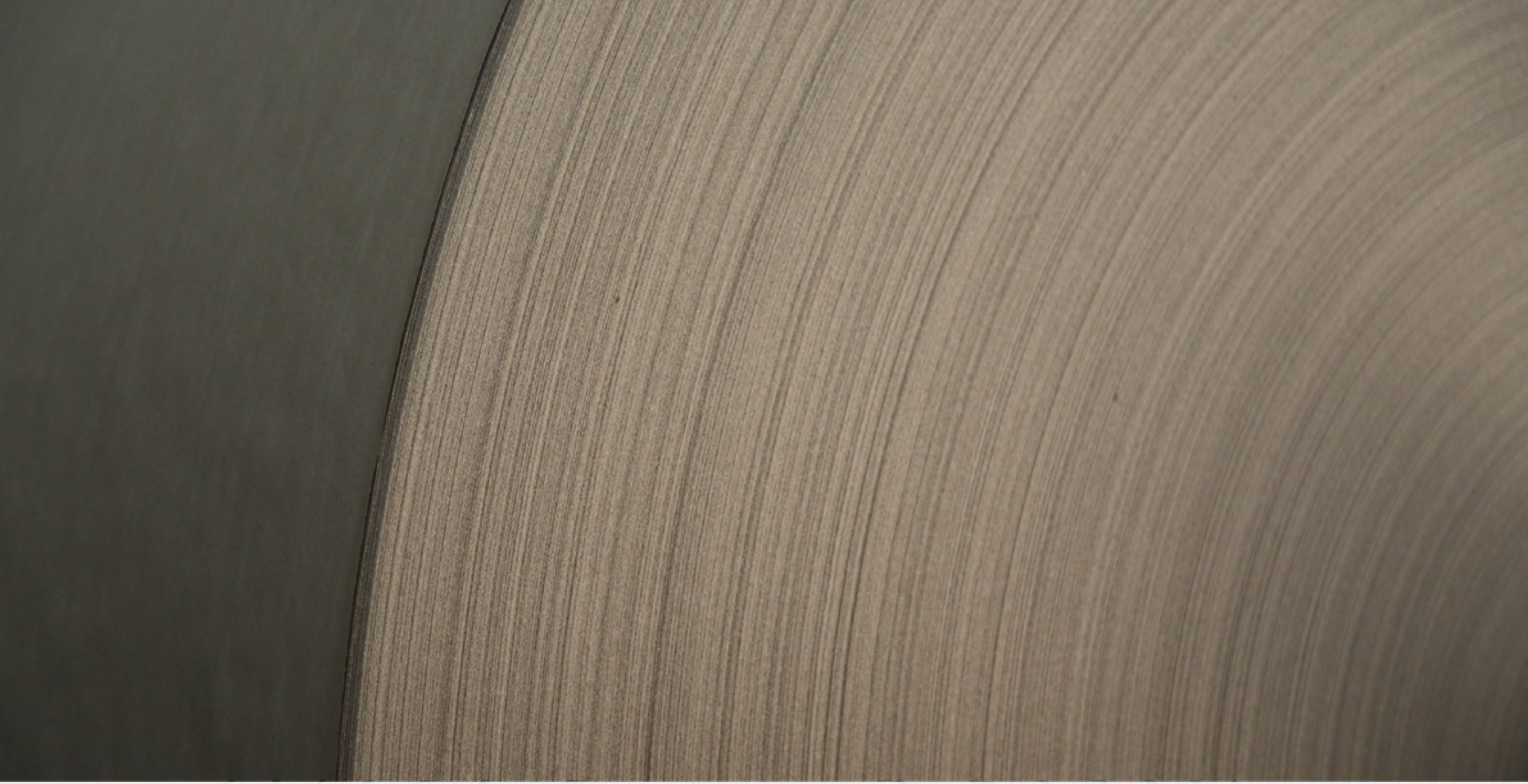
Great Place To Work. Certified

'Great Place to Work' Award 2022

International PPI Award 2022 **'Mill Manager of the Year'**

GCHRO Icon of the Year Award 2022

Paper Recycling Company of the Year 2022 by MEWAR



01 Overview

About MEPCO

THE MIDDLE EAST PAPER COMPANY (MEPCO) IS THE LARGEST PAPER MANUFACTURER IN THE MENA REGION.

For over 2 decades, we have been on a journey of rapid expansion and diversification, while acting as a key driver of sustainability and the circular economy for the paper sector in the Kingdom of Saudi Arabia, in line with Saudi Vision 2030 and the Saudi Green Initiative.

Headquartered in Jeddah, we manufacture and distribute a wide range of high-quality containerboard and specialty paper products for the packaging, construction, and furniture industries across the Kingdom of Saudi Arabia and to over 50 markets globally.

Our state-of-the-art production facilities and dynamic culture of innovation support continuous improvement and diversification of our product range to serve the needs of our B2B clients and millions of consumers each year.

A deep commitment to sustainability and the environment has always been fundamental to our business. By using recycled waste paper and transforming it into our market leading products using energy- and water-efficient processes, we are proud to offer green and recyclable products that minimize the environmental impact of our sector.

Through our award-winning, wholly-owned subsidiary, WASCO, and our innovative joint venture with JDURC Jeddah Municipality, Estidama, we operate the largest waste collection and sorting operation in the Middle East, and also partner with forward-thinking city governments to increase recycling and deliver measurable impact for the economy of the Kingdom of Saudi Arabia by participating in the development of the waste management sector.

We are now investing strategically to expand our core containerboard business through our new PM5 production line, while also diversifying our portfolio by building exciting diversifying revenue streams, including our upcoming Juthor tissue factory. This will solidify our position as the largest vertically integrated paper manufacturer in the region and the partner of choice for governments and clients across the Kingdom of Saudi Arabia and worldwide.

OUR VISION AND MISSION

Our Vision

To be the leading champion of 'Made in Saudi' sustainable products and largest contributor to the circular paper economy, ensuring sustainable growth, and maximizing Stakeholder value.

Our Mission

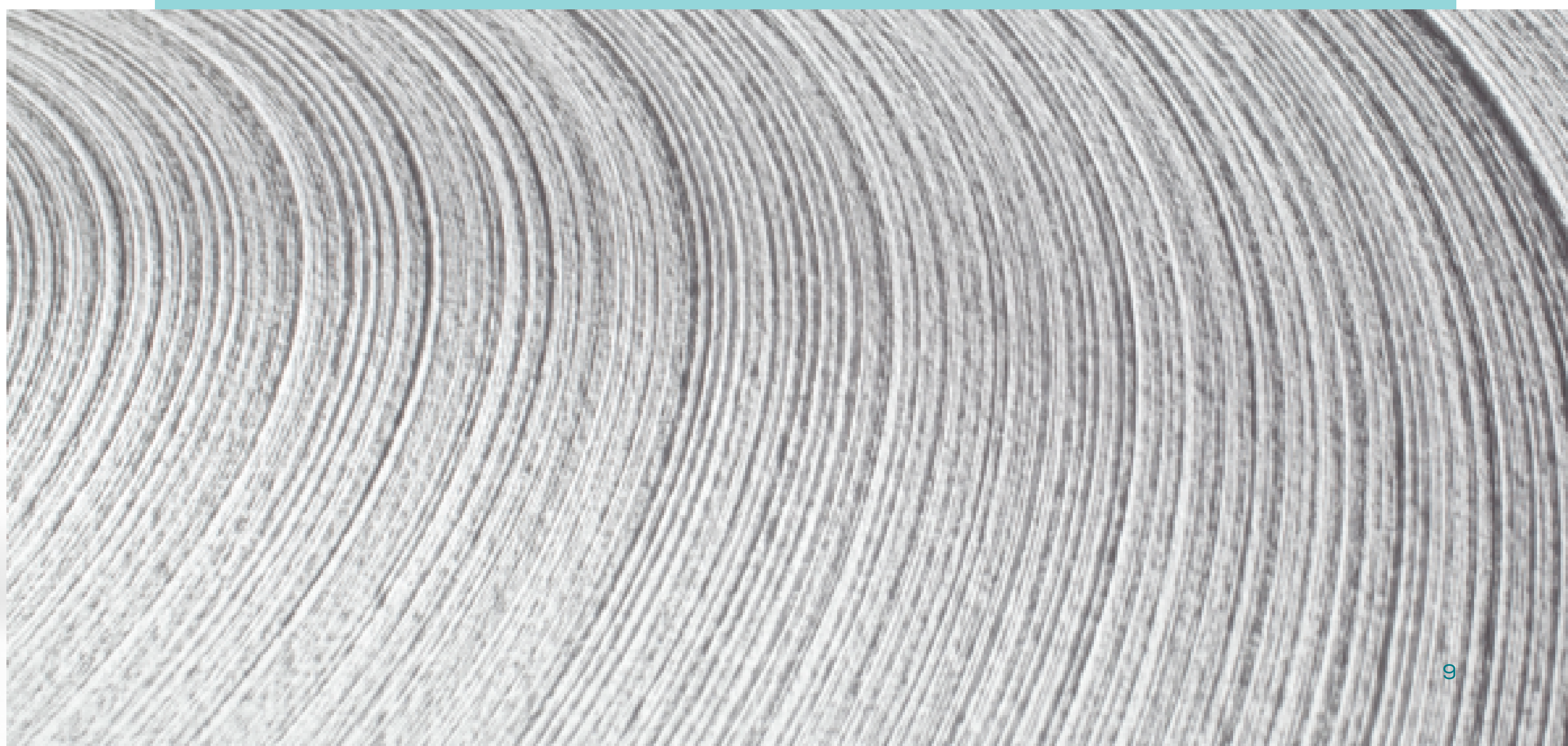
Our mission is to lead the industry in sustainability, innovation, and quality, while maintaining our commitment to ethical and safe business practices. With our diverse and talented team, we deliver cost-efficient solutions that maximize customer value and benefit the environment.

We strive to remain proud of the consistently high-quality recycled fiber-based products we produce for the industries we serve in the Kingdom of Saudi Arabia, the broader Middle East and North African (MENA) markets, and globally, for decades to come.

MEPCO MANUFACTURES AND DISTRIBUTES TO

OVER 50

MARKETS GLOBALLY



Year in Review

During a year of outstanding achievements and strategic progress, we strengthened our core business and executed plans to diversify our offerings to enhance our business outcomes and serve our valued Stakeholders.

Q1

- Received certification of MEPKRAFT and MEPWHITE products by FSC Mixed & Recycled.
- Graduated +250 students from our HIPIT Institute, with 145 students in March alone.

Q2

Launched use of SMART containers for our export shipments.

Q3

Implemented SAP S/4HANA and SAP LE Module and Success Factor for WASCO and Estidama.

Signed contracts between Estidama Amanah Jeddah & Cleaning companies for waste management in Jeddah.

IN 2022, THE CONSTRUCTION, ENGINEERING, AND CIVIL WORK WAS IN LINE WITH THE TIMELINE FOR THE PROJECT LAUNCH.

Q4

- Announced new expansion project (PM5) containerboard machine with production capacity of 400,000 tons annually.
- Recognized as one of the Kingdom of Saudi Arabia's largest non-oil exporters while representing the Kingdom in the Saudi Pavilion at FIFA World Cup 2022.
- Signed MOU with SAP to deploy CX Commerce solutions that deliver rich omni-channel experiences to its customers.
- Achieved more than 4 million man-hours without accident or injury for the year through compliance of our Safety Management System.
- Signed MOU with Greycon to deploy X-Trim Solution to streamline the manufacturing processes, increase efficiencies, and boost revenues.

Geographic Footprint

ACROSS THE KINGDOM OF SAUDI ARABIA AND OUR EVER-GROWING INTERNATIONAL FOOTPRINT, MEPCO IS RECOGNIZED AS A LEADER IN PAPER MANUFACTURING AND A DRIVER OF CONTINUOUS INNOVATION FOR OUR SECTOR.

30%
KSA MARKET SHARE

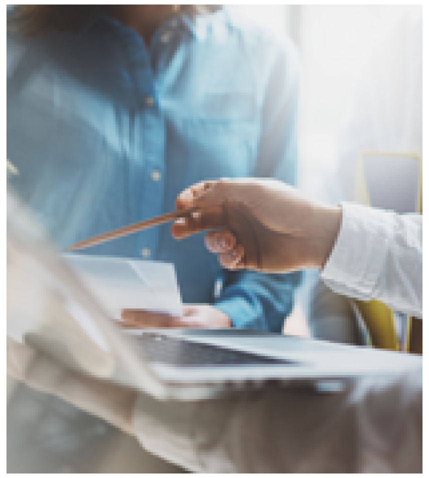
50
COUNTRIES

5
CONTINENTS
* import MEPCO products

We supply a wide and growing range of high-quality and sustainable products that serve the diverse and growing needs of our clients in the packaging, construction, furniture, and paper core industries in our local market of the Kingdom of Saudi Arabia and over 50 export markets spread across 5 continents worldwide.

Investment Case

With an over 20-year track-record of growth, expansion and diversification, MEPCO is firmly established as a regional trailblazer and innovator in the Middle East and beyond. Through continuous innovation, strong governance, and a deeply embedded commitment to sustainability, we offer a unique value proposition to our current and prospective Shareholders.



Regional Champion with an Unmatched Scale

- Largest paper and packaging company in the MENA region with installed production capacity of 475,000 tons.
- Upcoming fifth paper machine (PM5) expansion project for containerboard production projected to double production capacity.
- 9 product lines including 6 products certified by the Forest Stewardship Council (FSC).

Continuous Innovation and Diversification

- Estidama is the first Public-Private Partnership (PPP) with JDURC Jeddah Municipality to develop and improve the waste management value chain in Jeddah City.
- Set to launch Juthor plant for jumbo tissue rolls in 2023 for new revenue stream.
- State-of-the-art factories, production and distribution equipment, and facilities for production and operational excellence.

Large and Growing International Footprint

- Global presence across 50 international markets.
- Balanced 60/40 revenue split between local and international markets.
- Strategic location near Jeddah port for efficient logistics and distribution to international clients.

Sustainability Pioneer and Leader

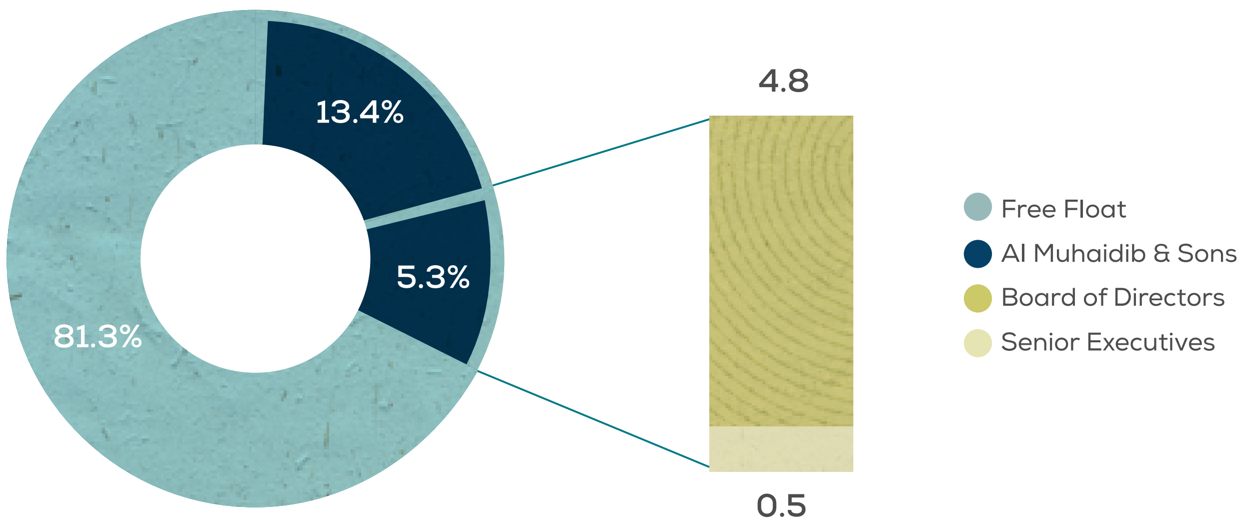
- Regional pioneer in circular economy and waste management, including WASCO's launch in 2004 to collect, sort, and supply premium quality waste paper.
- Sustainable operations, including 90-95% of raw materials is recycled paper, ~70% of water used in production is recycled and 100% of power used is generated in-house.
- ESG strategy is aligned with 9 UN SDGs.

Solid Track-record of Strategic Growth and Value Creation

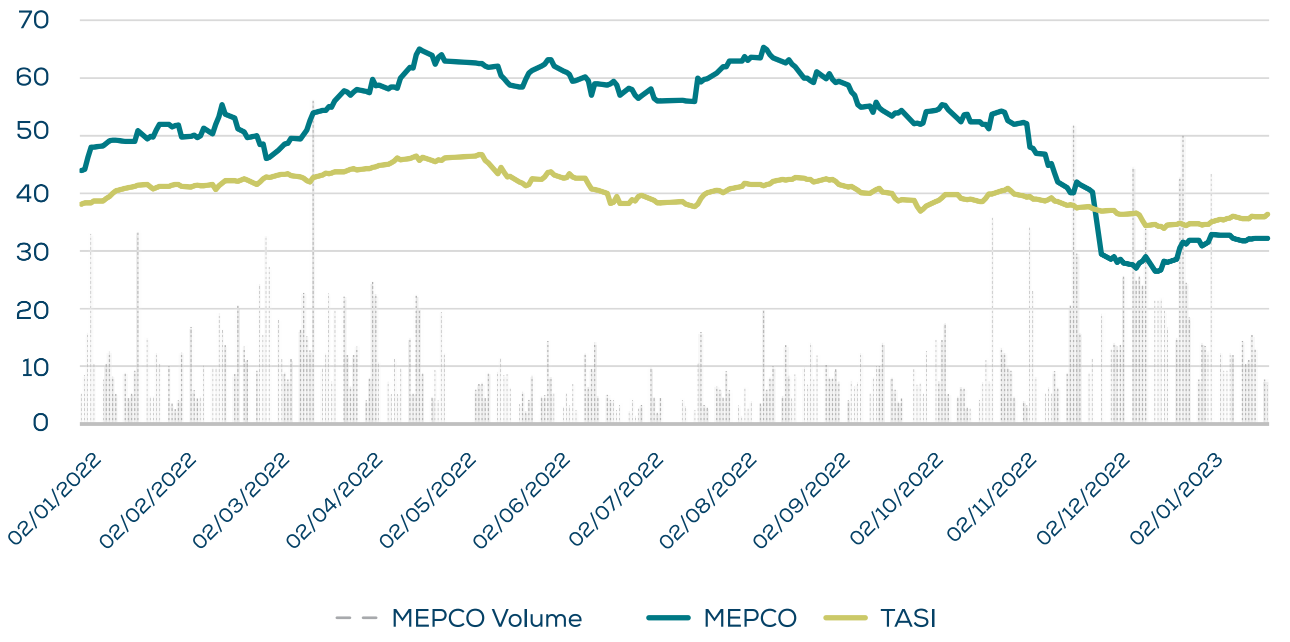
- Shares listed on Saudi Stock Exchange with 86.6% free float.
- Key driver of Saudi Vision 2030 for paper industry.
- Average return on invested capital (ROIC) of 24% and a dividend yield of 1.53% in 2022.
- Revenue growth of 75% from 2015 to 2022.

Shareholder's Information

Shareholder Structure



Share Price Performance vs. Benchmark Equity Indices



Share Information	
Listing date	3rd May 2015
Exchange	TASI, Tadawul Saudi Exchange
Symbol	1202
ISIN	SA13Q050IP16
No. of shares issued	66,666,666
Closing price as of 31st December 2022	SAR 32.90
Market cap as of 31st December 2022	SAR 2,193,333,311
Foreign ownership limit	49%
Free float	81.3%

Investor Relations Calendar 2022-2023

2022:

Date: Monday, 31st January 2022
Event title: CI Capital's 6th Annual MENA Investor Conference
Event location: Virtual

Date: Sunday, 20th March 2022
Event title: FY 2021 Results

Date: Thursday, 28th April 2022
Event title: Q1 2022 Results

Date: Thursday, 12th May 2022
Event title: Q1 2022 Results Call
Event location: Virtual

Date: Monday, 13th June 2022
Event title: Ordinary General Assembly Meeting

Date: Monday, 15th August 2022
Event title: Q2 2022 Earnings Release Call

Date: Tuesday, 16th August 2022
Event title: Q2 2022 Results

Date: Monday, 19th September 2022
Event title: The EFG-Hermes - The 16th Annual One-on-One Conference 2022
Event location: Dubai, UAE

Date: Thursday, 03rd November 2022
Event title: Ordinary General Assembly Meeting

Date: Tuesday, 08th November 2022
Event title: Q3 2022 Results

Date: Thursday, 24th November 2022
Event title: Extraordinary General Assembly Meeting for Capital Increase (First Meeting)

2023:

Date: Monday, 30th January – 01st February 2023
Event title: CI Capital's 7th Annual MENA Investor Conference
Event location: Cairo, Egypt

Date: Thursday, 09th February 2023
Event title: Fransi Capital Investor Conference
Event location: Riyadh, Kingdom of Saudi Arabia

Date: Sunday, 12th February 2023 - Monday, 13th February 2023
Event title: Saudi Capital Forum
Event location: Riyadh, Kingdom of Saudi Arabia

Date: Tuesday, 28th February 2023 – 01st March 2023
Event title: ARQAAM 10th Annual MENA Investor Conference
Event location: Dubai, UAE

Date: Monday, 06th March 2023 - Thursday, 09th March 2023
Event title: The EFG-Hermes - The 17th Annual One-on-One Conference 2023
Event location: Dubai, UAE

Date: Sunday, 26th March 2023
Event title: FY 2022 Report

Date: Tuesday, 28th March 2023
Event title: FY 2022 Earnings Release Call

02 Strategic Review

Chairman's Statement

Delivering sustainable growth. Investing for the future.

OUR UNPARALLELED SUCCESSES IN 2022 HAVE NOT ONLY DELIVERED RECORD REVENUES AND UNPRECEDENTED PROFITS, THEY ARE ALSO A TESTAMENT TO OUR ONGOING STRATEGIC DIVERSIFICATION AND SUSTAINABLE GROWTH.

MR. MUSAAB AL MUHAIDIB
Chairman

For 2 consecutive years we have achieved sales of more than SAR 1 billion and have validated our investment in the future. In every area of our operations, we have maximized our market superiority and have the resources and ambition to grow exponentially in terms of our geographic footprint and product diversity.

Our strategic vision will strengthen our position as the leading paper and packaging producer in the Middle East and create even greater opportunities to reinforce our global presence, echoing Vision 2030 for the wider benefit of the Kingdom of Saudi Arabia. While we take giant strides towards our expansion targets, we will continue to adhere rigorously to the strict criteria of our strategic growth. For more than 20 years, we have understood our market, anticipated demand, delivered solutions, and contributed to the national economy. Our successes have consistently mirrored our objectives.

We continue to invest strategically for the future. The new PM5 production line is the largest expansion in our history, with the potential to double both our capacity and sales revenues; Juthor tissue facility will satisfy 25% of the local market demand in its first phase of growth. These are remarkable times for MEPCO as we build on our operational excellence, delivering a greater variety of products to our customers, more opportunities for our employees, and better returns for our Shareholders.

Working in parallel with our milestone achievements in 2022, we continue to embrace environmental, social, and governance priorities at the core of our Company. We are proud to say that sustainability is built into our DNA, and we have an innate desire to care for our planet and our people.

We have been cleaning and recycling waste material since our inception and championed the circular economy before the concept had even been coined.

Our alignment with the Saudi Vision 2030 is absolute, as we seek to create a positive impact on the environment and restore a surplus of natural resources, remaining true to our social responsibilities of 'walking the talk'.

As the largest integrated paper production business in the MENA region, the focus we have placed on our waste collection and recycling subsidiary, WASCO, has resulted in another milestone year of rapid service growth and geographical expansion. This reaffirms its unique proposition this year as the largest waste management specialist and innovator in the Middle East with important contributions to the goals of Vision 2030.

Similarly, our Estidama Environmental Services Company now serves Jeddah City to recycle commercial, industrial, and domestic waste products. Estidama will play an integral role in MEPCO's growth strategy through the supply of raw materials and waste management, once again localizing our operations throughout the full value chain.

As MEPCO and its entities continue to expand, it is essential that our colleagues are of the highest caliber and have the skills to grow with us. In recruiting a blend of expertise and experience across all our operations, we have the resources for even greater backward and forward integration.

With regards to our internal governance, we continue to empower women at the Board level and drive the highest standards of transparency and operational integrity. In 2022, we launched a refocused Risk, Compliance and ESG Committee, in line with best business practices and our commitment to ambitious and responsible growth.

As we look to realize and operate our new projects in 2023, MEPCO will continue to appraise fresh opportunities, seek additional markets, and assess product diversification. Our performance in 2022 was the most successful in our history. As we build on our key priorities of sustainability and long term growth, we look forward to reaching even greater heights in the future.

I would like to thank the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz Al Saud, and His Royal Highness Crown Prince Mohammed bin Salman bin Abdulaziz Al Saud for their wider vision for the Kingdom of Saudi Arabia. My thanks also to the Kingdom of Saudi Arabia's Government for their constant support and collaboration.

Thank you to all outgoing Board members and a warm welcome to our new Board members, whose support and insight are highly valued. As always, my gratitude goes out to our Shareholders, whose continued trust enables MEPCO to maintain its position as the largest and most successful paper and packaging company in the Middle East.

Achieved sales of more than

SAR 1 billion

Group President's Message

Strong performance. Accelerating ambition.

OUR TRIUMPHS IN 2022 WERE NOT ONLY THE MOST FINANCIALLY SUCCESSFUL IN OUR HISTORY OF MORE THAN 2 DECADES, BUT MEPCO ALSO DEMONSTRATED ITS MARKET STRENGTH, RESILIENCE, AND AGILITY.

ENG. SAMI AL SAFRAN
Group President

We rose above the global challenges and uncertainty to deliver record revenues and profits. While we have continued to reinforce our absolute dominance in the regional paper and packaging industry, we have also invested in a future which will take our Company to unprecedented heights.

We began 2022 with strong market demand and continued to capitalize on the increase in commodity prices for the first 9 months of the year, leading up to the Ukraine conflict with Russia and the global pressure on national economies. Despite the ensuing downward trend in international paper prices, we maintained our stringent strategy of efficiency and cost containment, limiting the inflation of our cost of goods sold to just 3% this year while achieving a 12% increase in annual sales revenue.

MEPCO is a long term investment with long term ambition. With our foundations stretching back more than 20 years, the Company has an unrivalled reputation and track-record for delivering satisfaction to its customers. Our innovation in the past and our vision for the future provides the perfect combination of industry knowledge and business sustainability.

Our aspirations are taking shape at a rapid pace. MEPCO's largest ever expansion, the PM5 facility, will be the fastest high-speed containerboard facility in the Middle East, adding an estimated production capacity of 400,000 tons. While we focused our 2022 production largely in the domestic market, in order to avoid rising shipping costs and logistics challenges, our global presence continues to expand. With the PM5 technology providing a 100% increase in our containerboard capabilities, we anticipate a surge in new opportunities and new markets.

Additionally, as we take a giant leap forward into new product territory, our state-of-the-art, fully automated Juthor tissue plant will contribute significantly to addressing local demand and reduce the need for tissue paper imports. During the first phase of growth, Juthor is expected to cover a quarter of the domestic market demand.

In every aspect of our business model, we are committed to align with the Saudi Vision 2030. Our dedication to conservation has been a priority from our inception and we have consistently improved and adapted our contribution to the environment at each stage of our development. Our operations are built on the premise of recycling and the re-use of eco-friendly materials.

Our waste collection and recycling subsidiary, WASCO, is the largest waste management specialist in the Middle East and at the forefront of recycling innovation. Throughout 2022, WASCO has continued to deliver the required MEPCO tonnage requirements maintaining competitive prices.

As an innovator in technology within the paper production sector, MEPCO's digitization strategy also plays an active part in our environmental practices. Our substantial research and development investment provides significant improvements to our energy and productivity efficiency. In 2022, we implemented SAP Hana, a pioneering database model which provides real-time, multi-model data analytics.

As we continue to drive our market and production expansion, we have enjoyed the full support of our employees, who have passion and motivation to drive the Company's remarkable growth. We ensure we have the most skillful and committed workforce in the paper and packaging sector in the Middle East, offering constant training, new career opportunities and recognition for their achievements. As a testament to our work culture and opportunities to progress, we are delighted that some of our colleagues have been with the Company since the first day of operations.

Looking ahead to 2023 and beyond, our Juthor plant will begin production, marking the start of a vast new revenue channel as we diversify our products as never before. We will continue to drive forward our PM5 project, which will transform the Company in terms of capacity and market expansion.

Following a highly successful first year, MEPCO's Environmental Services Company, Estidama, which currently serves Jeddah City to recycle commercial, industrial and domestic waste products, will serve as a model for MEPCO delivering similar services to other municipalities across the Kingdom of Saudi Arabia.

We will continue our investments in environmental safeguarding, as we enhance MEPCO's circular economy, including focusing on our energy efficiency, recycling water, and more effective waste management.

Our outstanding results in 2022 have reflected our business acumen and market intelligence. We have been adaptable and flexible according to global pressures, while remaining steadfast in our expansion strategies and resolute in our actions. This is a momentous step in MEPCO's journey as we enter a new era of production and strengthen our position as the local, regional, and international leader in our field. We are proud to have delivered on our ambitions and look forward to even more remarkable achievements.

I would like to take this opportunity to express my gratitude to our Chairman and Board of Directors for their guidance and strategic vision, to our partners and suppliers for their ongoing support, and to all our clients in the Kingdom of Saudi Arabia and around the world for their continued trust.

I would also like to extend my sincere gratitude to all employees and colleagues at MEPCO, who are the driving force behind our sustained growth and success. This momentous year is a testament to your efforts, loyalty and belief in our shared vision for the future.

Production capacity of
+400,000 tons

Annual sales revenue of
+12%

Strategy and KPIs

MEPCO Group is a Saudi champion, regional leader, and international player in our sector, with a clear vision for the future and comprehensive strategy to enable us to achieve our objectives and create significant and sustainable value for our Shareholders and all our Stakeholders.

Our Purpose
To be the leading integrated sustainable paper and packaging producer in the Middle East.

Our Vision
To be the leading champion of 'Made in Saudi' sustainable products and largest contributor to the circular paper economy, ensuring sustainable growth and maximizing Stakeholder value.

Our Mission
To lead the industry in sustainability, innovation and quality, while maintaining our commitment to ethical and safe business practices. With our diverse and talented team, we deliver cost-efficient solutions that maximize customer value and benefit the environment.

We strive to remain proud of the consistently high-quality recycled fiber-based products we produce for the industries we serve in the Kingdom of Saudi Arabia, the broader Middle East and North African (MENA) markets, and globally, for decades to come.

Our Values

Collaboration
We are aware of our responsibilities towards the planet and future generations, and always strive to do better. We do our work in collaboration with all Stakeholders to achieve our common goals and objectives.

Excellence
We aim to be above expectations in everything we do.

Compassion
Our care for people extends beyond our employees. We care about our employees, suppliers, customers, environment, and Shareholders.

Integrity
We are honest, ethical, trustworthy, and respectful in everything we do. We acknowledge the thoughts, feelings, and backgrounds of others and treat everyone with honor.

Synergy
We believe in the power of our combined efforts to produce a result greater than the sum of our employees' individual contributions and that working together creates a positive outcome that couldn't be achieved by working alone.

Our Strategic Pillars

Our corporate strategy aims to drive profitable growth for MEPCO Group through a focus on:

SUSTAINABLE PAPER AND PACKAGING

Our paper and packaging business produces a diverse range of products through our paper and tissue units. With multiple containerboard grades and corrugated boxes under the paper line, and jumbo roll production and conversion under the tissue unit, MEPCO has a leading presence in the MENA region, along with the Indian subcontinent and selected European markets.

KPIs

1. Ensure the stability, reliability, and maintainability of our operations through operational excellence.
2. Drive cost containment and discipline, simplicity, and reduced bureaucracy, and transformation across the Group.
3. Commence Group-wide fit-for-purpose and cost-effective SAP platforms.
4. Accelerate the development of new business opportunities.
5. Increase focus on performance management and recognition.

2022 Achievements

1. Announced PM5 and completed basic engineering activities, tendering documents, and initial approval from the Ministry of Energy.
2. Existing facility of 60,000 ton tissue plan was developed and executed.

2023 Goals

1. Detailed engineering and design of PM5 and breaking ground at selected location.
2. First ton produced and sold from tissue facility at KAEC.
3. Progress on aspiration to become national and regional champion in the sector.

INTEGRATED WASTE MANAGEMENT

Through our waste management business lines and partnerships, the Group aims to be a leading waste management developer and service provider, with leadership in collection and focused treatment capabilities.

KPIs

1. Ensure the stability, reliability, and maintainability of our operations through operational excellence.
2. Drive cost containment and discipline, simplicity, and reduced bureaucracy, and transformation across the Group.
3. Commence Group-wide fit-for-purpose and cost-effective SAP platforms.

2022 Achievements

Growing Estidama's position as the first PPP in the Kingdom in the waste industry.

2023 Goals

Implement our integrated waste management strategy through key Stakeholder engagement and alignment.

ENERGY TRANSITION AND SUSTAINABILITY

As part of our circular economy goals, MEPCO is transitioning into developing renewable energy as a source for our production lines by developing integrated waste-to-energy solutions.

KPIs

1. Reduce the environmental impact of our operations.
2. Accelerate clean energy opportunities.

2022 Achievements

Continued to increase our ESG rating as best-in-class amongst our peers.

2023 Goals

Focus on liquid fuels displacement, renewable energy generation, and carbon capturing storage.

PEOPLE AND SAFE PERFORMANCE

Promoting safety for both products and people through employee engagement.

KPIs

1. RCR (Recordable Case Rate) (excluding illnesses) of less than 0.32.
2. Measurement and reporting of leading indicators.
3. Instill our 'One MEPCO' culture of teamwork and collaboration.

2022 Achievements

1. Zero fatalities/reportable accidents for the second consecutive year.
2. Awards: Great Place to Work Certified; Paper Recycling Company of the Year; Qaderoon Award for supporting persons with disabilities and Best CHRO Award.
3. 104 training sessions held to train 783 employees over 2,191 training hours.
4. The Board includes diversity in all criteria; achieved appointment of the first female Board member in MEPCO'S history.
5. Staff members of 15 different nationalities at MEPCO.

2023 Goals

Employer of choice, developing our diverse workforce, and empowering our young female and male talent at all levels of the organization to sustainably deliver our strategy.

FIT-FOR-PURPOSE AND SOUND GOVERNANCE

MEPCO Group focuses on ensuring independence, accountability and transparency on our structure, financial reporting, internal controls and procedures, and decision-making processes.

KPIs

1. Continue to focus on Board diversity (i.e., skills, experience, background, age, gender and ethnicity).
2. Succession planning for key roles across the Group.
3. World-class execution of our projects through activation and embedding a well governed EPMO (Enterprise Project Management Office) function.

2022 Achievements

1. Adopted Board portal solution that increased the Board and Management meeting efficiency, security, and to facilitate information flows, decision-making, and follow-ups amongst Board and Committee members.
2. Improved the effectiveness of internal control supervision and oversight, and provided the required tools.
3. Established the RSC (Risk, Compliance and ESG) Committee and shifted the risk responsibility to it and shifted the governance responsibility to the NRC.

2023 Goals

1. Activate the role of the Shareholders in the Company and facilitate exercising of their rights.
2. Define the roles and responsibilities of the Board and the Executive Management.

Market Review

The Saudi Arabian Economy

In 2022, the Kingdom of Saudi Arabia emerged as the fastest-growing major economy in the world, with projected GDP growth reaching 8.7%. This was driven by strong economic performance due to high energy prices, coupled with continuous expansion in non-oil industries. Efforts to diversify the economy and reduce reliance on oil and its related industries continued throughout the year. The Public Investment Fund (PIF), recognized as one of the largest sovereign wealth funds globally, completed several significant purchases and investments during this period.

The fiscal position of the Kingdom of Saudi Arabia witnessed a significant improvement in 2022, as it achieved a budget surplus for the first time since 2013. This surplus further augments the funds available for the Kingdom's Vision 2030 economic diversification initiatives. Furthermore, the Kingdom of Saudi Arabia has undertaken a series of reforms aimed at attracting foreign investment, enhancing the business environment, and fostering greater private-sector engagement in driving economic growth. These reforms have been instrumental in facilitating the establishment and growth of startups while also lowering obstacles for foreign companies seeking to invest in the country's economy. These initiatives align closely with the objectives set forth in Saudi Vision 2030 and will play a pivotal role in supporting the Kingdom's long term development.

The Saudi Paper Sector

In 2022, the paper market in the Kingdom experienced robust development, emerging as one of the fastest-growing markets worldwide. It is projected to witness substantial growth from USD 2,206 million in 2023 to USD 2,709 million by 2028, representing a Compound Annual Growth Rate (CAGR) of 4.20% forecast over this period. This growth can be attributed to several factors, including an increasing emphasis on sustainability and a growing shift away from single-use plastic packaging towards alternative packaging solutions.

The rising global focus on sustainability has propelled the demand for eco-friendly packaging materials, leading to a surge in the adoption of paper and paperboard packaging solutions in the Kingdom of Saudi Arabia. Additionally, the implementation of bans on single-use plastic packaging has further driven the market's growth. As a result, there is a growing demand for packaging solutions that are both customer-friendly and offer enhanced product protection. Paper and paperboard packaging are being seen as viable and cost-effective alternatives to meet these requirements.

Moreover, the ongoing e-commerce boom has significantly supported the growth of the paper industry in the Kingdom of Saudi Arabia. With the increasing popularity of online shopping, the need for efficient and secure packaging materials has become crucial. Paper and paperboard packaging have emerged as reliable choices for ensuring safe product delivery, thus driving the industry's expansion.

While the COVID-19 pandemic caused disruptions and production bottlenecks, it also presented numerous opportunities for the paper industry. Consumer behavior and preferences have played a vital role in driving industry growth, particularly due to the increased consumption of paper products driven by the demand for health and cleanliness items. Additionally, the ongoing Russia-Ukraine war in Europe has contributed to the expansion of fresh investments in the Kingdom's paper industry, as it is an energy-intensive sector.

The Year Ahead

Although the region has been impacted by external factors that have created uncertainties and obstacles, there are positive indicators that suggest the economic prospects for the country remain strong. The Kingdom will continue to show its strong commitment to implementing projects that align with Vision 2030 and support economic growth and diversification.

The travel, tourism and hospitality sector is expected to experience a revival, with international visitors gradually returning to pre-pandemic levels. There is a possibility that the sector could fully recover by the end of 2023 or by 2024. This recovery, combined with the sustained income from oil revenues and the ongoing diversification efforts, positions the Kingdom of Saudi Arabia well to navigate external challenges and continue its growth trajectory.

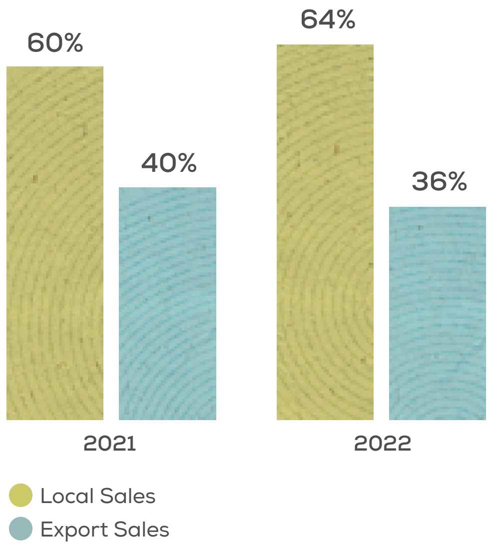
Although the economic growth in 2023 is expected to be slower compared to previous years, it is still projected to remain solid, with an estimated growth rate of 3.1%. Moreover, the Kingdom will continue to benefit from robust oil revenues, as oil prices are expected to remain above its fiscal breakeven price throughout 2023.

GCFO's Review

HAVING SURPASSED THE SAR 1 BILLION RECORD SET IN 2021, MEPCO MAINTAINED OUR OUTSTANDING TRAJECTORY IN 2022, ASSERTING OUR STANDING AS A THRIVING, SUSTAINABLE BUSINESS MODEL WITH A PROVEN STRATEGY OF LONG TERM GROWTH AND UNEQUALLED AMBITION.

In a remarkable period of progress, MEPCO's total revenues of SAR 1.187 million in 2022 saw a year-on-year increase of 12.3%, leading to another record-breaking gross profit of SAR 503 million, up by a full 27.6%. Despite the global challenges of supply disruption, inflation, the Russian conflict with Ukraine, and the post-pandemic aftershocks, the Company has thrived in the face of adversity, using our market agility to supply the local market rather than focus on our international channels.

Local vs. Export Sales (%)



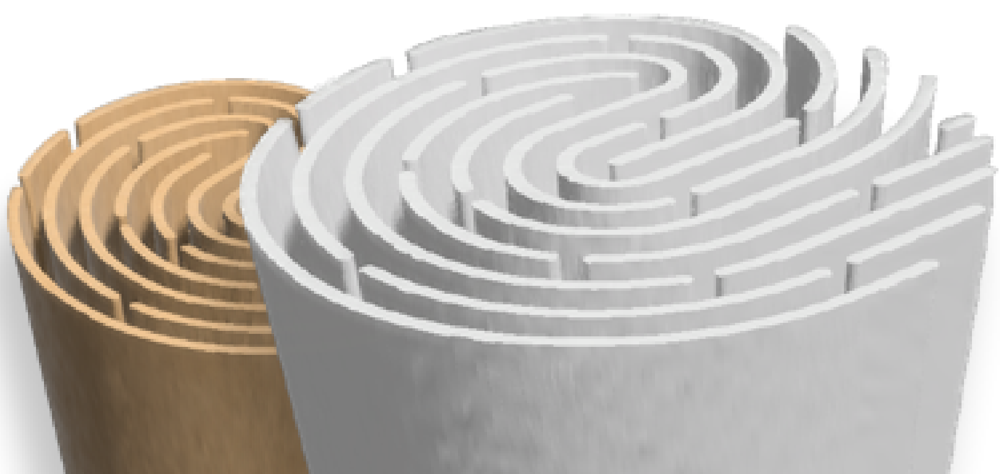
Our operational excellence, combined with the strong economy of the Kingdom of Saudi Arabia has enabled us to reach new markets, diversify our products, and forge new partnerships. The result has been inspirational, with a net income of SAR 270 million, an increase of 22.2% over 2021 and EBITDA of SAR 304 million, up by 25.6%. The immense success of 2022 and our capital increase through 1:3 bonus shares further highlights the confidence we have in our path of market growth and production expansion.

As a business focused on sustainability growth, we are reaping the rewards of our previous strategic successes while also working towards our wider vision for the future and the opportunities it presents.

With the PM5 facility, we will effectively double both our capacity and revenues in a growing market, widening the space between ourselves and our competitors exponentially. In addition, our investment in technology and digitization has been instrumental in our cost optimization and operational efficiency. Our cutting-edge digital solutions provide data-driven insights to ensure we are streamlined as an organization and innovative as a manufacturer, positioning MEPCO for strong and sustainable growth moving forward.

Financial Highlights

Sales Revenue	SAR 1.19 billion	+12.3%
Gross Profit	SAR 503 million	+27.6%
Gross Profit Margin	42.4%	+5.1 bps
EBITDA	SAR 304 million	+25.6%
EBITDA Margin	25.6%	+2.7 bps
Net Income	SAR 270 million	+22.2%
Net Income Margin	22.7%	+1.8 bps
Debt to Equity Ratio	0.46X	-31.3%
Total Debt	SAR 544 million	-17.4%
Total Equity	SAR 1,184 million	+20.3%
Working Capital	SAR 529 million	+34%
Working Capital Ratio	2.87	+0.9 points



Our People

The people who make up the MEPCO working family are the greatest force behind its success. Their dedication, knowledge, skills, and ethics drive each new boundary and strengthen our standing as the number one paper and packaging company in the region. From every level in every role, their contributions continue to innovate and accelerate the Group's performance and success.

With nearly 1,200 employees, our workforce is culturally diverse and highly multinational, with 15 countries from around the world represented across all departments, divisions, and positions. Our Saudization program was in the green category in accordance with the Nitaqat program, with women constituting 13% of the Saudi workforce.

In a year of such tremendous progress for the Company, our existing human resources have needed to increase their breadth of knowledge and our recruitment programs have rapidly developed. Through increased engagement and upskilling we have ensured our employees have performed at a rapid pace with the right expertise to excel in their roles in order to drive the milestone achievements of the MEPCO Group.

Key Objectives for our People

- Maintain our safety track-record.
- Increase the share of women in Management and across all functions of the Company.
- Increase Saudization among our employees and Senior Management.

Attract New Talent

As part of our recruitment initiatives, we launched 4 talent acquisition campaigns in the Kingdom of Saudi Arabia, the United Arab Emirates, Egypt, and Indonesia in order to attract key talent and industry experts to meet current and future business needs.

We recruited more than 100 employees for the MEPCO Group from C-level to skilled blue-collar staff. Positions ranged from Group CFO and Project Director to Head of Maintenance, Procurement Manager, and Investor Relations Manager. In addition, Hawazen Nasief has joined the Board of Directors, and Ms. Natalie Potvin has been appointed as a member of the Nomination and Remuneration Committee. Of the number hired, 30% are Saudi nationals and 5% are women, as we seek to maintain our philosophy of equality regardless of race, culture, disability, nationality or gender.

Respect and Retain

Our motivation and incentive strategies of performance rewards and financial bonuses have contributed to our success as an employer of choice, with a workforce retention rate of 70% over the past 5 years. The basis of our retention covers the entire chain of onboarding and orientation, mentorship programs, total reward policy, open communication, learning and development opportunities, employee engagement, flexible working hours, and teamwork.

More than that, we have respect for each other, a common understanding that every man and woman in the Company is equal, and a Company-wide belief in our part of the Group's success.

Our appreciation of our workforce ensures that we will always offer competitive compensation and benefits including overtime payments, performance-based annual bonuses, children's education allowances, comprehensive health insurance, parental leave, generous annual vacations, and air tickets. Our salary structure is reviewed on an annual basis in collaboration with the leading global management consulting firm Korn Ferry.

CONDUCTED MORE THAN 100 TRAINING PROGRAMS, ATTENDED BY OVER 700 EMPLOYEES.

Intensive Training

It is essential that we continue to invest heavily in learning and development programs in such a fast-evolving industry and for us to strengthen our regional market share, as well as allowing our people to reach their full potential.

In collaboration with world-class learning centers, we provided a high level of courses, including KAUST (King Abdullah University of Science and Technology), bridging training, Dr. Suliman Fakeeh Hospital, and TÜV SÜD Service Center. In total, we conducted more than 100 training programs totaling 2,200 hours which were attended by over 700 employees.

The Saudi Workforce

We are ambitious in acquiring and retaining Saudi talent and our commitment to Saudization goes beyond mere numbers. It is a heartfelt dedication to empowering our Saudi employees, equipping them with the skills, knowledge, and confidence they need to excel in their roles and make a lasting impact on MEPCO.

With each step forward, we are forging a brighter future for MEPCO, our employees, and the Saudi Vision 2030. We embrace our role as a catalyst for change as we continue to invest in the development of Saudi talent and contribute to the vision of a sustainable future.

Equal Opportunities

As we continually seek to improve the gender balance and assist women in the workplace to realize their ambitions and potential, we are proud to say that female employment has increased by 69% over the last 2 years. Working across the Company at every level, the success of our strategy to open more opportunities for women is playing a major role in the direction of the Company's future workforce.

We have achieved a work environment in which all individuals are treated fairly and respectfully, and ensures that every employee's voice and opinion is heard and carefully considered in creating a more inclusive work environment where they will be an essential part of the decision-making process.

Community Spirit

Our policy of inclusivity and community promotes employee engagement, providing opportunities for colleagues to enjoy the benefits of working at MEPCO, from the use of our health lounge to celebrations and special occasions.

In 2022, we organized several activities to bring our people together and provide more chances to socialize outside of working hours. From sports tournaments and family gatherings to Saudi Founding Day, we actively encouraged our employees to take part in the Company's annual Ramadan Iftar, Eid Al-Fitr, and Eid Al Adha gatherings.

Social Responsibility

As a stalwart of the community and a champion of the environment, corporate social responsibility is a core element of our business practices. In 2022, we initiated a large number of events and campaigns to ensure MEPCO benefits our surroundings and our people. Overall, we invested around SAR 1.3 million in community projects during the year, equivalent to 2.3% of our annual revenues.

Our annual Ramadan campaign ('To Sustain Goodness') continues to create a sustainable impact and enrich our community well-being by distributing 1,500 food baskets to support needy families. Similarly, in our 'For Them' campaign, in cooperation with the Saudi Clothing team for recycling services, we donated used clothes to those less fortunate than ourselves.

We played a major role in the Qaderoon Forum, which aims to encourage organizations to empower people with disabilities to be equal and effective workforce members. We were delighted to receive the Qaderoon Award 2022 in the Medium Enterprises category.

In supporting the Leadership License Program in Sustainable Development of King Abdulaziz University, MEPCO helped to foster an effective role in building environmentally friendly individual behavior. This creates healthy environment habits, educating the next generation on the importance of sustainability in line with the Saudi Vision 2030.

Awards and Rewards

In 2022, MEPCO received several prestigious awards, recognizing the commitment to our people and creating an exceptional workplace.

Following an extensive evaluation process, including employee surveys and assessments of our Company ethos, policies, and practices, MEPCO was certified as a 'Great Place to Work' by the global authority on workplace culture, demonstrating our total commitment to creating a positive and engaging workplace. This prestigious recognition shines a spotlight on the positive trend in our employee satisfaction rate, which reached 90% this year, compared to 85% in 2020.

We also received a Top CEO Award 2022 recognizing the outstanding leadership of our Chief Executive Officer and his contribution to our Company's success. It reflects his vision, strategic direction, and ability to inspire and empower our employees.

As a Company with the environment at its heart, we were privileged to be named as the 2022 Paper Recycling Company of the Year. This highlights our exceptional efforts in sustainability and acknowledges our commitment to responsible waste management practices and our contributions to the paper recycling industry.

MEPCO's GCHRO Icon of the Year Award 2022 recognizes the exceptional leadership and accomplishments of our Group Chief Human Resources Officer, reflecting his dedication to driving HR excellence, fostering a positive work culture, and implementing innovative HR practices.

These awards and recognitions not only showcase our commitment to our people but also serve as a source of pride for our employees. They affirm that our efforts to create a supportive, engaging, and environmentally conscious workplace are being acknowledged and celebrated by industry experts and professionals.

Our People in 2023

Our employees have driven a record-breaking year for MEPCO, and we are looking forward to increasing their managerial and operational skills in preparation for more to come. We will provide leadership training and development programs to build a strong pipeline of leaders and enhance the skills of current Managers.

Motivation is the key to a successful and satisfied workforce, and we will continue to ensure our people enjoy a more diverse, equitable and inclusive workplace. Our future employee recognition programs, flexible work arrangements, and wellness initiatives will ensure that we create an even more caring and considerate environment where there are no boundaries to opportunities.

03

Business Review

MEPCO as a Group

MEPCO

Middle East Paper Company was established in 2000 for the purpose of manufacturing containerboard and industrial paper from recycled fiber pulp

- The largest paper manufacturers in the MENA region
- More than 20 years of international partnerships
- Global presence across 50+ countries
- Well matured developed ability to deliver across 5 continents
- International trade expertise
- Leading with innovation to boost the sustainability of products and production processes
- MEPCO recycles 90-95% of the water used in production
- MEPCO produces 100% of our own power at our dedication generation facility

WASCO

- 100% MEPCO ownership
- Largest waste collection and sorting company in the Middle East
- 19 collection centers
- 500,000 tons per year collection and recycling capacity
- MEPCO obtains more than 75% of its raw materials and recycled fiber pulp from WASCO

ESTIDAMA

- WASCO joint venture with Jeddah Muncipality
- Scope: Municipal recycling
- Waste collection and sorting
- Waste management

JUTHOR

- New tissue factory
- Projected to satisfy 25% of local demand
- Total installed volume c. 60,000 tons

Paper and Packaging - MEPCO

The success of MEPCO in 2022 has been unparalleled in terms of profit, innovation, expansion, and ethical business practices. We have doubled down on our ambition to grow and realized our goals as a leading supplier of paper and packaging, meeting domestic and international demand while becoming more cost-effective and time efficient. More importantly, we are investing in facilities which will double our output and significantly increase the scope of our products.

Continued Diversification

Our investment in technology, design, and development in 2022 has delivered extra value to our customers and created additional opportunities for the Company as we continue to diversify our products, both strengthening our position in existing markets and entering new territories.

Our strategic investments are driving product development for our core business of containerboard products, as well as specification development to meet evolving market demand for containerboard products more effectively.

MEPCO is now ideally placed to take advantage of the growing market through a proactive strategy of investing for the future.

Delivering Growth

With record-breaking sales revenues of SAR 1.2 billion, we surpassed our previous record of SAR 1.06 billion in 2021, an increase of more than 12%, and our net income of SAR 270 million was 22.2% higher than the previous year.

MEPCO not only showed its resilience in a year of global trade uncertainty, 2022 was the Company's second year in a row of SAR billion revenue results, a testament to its strategy of sustainable growth. As a direct result and in line with the Company's accelerating transformation, MEPCO increased its capital through 1:3 bonus shares, which is indicative of the Company's confidence in sustainable growth and concerted efforts to drive expansion.

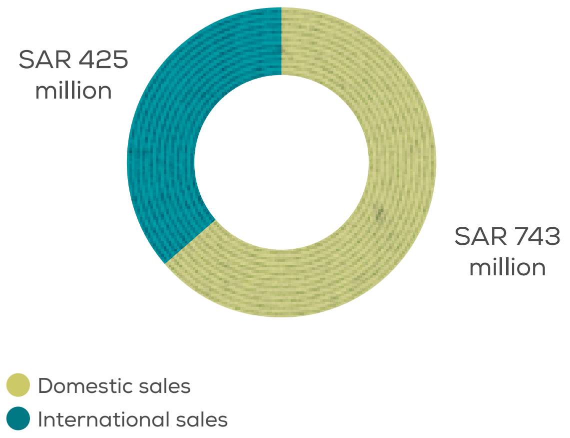
Sustained Resilience

In an unsettling year of rising oil prices, global logistics challenges, and geopolitical unrest, MEPCO still achieved double digit growth across key results in the financial year through robust operational efficiency and the ability to respond to market dynamics with agility and persistence.

Due to increased shipping costs and a disrupted supply chain, MEPCO focused more on the local market in 2022. This accounted for 60% of sales, while we remain safe in the knowledge that we have the agility, capacity and geographical advantage to renew greater emphasis on our international market with immediate effect.

Accordingly, we successfully implemented key improvements in the efficiency and quality of our specialty grades, while working on the sales of local products to reduce the reliance on imports.

Local and International Sales



Market Expansion and Retention

Our sales and marketing teams have been instrumental in our groundbreaking successes, expanding our customer base with more than 50 local, regional, and international new clients as well as developing our presence in the Americas.

We forged a series of alliances, including partnerships with Fastmarkets RISI and Fastmarkets FOEX to incorporate the GCC containerboard price index as well as the international price index to monitor changes in global industry prices more accurately and react accordingly.

In partnering with SAP, we are transforming and enhancing our digital services, automating and aligning our core internal business processes, broadening our B2B customer experience, and deploying e-solutions. This will drive rich omni-channel content management and customization as we expand beyond our ever-growing footprint.

Last year was outstanding in terms of continuing to provide world-class products and world-class services. Our customer satisfaction rate was 95%, with almost zero sales returns (0.1%). We also had zero complaints for our after-sales service.

In order to maintain our strong bonds with existing patrons and create new and lasting ties with potential clients, we actively seek feedback, addressing any concerns promptly and maintaining open lines of communication. Fostering these long-lasting relationships is essential for sustaining our ongoing success.

- Customer base of more than 50 new clients regionally and globally.
- Customer satisfaction rate 95%.
- Zero complaints for our after-sales service.
- Sales return 0.1%.

ESTABLISHED PARTNERSHIPS WITH FASTMARKETS RISI AND FASTMARKETS FOEX THAT WILL COME INTO EFFECT IN 2023

Groundbreaking Efficiency and Digitization

With our sights set firmly on growth and increased market share, MEPCO has reached new levels of efficiency and productivity. We achieved the highest total production in 1 month, while our plasterboard and core board productivity increased by 25%. This was matched by the highest rate of production, beating the previous record by more than 25%, as well as the highest monthly production in 1 month for our PM3 line.

As one of the top companies within the paper and packaging industry to invest heavily in research and development, we are constantly reviewing our digital processes and operations, achieving our energy efficiency and productivity targets to ensure our customers have premium products at the most competitive prices. As part of that drive for digitization, we have implemented new systems SAP S/4HANA and SAP LE Module, a fast and powerful database that provides real-time, multi-model data analytics.

This intense focus on pioneering techniques and digital transformation is a mainstay of the Company's goals of increased production, fast delivery, and our unwavering ESG commitments. Our overarching product development strategy defines a framework for creating new products that are technically feasible, meet customer needs, and are financially rewarding, while ensuring they are aligned with the overall business goals.

Production Milestones in 2022

- Benchmarking and standardization for plasterboard and white top liner.
- Quality testing upgrades.
- New quality tests introduced.
- New dispersing OCC pulp technology to improve productivity, quality, and equipment life.
- New technology pulp refining with reduced energy and high-quality process.
- New fiber development techniques applied to improve strength and quality.
- High-value press belt life improvement by 50%.
- Energy savings projects achieved.
- FSC Mix and Recycled Certification of MEPWHITE and MEPKRAFT.

MEPCO REACHED ITS HIGHEST MONTHLY PRODUCTION BY 25%

Investing in Future Growth

As we continue our primary objective of being the region's most trusted and productive supplier of paper and packaging in the region, our Board of Directors has approved the final feasibility studies for the PM5 production line, the largest expansion in the Company's history.

As the fastest high-speed containerboard facility in the Middle East, we will focus on lightweight containerboard grades, with a total investment of SAR 1.5 billion and an approximate internal rate of return of 15%. With an estimated production capacity of 400,000 tons, the new facility is expected to double MEPCO's overall production capacity and nearly double the Company's revenues.

The milestone PM5 facility not only reinforces MEPCO's dynamic and transformative long term growth, but it is also a commitment to our ongoing investment in innovation and groundbreaking industry practices. In order to meet and exceed the demands of our existing and potential customer base, it is essential that we continue to operate with world-class technology to produce world-class products at an industry-leading pace.

MEPCO's product development and transformation in a culture that supports continuous improvement and innovation has supported our teams to build minimally viable industry products. This acceleration in the development cycle enables these new products to enter the market at a faster rate than traditional incremental development while also reducing cost. The rapid development process allows MEPCO to respond to market demands more quickly and act on customer feedback.

As our diverse range of containerboard grades continues to expand, MEPCO's production and operational focus changed to high-quality and enhanced productivity related to special grades of paper and packaging. We focused on cost reduction in all aspects of chemical, starch, and fiber key cost elements.

Broadening Horizons

MEPCO now offers new high-performance fluting, test liner, semi-chemical fluting, kraft liner board, dual use, and white top test liner along with other grades of industrial, construction, and consumer materials. As we broaden our operational horizons, we have the industrial expertise to improve our processes and provide even more globally competitive products.

In 2022, we developed the capability to enhance our output of high-quality special grades and high-performance core board. This extends our existing product portfolio through manufacturing spiral paper tubes, paper cones, high-strength heavy duty core tube, rolls edge protectors, and angle board. We are one of only a handful of mills in the world with the capacity to manufacture this strength of core board.

Our products now cover the entire grade range – from the lowest ply bond grade all the way to the strongest core board grades available on the market. MEPCO has also extended its portfolio to lower GSM plasterboard liner grades, enabling customers to produce extra board in the most cost-effective way.

Products

Product Lines		Category	Product Description	End Use
	Containerboard	**Mepliner**	Outer and inner layers of a carton box	- Consumer goods packaging - Industrial goods - Carton boxes for logistics - Food and fresh produce packaging
	Containerboard	**Mepflute**	Corrugating medium layer of a carton box	
	Containerboard	**Mepchem**	Corrugating medium layer of a carton box, chemically treated	
	Containerboard	**Mepkraft**	Outer and inner layers of a carton box	
	Containerboard	**Mepwhite**	Outer and inner layers of a carton box	
	Containerboard	**Mepdual**	Mixture of Mepflute and Mepliner outer and inner layers of a carton box	
		Mepgypsum	Layers of linerboard bonded to a gypsum plaster core forming a wallboard	Interior wall linings Gypsum board
		Meplaminate	Layers of laminates applied in finishing surfaces of furniture	Wood furniture, flooring, and industrial films

Recognition

As part of our continuous drive to be the industry's most professional and innovative company in the Middle East, 2022 proved to be an exceptional year in terms of our progress and expansion. In recognition of our efforts and accomplishments, we were honored to win the International PPI award 'Mill Manager of the Year'.

The Journey Ahead

With a philosophy that has the consumer at the heart of our operations, we have both instigated and completed new products and production methods in 2022, which will continue to deliver exceptional innovative paper and packaging solutions. Our focus on the future of the industry drives MEPCO's strategies of digitization, diversification, and expansion, which will continue to evolve, benefiting our customers, our Company, and our Shareholders.

We will continue to enhance the quality of our portfolio while streamlining costs and improving our productivity. With the prospect of greater success ahead, both in our production capabilities and in our product development, we will continue to extend our lead over regional competitors.

Waste Development - WASCO

As we continue our journey of rapid service growth and geographical expansion, 2022 has been a milestone year for Waste Collection and Recycling Co. Ltd (WASCO), reaffirming our position as the largest waste management specialist in the Middle East. Our recovery and capacity have doubled in some key districts, while increasing the number of our collection centers from 1 center in 2002 to 17 across the MENA region, at the same time improving our efficiency and reducing costs.

At the forefront of recycling innovation, WASCO is helping to formulate cutting-edge waste management plans to ensure we deliver the required tonnage, while maintaining competitive prices. With constant advances across 2022, including enhancing supplier confidence, customer satisfaction, and technology upgrades, we have moved forwards at an outstanding rate in terms of both quantity and quality.

WASCO, A FULLY OWNED SUBSIDIARY OF MEPCO, IS THE MIDDLE EAST'S LARGEST WASTE COLLECTION AND SORTING COMPANY, WITH 19 COLLECTION CENTERS IN THE KINGDOM AND A TOTAL CAPACITY OF

500,000

TONS PER YEAR.

Financial Results and Growth

Having been founded in 2004 to act as the independent collection arm for MEPCO to source its raw material, WASCO accelerated its functions to include processing high-value dry recyclable materials, including fiber, plastics, and metals. In 2022, WASCO initiated contracts with major private companies, educational institutions, residential areas, and Government organizations in each city across the Kingdom to collect and process their waste materials, in addition to the 3 municipalities already established.

Strategic Successes

These expanding strategic partnerships for different activities, including those with commercial waste producers, off-takers, technology providers and construction companies, align perfectly with our waste management targets. This includes our public-private partnership with the Jeddah Municipality through the ESTIDAMA Environmental Services Company.

Reinforcing WASCO's ability to transform the nation's waste management plans, diversify revenue streams, maintain cost competitiveness, and deliver operational excellence, we continue to be a value-added organization to the community. Supporting Vision 2030, we are diversifying the Kingdom of Saudi Arabia's economy and providing quality products that are 'Made in Saudi' to the rest of the world.

Our fleet of more than 200 collection vehicles and highly experienced operators ensure a fast and efficient service that our suppliers and customers have relied on since our foundation. They are also environmentally aware that WASCO is a pioneer in recycling innovation and education in the region, reducing the industry's carbon footprint and helping to protect ecosystems.

As we help to formulate cutting-edge waste management processes, we have embraced and driven innovative, digitally integrated products, and solutions that enhance cost-efficiency and provide the greatest sustainable return for all our Stakeholders.

Our Environment and People

In 2022, we reinforced our brand as the most prominent name in the circular economy, ensuring advanced environmentally conscious support for the Saudi Green Initiative. As part of that commitment, WASCO has initiated workshops and education projects in collaboration with the Ministry of Education, environmental groups, government agencies, and charitable institutions. We believe awareness and understanding are crucial in informing and enlightening the public of the importance of environmental responsibility.

Recognized for Excellence

In recognition of our great strides forward in every aspect of the business in 2022, we were delighted to receive the coveted industry 'Personality of the Year' Award for Waste Management from the the Kingdom of Saudi Arabia Cleaning, Waste Management, and FM Awards. The honor is based largely on manufacturing processes, ergonomics and user-friendliness, eco-friendly features, applications, and its applicability in the Middle East market.

The Way Forward

Looking ahead to the remainder of 2023 and beyond, we will continue to supply the highest quality raw materials to our customers and prepare for the anticipated increase in demand as the momentous MEPCO PM5 project gains momentum.

Our plans for service and market growth will make significant progress through expanding and enhancing waste management contracts with existing clients and potential new partnerships.

In particular, as we open dialogue with other municipalities to work with WASCO, we will focus on our ambitious waste management strategy for government-driven policy, reinforcing our position at the forefront of the Kingdom's waste management sector.

Waste Development - ESTIDAMA

Estidama is transforming the waste management value chain in the Kingdom of Saudi Arabia through a groundbreaking Public-Private Partnership (PPP) in Jeddah that represents a disruptive model for sustainable waste collection for the future of the Kingdom.

As part of the MEPCO philosophy to operate as a champion of the environment in all its operations, the Company seeks to minimize waste and recycle as many raw materials as possible in order to promote environmental sustainability and optimize costs.

As the result of a joint venture launched in 2021 between the Company's wholly-owned subsidiary Waste Collection and Recycling Company (WASCO) and Jeddah Development and Urban Regeneration Company (JDURC), owned by Jeddah Municipality, the Estidama Environmental Services Company now serves Jeddah City to recycle commercial, industrial, and domestic waste products.

Estidama plays a vital role in collecting recyclable materials that are segregated at source by the commercial sector as well as receives recyclables collected and transported by recyclable transporters and cleaning companies. In addition, Estidama also monitors and reports informal practices in the market. Estidama also feeds local industries with recyclables to be used as raw materials in their manufacturing processes.

THE FORWARD-THINKING ESTIDAMA PUBLIC-PRIVATE PARTNERSHIP IS IN FULL ALIGNMENT WITH SAUDI VISION 2030 TO TRANSFORM THE KINGDOM OF SAUDI ARABIA INTO A GREEN ECONOMY, ACHIEVING ECONOMIC AND ENVIRONMENTAL TARGETS.

The forward-thinking Estidama PPP is in full alignment with Saudi Vision 2030 to transform the Kingdom of Saudi Arabia into a green economy, achieving economic and environmental targets. With an opportunity to replicate the Estidama model in other cities within the Kingdom, the Company could commercialize and regulate the market on a far wider scale.

Estidama made major strides in 2022, gaining momentum as a prominent waste management company, collecting and receiving recyclable materials segregated at source. Estidama's strategy is to increase the rate of formal trading of recoverable materials in the local market through redirecting the flow of quantities from the random market to the formal value chain. Estidama also supports MEPCO by ensuring a continuous supply of waste cardboard and paper.

During the year, Estidama opened a new branch in the Um Hableen district and registered 33 new contracts, in line with its focus on developing the waste management value chain of Jeddah City.

Estidama, a ground-breaking joint venture between WASCO and Jeddah Municipality, is an innovative Public-Private Partnership setting a new standard for municipal waste management in the Kingdom.

As a guardian of sustainability and a custodian of the local environment, Estidama also reported more than 1,600 violations of responsible recycling.

In 2023, Estidama will be investing in a Jeddah landfill and establishing contracts with cleaning companies to purchase recoverable materials collected from residential and commercial sectors. It will also look to build on the success of the Jeddah partnership to expand and extend the model to other municipalities across the Kingdom for accelerating impact.

ESTIDAMA REGISTERED

33

NEW CONTRACTS, FURTHER DEVELOPING WASTE MANAGEMENT

Tissues - JUTHOR

MEPCO's strategy of diversification has had a profound effect on its long term goals and production investments. During a record-breaking year of sales and profits, the Company's construction of the new Juthor tissue plant will create a significant impact in the market and ease both the cost and the pressure of local businesses previously reliant on tissue imports.

As one of the top 10 tissue importers in the world, the Kingdom of Saudi Arabia will now have the facility to produce 20-25% of the local demand of 250,000 tons.

With a production capacity of 60,000 tons, Juthor will be the Kingdom of Saudi Arabia's first cutting-edge tissue manufacturer, producing a range of tissue products, including facial, pocket, napkin, toilet, kitchen towel, and c-fold, all of which are 'Saudi Made' accredited, catering to every domestic, business, and retail sector's needs.

In localizing tissue paper production, MEPCO is capitalizing on a robust post-pandemic demand for hygienic paper products, favorable demographics, strong GDP per capita, and increasing urbanization and tourism. With the high-speed production capabilities at Juthor, we will be able to play an essential role in meeting many of those growing demands.

Despite the challenges brought about by COVID-19 and the global logistical difficulties in 2022, MEPCO continued to work to deadlines, completing all structural work and installing tissue machinery as well as completing civil work for the gas turbine and finalizing operational facilities in preparation for our launch in 2023.

Our environmental, social, and governance policies are at the heart of everything we do and the pioneering Toscotec-supplied tissue machine at the Juthor plant in King Abdullah Economic City will manage the lowest level of carbon emissions. Juthor is also powered by clean and efficient natural gas and has dedicated water treatment facilities as part of our target of zero effluent water discharge.

With this great leap forward into further diversification for MEPCO, Juthor will employ more than 100 skilled employees in its first year of production. We will build and enhance a culture that lists health and safety as a priority and optimizes efficiency without compromising the care of our colleagues.

In line with our end-to-end value chain, our premium product quality will be matched by premium customer service and after-sales excellence that MEPCO customers know is second to none.

SET TO LAUNCH IN 2023, JUTHOR, MEPCO'S NEW TISSUE FACTORY WITH A PRODUCTION CAPACITY OF

60,000

TONS OF HIGH-QUALITY TISSUE PAPERS, INTENDS TO SUPPLY A SIGNIFICANT PERCENTAGE TO THE KINGDOM'S GROWING DEMAND.

Outlook: JUTHOR Test Run April 2023

FACTORY

Horizontal expansion in production of jumbo tissue rolls

PRODUCTION VOLUME

60,000 tons

TECHNOLOGY APPLIED

State-of-the-art tissue machinery supplied by TOSCOTEC

LOCATION

Industrial Valley in King Abdullah Economic City

PRODUCTS

Kitchen Towels, Facial Tissues, Pocket Tissues, Napkins, C Fold

ESTIMATED GROSS MARGIN

25%

04 Sustainability

Sustainability

MEPCO has always acknowledged its fundamental responsibility to be a champion for sustainability in all its forms in our industry and markets. In every aspect of our operations, we are conscious of our effect on the physical, biological, and human community in which we live and work, taking proactive steps to ensure that we not only maximize efficiency and mitigate our waste, to decrease our environmental footprint, but also create a positive impact through our operations for our people and communities.

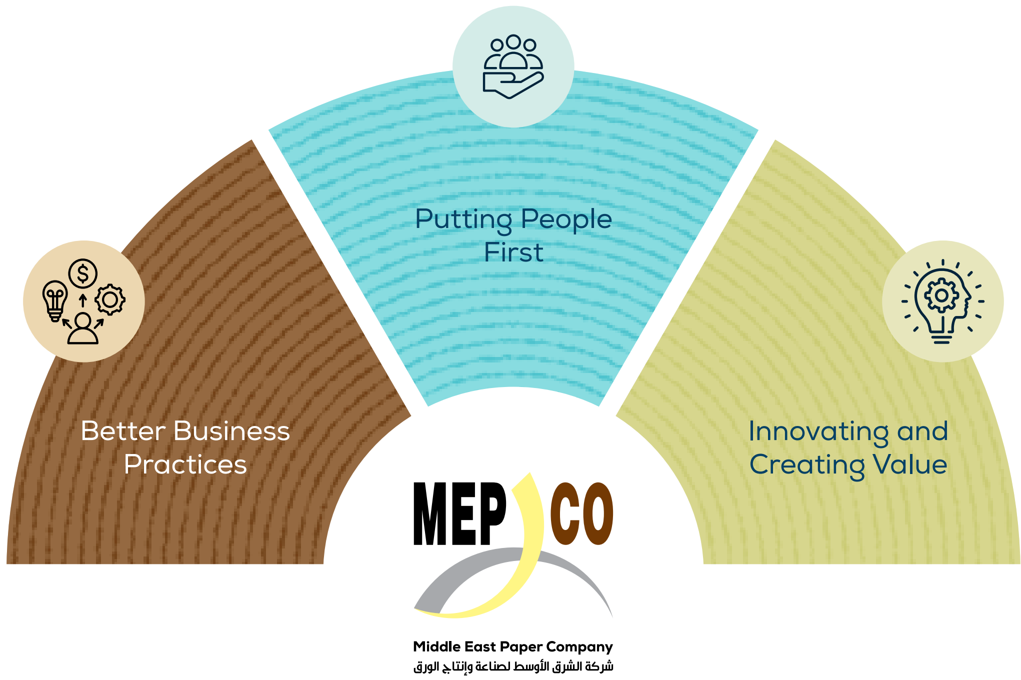
Our broad and varied sustainability commitments and initiatives are designed and delivered through our sustainability framework. Launched in 2020, this framework was developed and is being implemented across our organization and operations each day, in close alignment with the UN Sustainable Development Goals, Saudi Vision 2030, and its associated programs, such as the Saudi Green Initiative.

Our 3-pillar framework summarizes our commitment as a responsible corporate citizen, making sure our own business practices are sound – from governance and risk management to our direct environmental footprint and engagements with suppliers along the value chain.

It also emphasizes our role as a responsible paper and cardboard producer, whereby we strive to constantly innovate our products and processes to provide the best quality to our customers, while ensuring we protect the planet and people around us.

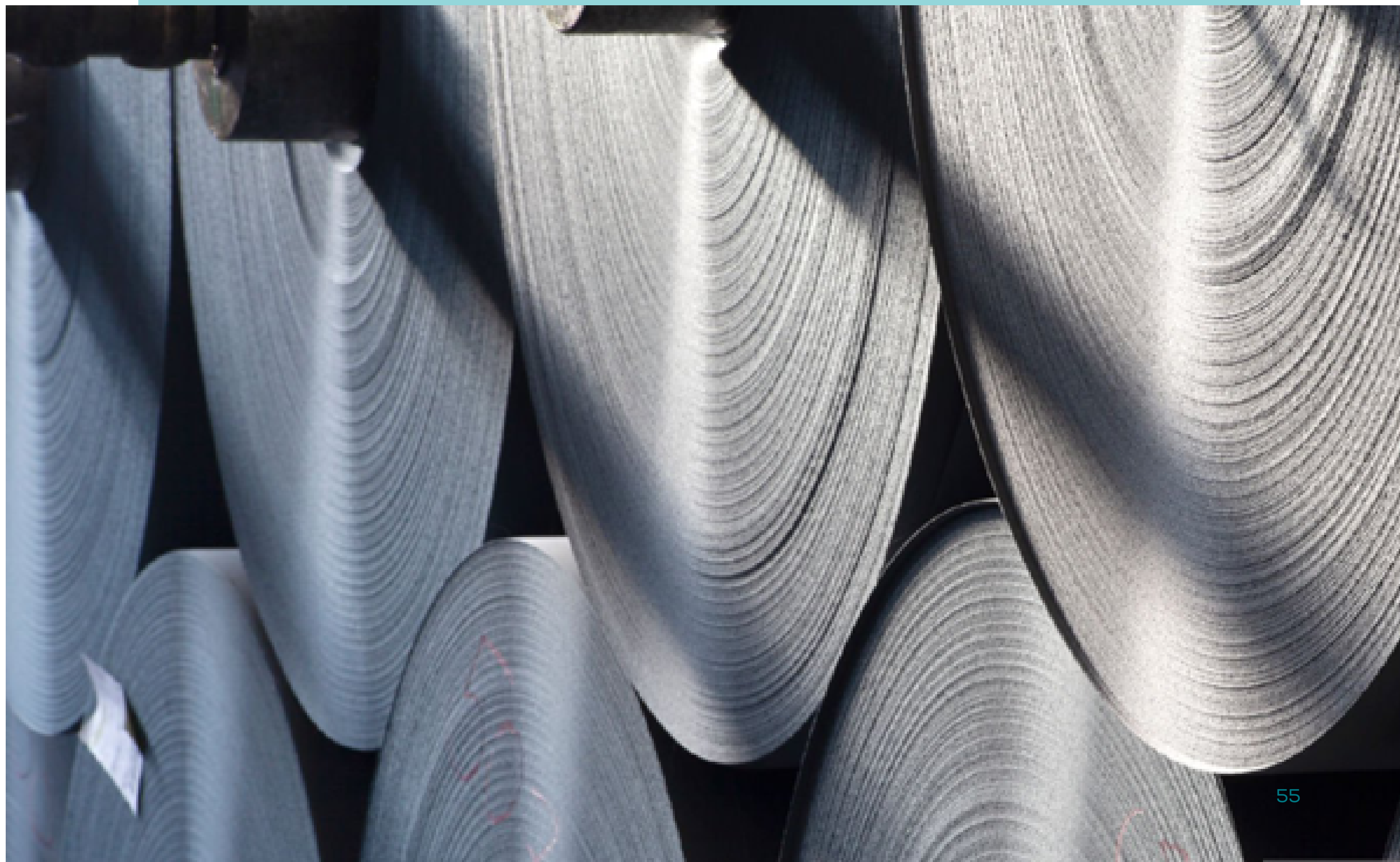
Lastly, it sheds light on our approach to ensuring the health of our employees, as well as offering them the best opportunities to develop their skills. This also reflects our contribution to the local community as part of our engagement, education, and employment programs.

Over the years, our approach has evolved in keeping with our commitments to sustainability. We have developed a more defined strategy, conducted a Stakeholder survey to identify our most material issues, and published our third Sustainability Report, which has provided further information on our achievements and goals in alignment with our strategic framework. We have also updated our corporate vision, mission, and values to reflect our heightened focus on responsible business practices and circularity.



Our Contribution to Saudi Vision 2030

Target	How MEPCO Contributes
Diversifying the economy	MEPCO invests in research and development, promoting sustainable practices and growth in the paper industry.
Enhancing environmental sustainability	We implement eco-friendly practices to minimize our environmental footprint and foster a circular economy, through sustainable sourcing of materials, promoting energy and water efficiency, waste reduction, and recycling efforts.
Promoting local content and job creation	We prioritize the hiring and development of local talent, fostering a skilled workforce that contributes to the Kingdom of Saudi Arabia's growth.
Supporting small and medium-sized enterprises (SMEs)	MEPCO collaborates with SMEs in the supply chain, contributing to their growth and development.



Our Contribution to the UN SDGs

SDGs	How MEPCO Contributes
4 QUALITY EDUCATION	We promote learning opportunities and collaborate with the Higher Institute for Paper and Industrial Technologies to provide quality education. MEPCO established the institute to train Saudi youth in vocational and administrative fields, creating future employment opportunities.
5 GENDER EQUALITY	MEPCO's Global Salary Policy ensures fair and competitive earnings based on market trends, while promoting diversity, female employment, and equal representation.
8 DECENT WORK AND ECONOMIC GROWTH	We focus on sustainable growth while prioritizing a healthy and safe work environment. Our employee engagement and development programs, alongside professional opportunities, are designed to empower and motivate employees and enhance their overall work experience.
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	MEPCO thrives on innovation and pioneering technology. We invest in creating high-quality, innovative products and leverage digitalization to boost productivity across our processes, ensuring success in the modern business landscape.
10 REDUCED INEQUALITIES	We provide educational opportunities and support local employment to reduce social and economic inequalities in the regions we operate in.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	MEPCO emphasizes operational efficiency, responsible production, and a circular economy approach. Our products have recyclable and biodegradable features, reducing waste and promoting environmental performance.
13 CLIMATE ACTION	To mitigate the negative effects of climate change, we deploy energy efficiency measures, increase recycled material use, and reduce our water consumption. By avoiding the use of virgin fibers in the paper production process, we avoid the destruction of forests which are a quintessential carbon sink.

Sustainability Highlights and Objectives

Better Business Practices

2022 Achievements

95% utilization of recycled input materials, almost eliminating the use of virgin materials.

82% of our product range is now FSC certified, thanks to recent certifications of our MEPWHITE and MEPKRAFT products.

43.3% increase in recycled wastewater utilization.

Integrated technologies led to an **8.27%** reduction in total water consumption.

No significant hazardous waste spills occurred in 2022.

3.85% reduction in electricity consumption compared to 2021.

3.94% decrease in Scope 1 and 2 emissions, reaching 490,033 tons CO2eq compared to 2021.

Decrease in NOx and PM emissions by **1.55%** and **3.23%** respectively.

Consistent level of SOx emissions over the past 3 years.

56% of suppliers were local, with 67.4% of procurement spending allocated.

Zero fines or sanctions for non-compliance and no incidents of corruption.

Future Objectives

10% reduction of water consumption by 2025 and 15% reduction of water intensity by 2030 (compared to 2019 baseline).

20% increase in recycling capacity due to upgrading our effluent treatment plant in 2023.

5% reduction of energy consumption by 2025.

15% reduction of waste generation by 2025.

10% reduction of greenhouse gas emissions by 2025.

70% local suppliers by 2030.



Sustainability Highlights and Objectives

Innovating and Creating Value

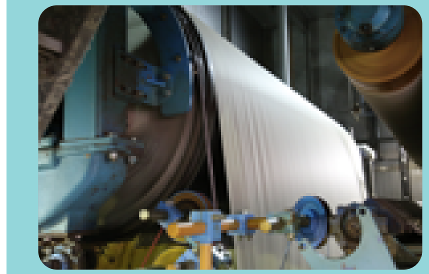
2022 Achievements

Revenues surged to SAR 1,167,957,709; a 12.96% increase compared to 2021.

Embarked on our digital transformation project to streamline our business processes and increase efficiencies.

Implemented new testing measures, such as measuring cockling in board products, upgrading measuring equipment, and implementing an online quality compliance system.

95% customer satisfaction level and zero complaints recorded.



Future Objectives

Finalize plans for establishing and running a fifth paper mill that will focus on lightweight containerboard grades - with an estimated production capacity of 400,000 tons per year. This will almost double our capacity and hence marks the largest expansion in the Company's history.

To further diversify our portfolio, we are building a 60,000 tons per annum tissue jumbo roll manufacturing facility in King Abdullah Economic City (KAEC), with an expected date of completion set for the second quarter of 2023.

Finalize the development and implementation of the comprehensive cybersecurity framework.

Sustainability Highlights and Objectives

Putting People First

2022 Achievements

Received the 'Great Place to Work' award, underlining the positive trend in our employee satisfaction rate, which reached 90% this year, compared to 85% in 2020.

100% of our employees received a performance and career review.

Zero grievances and zero discrimination or harassment cases in our operations.

Revised our Safety Guidelines to address general emergency response, personal hygiene, and sanitation processes.

Zero safety incident investigations were required.

1,029 hours of vital health and safety training were delivered.

Initiated a monthly Safety Champion program, recognizing and rewarding individuals for their active role in safety management.

9 employees were enrolled in our ESG sustainability training program, completing 14 hours of training each.

Saudi nationalization, categorized as Platinum under the Nitaqat program in the green category.

SAR 1,294,758,000 invested in community projects – 2.3% of our revenues in 2022.

Received a certificate of appreciation from Qaderoon for our participation in the Jeddah Qaderoon Forum, which aims to make Jeddah a friendly city for people with special needs.

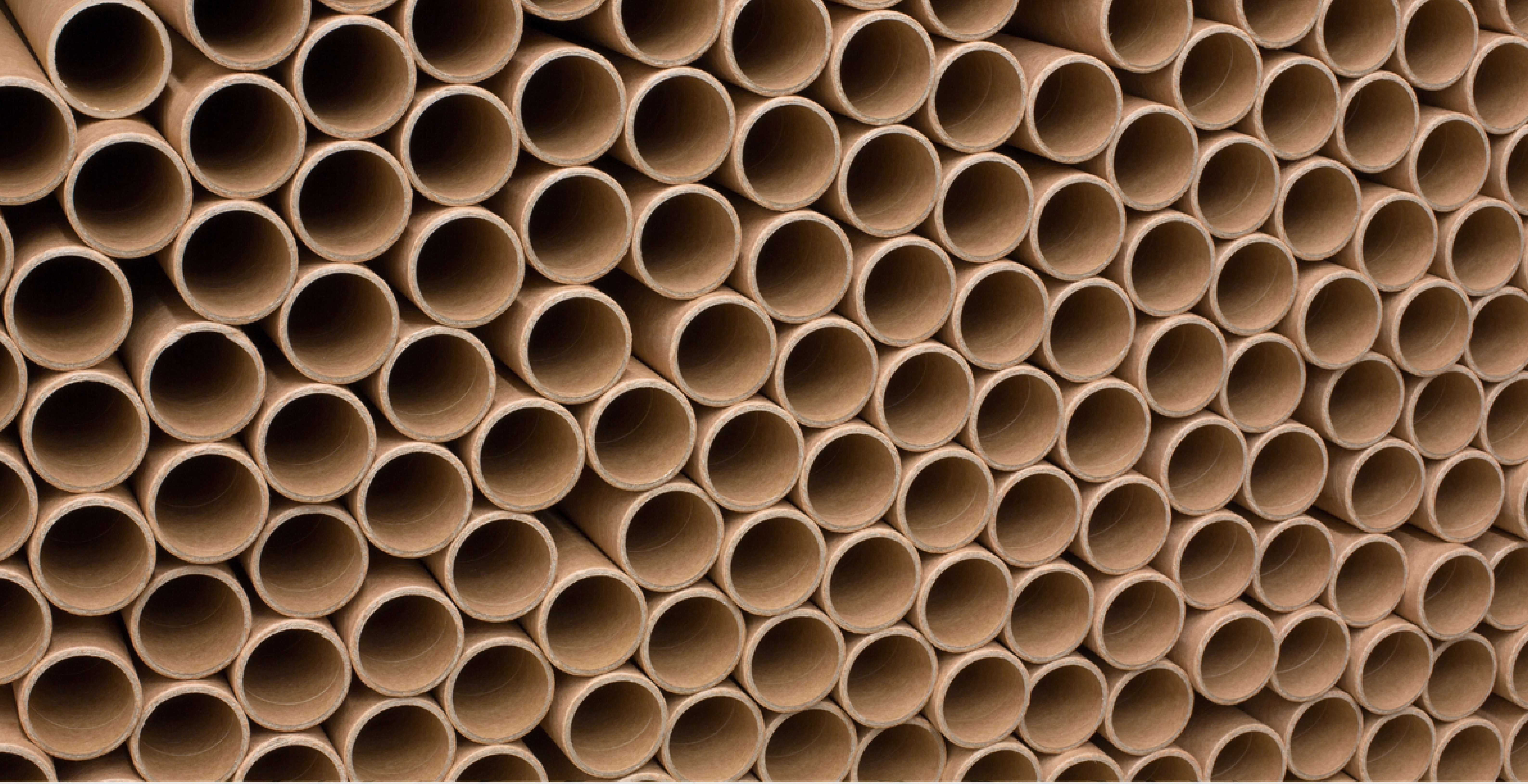
Our employees volunteered for a total of 350 hours on various community projects.

Future Objectives

Maintain our safety track-record.

Increase the share of women in Management and across all functions of the Company.

Increase Saudization among our employees and Senior Management.



05 Governance

Chairman of the Board Message

Dear Shareholders of the Company

On behalf of the Board members, I am pleased to present to you the Board of Directors' Report that details the Company's main business activities, financial results, and achievements obtained during 2022. In spite of fierce competition, we, driven by the effort of all Stakeholders, realized the target growth, achieved record results, and delivered a best-in-class performance during 2022. The net profit reached SAR 269 million, 22.2% more than the previous year. During 2022, the Company also recorded an all-time high revenue of SAR 1187 million. Since its inception, the Company's solid foundations have enabled it to play a critical role in the paper industry in the Kingdom and MENA region. Powered by its history, the Company is working on developing its capabilities to keep up with market growth, expand its business and diversify its products to fulfill the local and global demand. The Board of Directors approved the development strategy of the Company and its subsidiaries to adapt to the rapid change in the business environment. We value the contribution of the Board, its Committees and Executive Management to establish the best practices, promote good governance, improve controls, risk management and social responsibility, preserve environment and intensify its social engagement in line with the Kingdom's Vision 2030.

Board of Directors

- The Board of Directors is elected by the General Assembly. It is delegated to direct, run and operate MEPCO. The Board is well aware of its legal responsibilities whereby it is responsible to the Shareholders for the operation of the Company's affairs in a manner that secures the Shareholder's interests. Moreover, the regulations of both the corporate governance and the Board provide detailed provisions on the formation of the Board, its Committees, competencies, responsibilities, meetings, member privileges and duties, along with emphasizing the active participation in the business of the Board via decision-making processes. Additionally, those regulations strictly govern conflicts of interests between the Board members and the Company. Further, they also embed honesty, trustworthiness and due diligence into the code of conduct of our business. MEPCO's Articles of Association specify the number of Board members, their remunerations and powers, in addition to their appointment and termination of membership, taking into account the size and nature of MEPCO's business and the expertise required for membership.
- MEPCO's Board of Directors is composed of 8 members of whom 5 are independent members. They were elected by the Company's General Assembly in November 2022 for a 3-year term as of 14th November 2022.

Key roles and responsibilities of the Board include, but are not limited to, the following:

- Develop plans, policies, strategies, and major objectives for the Company. To oversee and periodically review such items and their implementation, ensuring the availability of the required human and financial resources and establishing, as well as broadly supervising, systems and internal audit controls.
- In accordance with regulatory requirements and best practices, review and update the rules of corporate governance and verify the Company's compliance therewith.
- Oversee the Company's financial management and cash flows, as well as its financial and credit relationship with others.
- Prepare interim and annual financial statements of the Company along with the proposed mechanism for dividends and approve the same for presentation.
- Draft and approve the Board report before release.
- Devise policies and procedures that govern the Company's compliance with the rules and regulations, and its commitment to disclosing material information to Shareholders, creditors and other Stakeholders. Ensure that the Executive Management acts accordingly.
- Ensure the accuracy and integrity of data and information that is required to be disclosed by relative policies and regulations.
- Create effective communication channels allowing Shareholders to access various Company activities and material developments constantly and periodically.

a) Composition and classification of the Board at the end of 2022

Name	Position	Membership
Mr. Musaab Sulaiman Al Muhaidib	Chairman	Non-Executive
Eng. Abdullah Abdulrahman Almoammar	Vice Chairman	Non-Executive
Mr. Emad Abdulkader Al Muhaidib	Member	Non-Executive
Mr. Waleed AlMonie*	Member	Independent
Mr. Rakan Mohamed Abunayyan*	Member	Independent
Mr. Rob Jan Renders*	Member	Independent
Mr. Victor Sanz Martinez*	Member	Independent
Ms. Hawazen Nazih Nassief*	Member	Independent
Mr. Abdulelah Abdullah Abunayyan**	Member	Non-Executive
Mr. Khaled Salem Mohammed Al Ruwais**	Member	Independent
Mr. Ahmed Mubarak Al Debasi**	Member	Independent
Mr. Walid Ibrahim Shukri**	Member	Independent
Eng. Omar Mohamed Siraj Al Najjar**	Member	Independent

*Membership started on 14th November 2022

** Membership terminated on 13th November 2022

b) Board Meetings and Attendance Record

Name	Board Meetings held during 2022					Attendance
	31st March	13th June	17th October	14th November	14th December	
Eng. Abdullah Abdulrahman Almoammar	Present	Present	Present	Present	Present	5
Mr. Musaab Sulaiman Al Muhaidib	Present	Present	Present	Present	Present	5
Mr. Emad Abdulkader Al Muhaidib	Present	Present	Present	Present	Present	5
Mr. Abdulelah Abdullah Abunayyan**	Present	Present	Present	-	-	3
Mr. Khaled Salem Mohammed Al Ruwais**	-	Present	Present	-	-	2
Mr. Ahmed Mubarak Al Debasi**	Present	Present	Present	-	-	3
Mr. Walid Ibrahim Shukri**	Present	Present	Present	-	-	3
Eng. Omar Mohamed Siraj Al Najjar**	Present	Present	Present	-	-	3
Mr. Waleed AlMonie*	-	-	-	Present	Present	2
Mr. Rakan Mohamed Abunayyan*	-	-	-	Present	Present	2
Mr. Rob Jan Renders*	-	-	-	Present	Present	2
Mr. Victor Sanz Martinez*	-	-	-	Present	Present	2
Ms. Hawazen Nazih Nassief *	-	-	-	Present	Present	2

*Membership started on 14th November 2022

** Membership terminated on 13th November 2022

The General Assembly held its last meeting on 24th November 2022. The Board held one further meeting as shown herein.

Board of Directors

Mr. Musaab Sulaiman Al Muhaidib

Position
Chairman of the Board

Qualifications
Bachelor's degree in Business Management, Miami University
Master's degree in Business Management, Liverpool University

Experience
Musaab S. Al-Muhaidib is extensively experienced in Strategies and Business Visibility Improvement. Lead strategic design, business development, market positioning, management of networks, performance management, financial management, and brand development. Musaab transformed business results in key areas and ensured significant increases in market share, growth, and profitability. Entrepreneur and investor with in-depth experience building and supporting businesses to achieve strategic objectives and thrive in a fast-paced environment. Musaab is part of many boards of influential organizations. He is currently the Chairman Masdar Group, Ebda Entertainment, Seedra Ventures and Goldman Sachs Saudi. He is on the board of Al Muhaidib Group, Shaker Group, Riyadh Chamber, Tasnee, JLL Saudi and Sabbar Company, And other companies with diversified field of industries. In his previous experience with Masdar Group, he served as CEO and was responsible for financial planning & growth, and P&L. Musaab holds an MBA from the University of Liverpool and undergraduate degree in Finance from the University of Miami.

Eng. Abdullah Abdulrahman Almoammar

Position
Vice Chairman of the Board and
Head of the Strategic Committee

Qualifications
Bachelor of Industrial Engineering, King Saud University
MA in Business Administration, King Fahd University

Experience
Almoammar is an experienced Founding Partner in MEPCO with a demonstrated history of working in the paper, Starch & Glucose, waste management and Education products industry. with an MBA and Industrial Engineering from King Fahd University of Petroleum & Minerals.

Mr. Emad Abdulkader Al Muhaidib

Position
Board Member

Qualifications
Bachelor of Commerce
Honorary Doctorate Degree

Experience
Emad Abdulkadir Al Muhaidib is the Vice President of the Al Muhaidib Group and the Chairman of several companies of the Group such as Masdar, Thabat Construction, United Feed Company, Al Badia Cement, and others, previous Chairman of Middle East Paper Company (MEPCO), Waste Collection and Recycling Company (WASCO). He is also a Board Member of several other companies. Emad works at the Group's West side office in Jeddah and manages its business development efforts in the Western Region of the Kingdom of Saudi Arabia. Emad is also involved in social and non-profit work as the Chairman of the Al Muhaidib Social Foundation and a member of the Board of Makkah Governorate and Vice President of the Economic and Social Committees in the Governorate. He is also a member of several charitable and non-profit societies.

Mr. Victor Sanz Martinez

Position
Board Member

Qualifications
Bachelor of Arts in Business Management, Sarkasta University Master of Arts in Business Management, ESADE University

Experience
Senior General Manager with more than 30 years of s extensive experience in industrial (focused on paper and cardboard sector), strategy and sustainability expertise, Bachelor in BA, MBA (ESADE), IC-A Certificate, Digital Transformation (BCG) with fluency in English and French languages. Independent Board Member for M&A and Strategic Business Plan in General Industry, Energy. Telecom and Healthcare sector. EMBA – ESIC Business School Lecturer. Customer-oriented. Team motivator, focused on the dynamics of challenging projects, with analytical and forward thinking. He has led the internationalisation process in four countries; Merge and acquisition more than 20 companies; Start-up 15 new industrial facilities; Track record of several strategic plans with outstanding outcomes in EBITDA generation, turnover growth, diversification to income from services, and digital transformation.

Mr. Waleed AlMonie

Position
Board Member

Qualifications
Bachelor of Science in Computer Information Systems, University of the Fraser Valley, Master's degree in IT Management, Macquarie University

Experience
Mr. Waleed Almonie is an expert in the strategy and project management domains. He has worked extensively on organizational transformation projects in key large scale entities including strategies' formulation and execution in multiple areas such as Information Technology, optimising business models and HR.

Rakan Abunayyan

Position
Board Member

Qualifications
Bachelor's Degree in Entrepreneurship/ Entrepreneurial Studies, Suffolk University

Experience
Rakan is a Chief Executive officer at Afaq Express, a fully integrated logistics company focusing on first mile services. Chairman of Afaq Foods, A restaurant operator with 4 brands.

Investment professional with Previously held roles in positions at vision Invest in the asset management department as well as Abunayyan holding as an investment analyst and Abraaj Group as a private equity analyst. Previously a Board member in advanced piping solutions, largest glass reinforced pipes manufacture in the eastern region.

Ms. Hawazen Nazih Nassief

Position
Board Member

Qualifications
Bachelor's of International Relations, Boston University ,Master's of Law and Diplomacy, Tufts University-The Fletcher School of Law and Diplomacy

Experience
Hawazen Nassief is the acting head of Sustainability and Stewardship at the Public Investment Fund of Saudi Arabia. Ms. Nassief has spent the majority of her career focusing on Environmental, Social and Governance (ESG), sustainability and corporate responsibility, working in several multinational companies in the US, Saudi Arabia and the UAE. She currently serves on the board of directors of Tanmiah Food Company (TFC), where she chairs the ESG committee and is a member of the Nomination and Remuneration Committee (NRC). Ms. Nassief is also a member of the Board of JLL in Saudi Arabia and the NRC of Bupa Arabia.

Previously, Ms. Nassief held several positions at National Energy Services Reunited Corp. in Houston including VP ESG and External Affairs and ESG director. She also served on the advisory council of Saleh Kamel Humanitarian Foundation, the advisory board of Iqraa Media Company, and the board of Saudi Netball.
Ms. Nassief was also the ESG Advisor to the Future Investment Initiative Institute (FII Institute) and a Governance Advisor to Iqra'a Investment Company. Before that, she was the Middle East Corporate Responsibility and Technical Education for Communities Manager at Cummins Inc., and the Director of Middle East Relationship Management at Christie's Inc.
Ms. Nassief also held the position of Corporate Social Responsibility (CSR) Officer at Olayan Financing Company in Riyadh, managing the CSR performance of more than 40 companies in several sectors, and was the Supervisor of Strategic Studies at Kingdom Holding Company earlier in her career.
Ms. Nassief is an accomplished public speaker, a published writer and commentator, and is the recipient of the 2018 Global Impact Award and the 2018 Africa & Middle East Business Impact Award from Cummins Inc.

Mr. Rob Jan Renders

Position
Board Member

Qualifications
Bachelor's from Eindoven University

Master's in Mechanical Engineering, University of Technology Eindoven

Experience
Mr Renders is a business consultant. He was a board member of Duropack GmbH from 2012 until the end of May 2015, as well as CEO of Duropack from May 2013 until May 2015. From 2006 to 2010, he served as Chairman of OTOR Société Anonyme, a leading packaging provider in France. Between 1989 and 2006, he held various positions at Svenska Cellulosa Aktiebolaget (SCA), a leading global producer of hygiene products and packaging solutions, including Mill Manager at SCA Packaging De Hoop, Managing Director of SCA Packaging De Hoop, President of SCA Packaging Containerboard, President of SCA Packaging Europe and Senior Vice President Special Project Global Packaging for SCA Group. He has various consulting positions at several leading private equity firms (Carlyle, Blackstone, One Equity Partners Europe, 3i Netherlands) and is also the Chairman of the Supervisory Board of Walki Group Oy based in Espoo (Finland), a company specializing in sustainable packaging and engineered material solutions, and an Independent Director of the board and a member of the Human Resources and Compensation Committee and Audit and Risk Committee in Sappi Limited South Africa, a multi-national diversified wood fibre group. Mr.Renders has a Master's degree in Mechanical Engineering, majored in Physics, University of Technology Eindhoven, The Netherlands as well as attended various courses in Finance, Marketing and several Management Development programs.

Executive Management

Sami Ali Yousef Al Safran

Position
Group President

Qualifications
Bachelor's of Science in Chemical Engineering, King Fahd University of Petroleum and Minerals

Experience
He is the Group President of MEPCO from 2004 up to date - He was the Project Manager of the Saudi Paper Industry Company from the years 2000 until 2004 - He also served as the Technical Director of the Arab Paper Manufacturing Company (WARAQ) from 1997 until the year 2000- He served as the Technical Advisor of NALCO in Saudi Arabia.

Mr. Abdullah Al Yabis

Position
CFO

Qualifications
Master of Business Administration, Western Michigan University

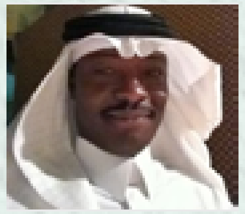
Experience
He is the CFO of MEPCO since July 2022- He was appointed previously as the CFO of Arabian Geophysical & Surveying Company (ARGAS)-he was the CFO of Saipem Taqa AlRushaid Fabricators Company Ltd (STAR) - He was the Vice President of Arnon Plastics Industries Ltd and also served as the assistant to the CFO in Saad Specialist Hospital- He previously also worked as a Senior Credit Analyst, Saudi Industrial Development Fund.

Mr. Mohammad Wadih Malibari

Position
COO

Qualifications
Bachelor's in Chemistry, King Fahd University of Petroleum & Minerals

Experience
He has served as the COO of MEPCO since 2011 until now- He was the Director General of Services of WASCO- He worked as the Director General of Procurement for Saudi Arabian company, Amiantit- He was Deputy General Manager- He was the Director of the Amiantit Factory for the Production of Fiberglass – He was the Director of Quality at Amiantit Companies.



Eng. Abdulaziz Bashir Al-Jazzar

Position
General Manager of ESTIDAMA

Qualifications
Bachelor's of Applied Systems Engineering, King Fahd University of Petroleum & Minerals

Experience
He has experience in WASCO since 14 years – he was the former Assistant Director of Arab Bank in Jeddah, Saudi Arabia.

d) Companies where any Director is currently a Board member, Director or Manager:

Board Member	Mr. Emad Abdulkader Al Muhaidib	
Companies where any Director is currently a Board member, a Director or Manager	Location	Legal Entity
Emad Abdulkader Al Muhaidib and Sons	Inside KSA	Closed Joint-Stock
Al Muhaidib Holding	Inside KSA	Limited Liability
Ajyal Holding	Inside KSA	Limited Liability
Arabian Maize Company	Inside KSA	Limited Liability
United Feed Manufacturing Company	Inside KSA	Limited Liability
United Feed	Inside KSA	Limited Liability

Board Member	Eng. Abdullah Abdulrahman Almoammar	
Companies where any Director is currently a Board member, a Director or Manager	Location	Legal Entity
Arabian Maize Company	Inside KSA	Limited Liability
Recycling and Waste Collection Company Ltd	Inside KSA	Limited Liability
Al Saraya Investment Holding	Inside KSA	Limited Liability
Middle East Co for Manufacturing and Producing Paper SJSC	Inside KSA	Listed Joint-Stock

Board Member	Mr. Musaab Sulaiman Al Muhaidib	
Companies where any Director is currently a Board member, a Director or Manager	Location	Legal Entity
Hasan Ghazi Shaker Company	Inside KSA	Listed Joint-Stock
National Industrialization Company	Inside KSA	Listed Joint-Stock
Hoshan Co., Ltd.	Inside KSA	Closed Joint-Stock
Middle East Co for Manufacturing and Producing Paper SJSC	Inside KSA	Listed Joint-Stock
Al Riyadh Chamber	Inside KSA	Governmental
Goldman Sachs Saudi Arabia	Inside KSA	Closed Joint-Stock
Masdar Building Materials Group	Inside KSA	Closed Joint-Stock
Al Muhaidib Investment Entertainment Group	Inside KSA	Closed Joint-Stock
Sidra Investment Company	Inside KSA	Closed Joint-Stock
Ebda Creative Entertainment Company	Inside KSA	Closed Joint-Stock
Endeavor Saudi Arabia	Inside KSA	Closed Joint-Stock
Saudi Trades and Handicrafts Company	Inside KSA	Closed Joint-Stock
Daily Mails Company	Inside KSA	Closed Joint-Stock
Sabbar Company	Inside KSA	Closed Joint-Stock
Family Business Council Gulf	Inside KSA	Non-profit
JLL	Inside KSA	Closed Joint-Stock

Board Member	Mr. Victor Sanz Martinez	
Companies where any Director is currently a Board member, Director or Manager	Location	Legal Entity
GOTOR	Outside KSA	Limited Liability
CLEON	Outside KSA	Limited Liability

Board Member	Mr. Rob Jan Renders	
Companies where any Director is currently a Board member, Director or Manager	Location	Legal Entity
Sappi Plc	Outside KSA	Listed Joint-Stock
Walki Oy	Outside KSA	Limited Liability

Board Member	Mr. Rakan Mohammed Abunayyan	
Companies where any Director is currently a Board member, Director or Manager	Location	Legal Entity
Advanced Piping Solutions	Inside KSA	Closed Joint-Stock
Horizons Food	Inside KSA	Limited Liability

Board Member	Ms. Hawazen Nazih Nassief	
Companies where any of Directors is currently a Board member, Director or Manager	Location	Legal Entity
JLL	Outside KSA	Listed Joint-Stock
Tanmiah Food	Inside KSA	Listed Joint-Stock

e) Communication with Shareholders and investors

Observing the Board's commitment to providing complete, clear and precise information as well as updates in a timely manner to enable Shareholders to exercise their obligations fully, the Company has intensified its effort to reach out to Shareholders via digital means alongside investment conferences, and gatherings of local and global investment leading figures. The Investor Relations Department hosted a number of meetings inside the head office of MEPCO in Jeddah. Investor relations programs focused on providing immediate and accurate information to local and global investors to keep them updated of all changes and developments related to the Company's investments and financial results. The Company continued to hold video conferences with investors after each announcement of its annual and quarterly results, which provided a greater opportunity for investors and financial analysts to access all interim and annual financial and operational developments. Furthermore, the Investor Relations Department submits, by hand or via the designated e-mails, a periodic report to the Board on its various activities with full data on Shareholders' and investors' opinions and inquiries.

f) How the Board evaluates its performance and the performance of its Committees and members

To enhance the Board and the Company's overall governance practices, MEPCO completed a corporate governance review of the Board and its Committees in 2022. It was conducted by Compass Company between June and December 2022 in collaboration with the Remuneration and Nomination Committee. Compass is an independent specialized consulting firm with which MEPCO has no business relationship whatsoever. The review covered the following 5 dimensions:

- Board leadership and governance.
- Interactions and information flows between the Board and the Management.
- Control environment and mechanisms.
- Interactions and information flows between the Board and the Shareholders.
- Commitment to good governance practices.

Board Committee Meetings

In order to ensure the optimal performance of the Company's Management and to assist the Board in fulfilling its roles, the Board formed the Remuneration and Nomination Committee and the Strategic Committee. Furthermore, the General Assembly recommend the formation of the Audit Committee, which was approved on 16th June 2019.

The Committees are composed by virtue of a charter set by the Board including the roles and responsibilities, term, competencies of the Committees, along with Board oversight mechanisms. The Committees shall with integrity inform the Board of their findings or decisions. In addition, the Board shall regularly monitor their work to ensure their commitment to their functions. Each Committee shall be accountable to the Board for its actions, without prejudice to the Board's responsibility for those actions or the powers it delegates thereto. Moreover, the Company is committed to appointing a sufficient number of Non-Executives and Independent Board members to the Committees to carry out assignments that may be a source of conflict of interest, such as ensuring the integrity of financial and non-financial reports, reviewing the transactions of related parties, nominating candidates for Board membership, appointing senior Executives, and determining remunerations. The Chairmen, along with the Committees' members, shall act with integrity, honesty, loyalty and due diligence, as well as give due attention to the interests of the Company and the Shareholders, putting such interests before theirs.

a) Audit Committee

The General Assembly approved the formation of the Audit Committee, its charter, and the remuneration of its members for a new term as of 14th November 2022 for 3 calendar years.

The Committee consists of 4 members, most of whom are knowledgeable in finance and accounting. The Committee exercises control over the Company's business, verifies the integrity of reports and financial statements, internal controls, the Company's compliance with applicable laws and regulations, quality of risk management standards, and assists the Board to discharge its oversight responsibilities for the Company's business. Below are the key functions of the Committee:

- Studying the Company's interim and annual financial statements before being submitted to the Board, providing its opinion and recommendations thereon to ensure their integrity, fairness, and transparency.
- Examination of any significant or irregular matters contained in the financial reports.
- Delicate examination of any issues raised by the Company's Financial Manager, their delegate, Compliance Officer, or the Auditor
- Expressing technical opinion upon the request of the Board, as to whether or not the Board's report and the financial statements are fair, balanced, and intelligible.
- Reviewing the Company's internal and financial control and risk management systems and internal audit reports. Follow up on the implementation of corrective measures for the notes contained therein.
- Advise the Board on appointing the Head of the Internal Audit Department and the Compliance Officer and propose their compensation.
- Review the results of the reports by the regulatory authorities and verify the Company's compliance with laws and regulations.
- Review contracts and proposed transactions with related parties and provide the Board with recommendations and proposals.

Audit Committee Meetings and Attendance Record

Name	Membership	Position	Audit Committee Meetings held during 2022					Attendance
			14th March	26th April	7th August	31st October	13th December	
Mr. Khaled Salem Mohammed Al Ruwais	Independent	Chairman	Present	Present	Present	Present	Membership ended on the 13th of November 2022	4
Mr. Nader Mohammed Saleh Ashoor	Independent	Chairman	Present	Present	Present	Present	Present	5
Mr. Walid Ibrahim Shukri	Independent	Member	Present	Present	Present	Present	Present	5
Mr. Musaab Sulaiman Al Muhaidib	Non-Executive	Member	Present	Present	Present	Present	Membership ended on the 13th of November 2022	4
Eng. Omar Mohamed Siraj Al Najjar	Independent	Member	Present	Present	Present	.	Membership ended on the 13th of November 2022	3
Mr. Saleh Abdulrahman Al Fadhel	Independent	Member	Present	Present	Present	Present	Present	5
Mr. Mohammed Abdulkareem Mazi	Independent	Member	Present	Present	Present	Present	Present	5

b) Nomination and Remuneration Committee

The Remuneration and Nomination Committee has been created to assist the Board to discharge its oversight roles, nominate Board members and senior Executives and ensure remunerations, benefits, incentives, and salaries are strategy adherent. Its key functions include:

- Assist with developing remuneration policies for the members of the Board, its Committees, and the Executive Management. Clarify the relationship between remunerations and policies. Periodically review the remuneration policy and assess its effectiveness in achieving its objectives
- Pursuant to the approved regulations, make recommendations to the Board on the remuneration of its members and the members of its Committees as well as the senior executives
- Nominate candidates for Board membership or re-nominating its members in accordance with the approved regulations and standards. Propose clear policies and criteria for Board membership and the Executive Management. Determine the time a member shall allocate to their roles and responsibilities
- Create a job description of Board membership and Executive Management positions
- Annually review qualifications and experience required for Board membership and Executive Management positions
- Annually review the structures of the Board and Executive Management and propose changes
- Conduct annual verification of the independence of independent members, and that no conflict of interest shall arise if any of them is a Board member in another company
- Develop job descriptions for Executive members, Non-Executive members, Independent members and senior Executives
- Lay out succession plans in the event that a Board member or senior executive position is declared vacant

Nomination and Remuneration Committee Meetings and Attendance Record

Name	Membership	Position	Remuneration and Nomination Committee Meetings held during 2022			Attendance
			22nd March	02nd June	13th December	
Mr. Ahmed Mubarak Al Debasi	Independent	Chairman	Present	Present	Membership ended on the 13th of November 2022	2
Mr. Musaaid Al Qassim	Independent	Member	Present	Present	Membership ended on the 13th of November 2022	2
Mr. Rob Jan Renders	Independent	Chairman	Joined on 14th November 2022		Present	1
Eng. Omar Mohamed Siraj Najjar	Independent	Member	Present	Present	Present	3
Ms. Nathalie Potvin	Independent	Member	Joined on 14th November 2022		Present	1

c) Executive Committee

Previously named the Strategic Committee, the Board decided to rename it as Executive Committee on 13th December 2022

The Committee was formed to assist the Board in carrying out its roles and responsibilities, operating and directing the Company as well as supervising the Company's Executive Management. The Committee makes recommendations and reviews the strategy-related studies and the Company objectives and investments. In general, it represents the Board in its meetings, providing the ability to respond quickly to pressing issues, in addition to assisting the Board in performing its supervisory tasks and implementing its recommendations efficiently and effectively. Its key functions are as follows:

- Take deliberate and urgent decisions to handle pressing issues.
- Follow up on preparation, implementation, updating and occasionally reviewing the Company's long, medium- and short-term strategic plans.
- Meet with the heads of departments and other concerned personnel, as part of its function to monitor operational and financial performance of the Company and its departments.
- Nominate the Company's senior Executives in coordination with the Remuneration and Nomination Committee.
- Follow up on the implementation of the Company's estimated budgets, analyze the causes of malfunctions, if any, and make recommendations thereon.
- Conduct regular review of actual capital expenditures and compliance with the budgets approved by the Board.
- Advise on entering new investments and industrial projects, as well as the development of existing activities both vertically and horizontally.

Strategic Committee Meetings and Attendance Record

Name	Membership	Position	Strategic Committee Meetings held during 2022					Attendance
			7th February	6th June	3rd July	11th October	13th December	
Mr. Abdulelah Abdullah Abunayyan	Non-Executive	Chairman	Present	Present	Present	Present	Membership ended on the 13th of November 2022	4
Eng. Abdullah Abdulrahman Almoammar	Non-Executive	Member	Present	Present	-	Present	Present	4
Mr. Khaled Salem Mohammed Al Ruwais	Independent	Member	Present	Present	Present	Present	Membership ended on the 13th of November 2022	4
Mr. Musaab Sulaiman Al Muhaidib	Non-Executive	Member	Present	Present	Present	Present	Present	5
Mr. Rob Jan Renders	Independent	Joined on 14th November 2022					Present	1
Mr. Victor Sanz Martinez	Independent	Joined on 14th November 2022					Present	1

d) Risk, Compliance and Environmental and Social Responsibility

In 24/04/2022 The General Assembly approved the formation and charter of the Risk, Compliance and Environmental and Social Responsibility, the committee is composed of 3 members. The committee is responsible to assist the Board in fulfilling its corporate governance responsibilities by monitoring and reviewing the Company's Governance, Risk, Compliance, Environment and Social Management systems. The following shall be the principal responsibilities of the Committee:

Governance:

1. Oversee the effectiveness and the implementation of the Group Corporate Governance framework.
2. Consider and approve the Group's Corporate Governance framework on an annual basis, or more frequently as required. This should include Governance mechanism for all areas of Risk and Compliance.
3. Provide guidance to management level committees and relevant functions of MEPCO Group on enterprise-wide risk management.
4. Provide advice, as appropriate, to the Board Nomination & Remuneration Committee ("NRC") to enable it to consider adjustments to business and function pay and reward to reflect risk management.
5. Review and approve the Group Management Committee Charters (Tier 1 Committees).
6. Overseeing the development of the Company's Governance policies and monitoring the implementation of the policies by the Executive Management across the Company including its subsidiaries.
7. Review and recommend updates to the Governance framework pursuant to statutory requirements and best practices.
8. The committee shall review the existing Governance guidelines, be attentive to developments in Governance in the local, regional, and global context, and bring ideas and recommendations for adjustments in these guidelines to the Board for its consideration.
9. Ensure that Governance Department does not face any resource constraint and has access to the committee through the (HOD – designation to be specified) to report any constraints or issues.

Risk Management (RM):

1. Setting risk appetite within which it expects management to operate and approving the Company's risk appetite statement and risk management strategy.
2. Ensuring the Company has an effective risk management framework incorporating management, operational and financial controls.
3. assess, monitor and report to the Board on the risk culture in the Company, and the extent to which that culture supports the ability of the Company to operate consistently within its risk appetite, identifying any desirable changes to the risk culture and ensuring the Company takes steps to address those changes.
4. Promoting a suitable risk culture with high standards of business ethics and corporate governance.
5. Developing a strategy and comprehensive policies for risk management that are consistent with the nature and volume of the Company's activities, monitoring their implementation, and reviewing and updating them based on the Company's internal and external changing factors.
6. Ensuring the feasibility of the Company continuation, the successful continuity of its activities and determining the risks that threaten its existence.
7. Overseeing the Company's risk management system and assessing the effectiveness of the systems and mechanisms for determining and monitoring the risks that threaten the Company in order to determine areas of inadequacy therein.
8. Regularly reassessing the Company's ability to take risks and be exposed to such risks (through stress tests as an example).
9. Preparing detailed reports on the exposure to risks and the recommended measures to manage such risks and presenting them to the Board.
10. oversight of senior management's implementation of the risk management strategy.
11. Constructive challenge of senior management's proposals and decisions on all aspects of risk management arising from the Company's activities.
12. Reviewing the performance, and setting the objectives of, the Company's risk management function, and ensuring has unfettered access to the Board and the Committee.
13. Providing recommendations to the Board on matters related to risk management, and advising the Board on the Company's overall current, and future, risk appetite and risk management strategy.
14. Ensuring the availability of adequate resources and systems for risk management.
15. Reviewing the organizational structure for risk management and providing recommendations regarding the same before approval by the Board.
16. Liaising with other risk committees within the Group to form an institution-wide view of the Company's current and future risk position relative to its risk appetite and capital strength.
17. Verifying the independence of the risk management employees from activities that may expose the Company to risk.
18. Ensuring that the risk management employees understand the risks threatening the Company and seeking to raise awareness of the culture of risk. and reviewing any issues raised by the audit committee that may affect the Company's risk.

Compliance:

1. Monitor implementation of Compliance Management Framework, compliance policies, procedures, practices, and controls across the company including its subsidiaries as per the subsidiary governance manual.
2. Ensure the company's compliance with laws and regulations.
3. Evaluate the performance of the Compliance Department of the company including its subsidiaries to ensure effectiveness.
4. Ensure that Compliance Department does not face any resource constraints and has access to the committee through (HOD – designation to be specified) to report any constraints or issues.
5. The committee shall provide an annual report to the Board with respect to compliance with the Code of Conduct, laws and regulation, including any breaches and corrective action taken by the committee.
6. Review the findings of compliance testing procedures to address the material violations and monitor implementation of management action plans and raise their recommendations thereon to the BOD and relevant committees.
7. Review the internal and external audit reports where compliance issues such as repeated non-compliances have been identified and monitor implementation of management action plans.

Environmental and Social matters:

1. Monitor and assess that the Company pays attention to Environmental and Social Matters in setting the Company's general strategy pursuant to Environmental and Social laws and regulations applicable in the Company.
2. Consider the need for sustainable development and developing stakeholder relationships across the MEPCO Group's activities, assessing these from a compliance and risk governance perspective.
3. Monitor, evaluate, if appropriate, and provide guidance on the Company's policies, procedures, and practices with respect to Environmental and Social Matters.
4. Review and monitor the Company's non-financial reporting pursuant to Environmental and Social laws and regulations applicable in the Company.
5. Oversee the Company's public disclosure on Environmental and Social Matters and its consistency thereof, including any sustainability reports.
6. Review and monitor the Company's initiatives to manage and mitigate its environmental impact.
7. Monitor actions or initiatives taken to prevent, mitigate and manage risks related to Environmental and Social matters which may have a materially adverse impact on the Company or are otherwise pertinent to its stakeholders and provide guidance hereon.
8. Monitor and review, as appropriate, any significant examination or audit by external auditors, regulators, or key Environmental and Social rating agencies on Environmental and Social Matters.
9. Monitor and review, as appropriate, the Company's human capital initiatives, for example, diversity and inclusion initiatives, employee wellbeing or engagement initiatives.
10. Monitor and review, the Company's social initiatives and commitments, as appropriate, including, among others, the Company's initiatives related to the field of education.
11. Coordinate with the other Board Committees for specific overlapping cases.
12. Review the internal and external audit reports where matters related to Environment and Social management issues have been identified and monitor implementation of management action plans.

Health and safety:

1. Review, monitor and make recommendations to the board on the organizations health and safety risk management framework and policies to ensure that the organization has clearly set out its commitments to manage health and safety matters effectively.
2. Review and make recommendations for board approval on strategies for achieving health and safety objectives.
3. Review and recommend for board approval targets for health and safety performance and assess performance against those targets.
4. Monitor the organization's compliance with health and safety policies and relevant applicable law.
5. Ensure that the health and safety performance of the organization and the systems used to identify and manage health and safety risks are:

   a. fit-for-purpose
   b. being effectively implemented
   c. regularly reviewed and continuously improved.

6. Ensure that the board is properly and regularly informed and updated on matters relating to health and safety risks including:

   a. review of audits (internal and external)
   b. system reviews
   c. performance results
   d. significant incidents and investigations
   e. the impact of organizational changes, and
   f. benchmark data

7. Seek assurance that the organization is effectively structured to manage health and safety risks, including having competent workers, adequate communication procedures and proper documentation.
8. Review health and safety related incidents and consider appropriate actions to minimize the risk of recurrence.
6. Make recommendations to the board regarding the appropriateness of resources available for operating the health and safety management systems and program.
6. Any other duties and responsibilities which have been assigned to it from time to time.

Committee members and attendance record

			Timeline of meetings in 2022			
Name	Description	Position	22 May	02 Oct	13 Dec	Attendance
Mr. Walid Ibrahim Shukri	Independent	Chairman	present	present	present	3
Dr. Maryam Ficociello	Independent	Member	present	present	Membership expired on Feb 13, 2022	2
Mr. Tarik Al Rekhami	Independent	Member	present	present	Membership expired on Feb 13, 2022	2
Ms. Hawazen Nazih Nassief	Independent	Member	Member since Feb 14		present	1
Mr. Waleed AlMonie	Independent	Member	Membership started on Feb 14, 2022		present	1
Ms. Nathalie Potvin	Independent	Member	Membership started on Feb 14, 2022		present	1

* The committee session ended on 11/13/2022, and on 11/14/2022 the committee was re-formed, so that the number of committee members became four.

Description of the Interests of Members of the Board, the Executive Management, their Wives and Minors in the Company's Shares

		Beginning of 2022		End of 2022			
S	Name	Shares	Debt Instruments	Shares	Debt Instruments	Net Change during the year	Change Percentage
Board members, their wives and minors							
1	Mr. Emad Abdulkader Al Muhaidib	1,000	-	1,333	-	-	-
2	Eng. Abdullah Abdulrahman Almoammar	2,375,000	-	3,166,665	-	-	-
3	Mr. Musaab Sulaiman Al Muhaidib	1,000	-	1,333	-	-	-
4	Rakan Mohammad AbuNayyan	-	-	10,666	-	-	-
Senior Executives, their wives and minor children							
1	Mr. Sami Ali Yousef Al Safran	249,027	-	332,702	-	-	-
2	CEO's wife	19,870	-	26,493	-	-	-

Ownership of principal Shareholders with more than 5% of the Company's shares as of 31st December 2022

S	Name	Balance at the beginning of the year	Balance at the end of the year	Year	% Change
1	Emad Abdulkadir Al Muhaidib and Sons	5,010,000	8,965,200	10.2%	+3.24%

Remuneration and Compensation Policy

a) General criteria for rewards

A policy of remuneration for the Board and its Committee members as well as senior Executives was drafted by the Remuneration and Nomination Committee and approved by the General Assembly at its meeting on 5th December 2017. The policy shall be reviewed annually, pursuant to the provisions of the Companies Law, the Capital Market Authority Law, the regulations thereunder, and the Company's Articles of Association. The following shall be observed in the policy:

- The policy shall be consistent with the Company's strategy and objectives, and with the size, nature and degree of risks to the Company.
- Remuneration shall be granted as incentives for the Board members and the Executives to achieve long term success and develop the business of the Company. For example, variable remunerations shall be linked to the long term performance.
- Remuneration shall be proportionate with grade, roles and responsibilities, academic qualifications, work experience, skills and performance.
- Practices of other companies shall be taken into consideration in determining remunerations, avoiding the unjustified rise in remunerations and compensations.
- The policy shall attract, retain and motivate talents.
- It shall determine, in coordination with the Remuneration and Nomination Committee, remunerations related to new appointments.
- The policy shall regulate granting, suspension or refund of remunerations if based on misinformation provided by a Board member or an Executive. This prevents abuse of power to obtain unearned compensation.
- The policy shall regulate the granting of Company shares to the Board members and Executives, whether they are to be issued or bought by the Company.

The remunerations of Board and Committee members are determined and granted pursuant to the policy approved by the General Assembly and in accordance with the following criteria:

- Subject to the provisions of the Company's Articles of Association, the remuneration of a Board member may not exceed the limits stipulated in the Companies Law and its regulations. The members' remuneration and attendance bonuses shall be governed by the Committees' rules of procedure.
- The remuneration shall be proportionate with the member's engagement in the Board or its Committees' activities.
- The remuneration shall be just and proportionate with the member's competencies, roles and responsibilities and his contribution towards the realization of the objectives set by the Board for the financial year.
- The remuneration shall be recommended by the Remuneration and Nomination Committee.
- Apart from Independent members, the Board member's remuneration may be a percent of the profits provided that such percent may not exceed 10% and be granted pursuant to Companies Law, the regulations thereunder and the Company's Articles of Association.
- The remuneration shall be reasonably competitive to acquire qualified and talented candidates for the Board and its Committee memberships.
- The remunerations may vary driven by the experience, competencies, roles and responsibilities as well as attendance, among other considerations.
- The remuneration of Independent Board members shall not be a percentage of the Company's profits or be based directly or indirectly on the Company's profitability.
- In addition to the remuneration for membership of the Board and the Committees, it formed in accordance with the Companies Law and the Company's Articles of Association, a Board member may obtain a remuneration for his membership in the Audit Committee formed by the General Assembly, or for any business, executive, technical, administrative, or advisory positions or works they assume or conduct under a professional license.
- In the event that a Board member is terminated by the General Assembly for missing 3 consecutive Board meetings without a legitimate excuse, the member is not entitled to any remuneration for the period starting from the date of the last meeting he attended, and he shall return all remunerations he received for such period.

The remunerations of Executive Management are determined and granted pursuant to the policy approved by the General Assembly and in accordance with the following criteria:

- The remuneration shall be recommended by the Remuneration and Nomination Committee.
- In addition to fixed compensations and rewards stated in their contracts, senior Executives may be granted remuneration based on the evaluation of their performance. Remunerations may be granted in the form of shares in compliance with the regulations of the Companies' Law.
- Key performance indicators at the Company level include a set of short and long term objectives, such as profitability, solvency, liquidity, and growth indicators. The performance management process ensures that all objectives are properly aligned at all levels of the Company down to the relevant business units and employees.
- The application of performance indicators for granting remunerations to senior Executives and employees shall be monitored. Appropriateness of such indicators to remunerations shall also be reviewed.
- Remuneration aims to provide a competitive environment conducive to attracting and retaining qualified personnel as well as maintaining the talents the Company needs.

b) Remuneration of Board members

	Fixed Remuneration						
Name	Designated Amount	Attendance Bonus	Total Committee Attendance Bonus	In-kind Advantages	Remuneration of Technical, Administrative and Advisory Works	Remunerations of the Board Chairman or the Managing Director or the Secretary, if he is a Board Member	Grand Total
Mr. Ahmed Mubarak Al Debasi*	300,000	9,000	15,000	-	-	-	324,000
Mr. Walid Ibrahim Shukri*	300,000	9,000	27,000	-	-	-	336,000
Mr Khaled Salem Mohammed Al Ruwais *	225,000	6,000	30,000	-	-	-	261,000
Eng. Omar Mohamed Siraj Najjar*	300,000	9,000	24,000	-	-	-	333,000
Total Remuneration of Independent Members	1,125,000	33,000	96,000	-	-	-	1,254,000
Mr. Emad Abdulkader Al Muhaidib	200,000	9,000	9,000	-	-	-	218,000
Eng. Abdullah Abdulrahman Almoammar	200,000	9,000	18,000	-	-	-	227,000
Mr. Abdulelah Abdullah Abunayyan*	200,000	9,000	21,000	-	-	-	230,000
Mr. Musaab Sulaiman Al Muhaidib	200,000	9,000	33,000	-	-	-	242,000
Total Remuneration of Non-Executive Members	800,000	36,000	81,000	-	-	-	917,000

*Membership ended on the 13th of November 2022

*The Board members received no consideration based on (a percentage of the profits, periodic remuneration, short- or long-term incentive plans, shares granted, end-of-service gratuity, expenses allowances).

c) Remuneration of Board Committee members

Name	Fixed Remuneration (Exclusive of attendance bonus)	Attendance Bonus	Total
Audit Committee Members:			
Mr. Khaled Salem Mohammed Al-Rowais*	100,000	12,000	112,000
Mr. Walid Ibrahim Shukri	175,000	12,000	187,000
Mr. Musaab Sulaiman Al Muhaidib	50,000	12,000	62,000
Eng. Omar Mohamed Siraj Najjar*	37,500	9,000	46,500
Total	362,500	45000	407,500
Nomination and Remuneration Committee Members:			
Mr. Ahmed Mubarak Al Debasi*	50,000	6,000	56,000
Mr. Musaad Al Qasim*	100,000	6,000	106,000
Eng. Omar Mohamed Siraj Najjar	50,000	6,000	56,000
Total	200,000	18,000	218,000
Strategic Committee Members:			
Eng. Abdullah Abdulrahman Almoammar	37,500	9,000	46,500
Mr. Abdulellah Abdullah AbuNayyan*	50,000	12,000	62,000
Mr. Musaab Sulaiman Al Muhaidib	50000	12,000	62,000
Mr. Khaled Salem Mohammed Al-Rowais*	50,000	12,000	62,000
Total	187,500	45,000	232,500
Risk Management, Compliance and ESG Committee Members:			
Mr. Walid Ibrahim Shukri	98,050	6,000	104,050
Mr. Tarik Al Rekhami	70,050	6,000	76050
Dr. Maryam Ficociello	70,050	6,000	76,050
Total	238,150	18,000	256,150

* The membership ended on 13th November 2022
* The members received no consideration based on the following items (a percentage of the profits, periodic remuneration, short or long-term incentive plans, shares granted, end-of-service gratuity, expenses allowances).

d) Remuneration of Senior Executives (SAR '000s)

The Chief Executive Officer and the Chief Financial Officer are among the 5 senior Executives who received the highest remuneration	Fixed Remunerations				Variable Remunerations					End of Service Benefits	Total Remuneration of the Board	Grand Total
	Salaries	Allowances	In-kind Advantages	Total	Periodic Remunerations	Short term Incentive Programs	Long term Incentive Programs	Value of the Granted Shares	Total			
Chief Executive Officer (CEO)	2,400	970	340	3,710	-	-	-	-	-	281	-	3,991
Vice President (VP)	1,320	472	75	1,867	-	-	-	-	-	75	-	1,942
Chief Financial Officer (CFO)	595	214	44	853	-	-	-	-	-	34	-	887
Chief Operating Officer (COO)	1,126	497	94	1,717	-	-	-	-	-	96	-	1,813
CTO	1,231	440	170	1,841	-	-	-	-	-	54	-	1,895
Total	5,938	2,908	997	9,988	-	-	-	-	-	540	-	10,528

Statement of any Penalty, Sanction, Precautionary Procedures or Limitations Imposed on the Company during 2022

Type of Penalty	Reason for Penalty	The Disciplinary Authority	Remedy and Preventive Measures
There was no penalty, sanction, disciplinary measure or limitation imposed on the Company during 2022			

Annual Audit Results of Reviewing the System of Internal Controls

1) Supervising the conduct of internal control functions

As part of the yearly plan of controlling the Company's activities, the Audit Committee periodically reviews reports submitted by the Internal Audit Department and the Governance, Compliance and Risk Department. The Audit Committee seeks to:

- Ensure compliance with applicable laws and regulations.
- Ensure the system of internal controls is adequate and sufficient.
- Check the procedures of assessing and updating policies as well as other procedures related to administrative, financial, operational and marketing activities in the Company and its subsidiaries.
- Verify the information in the Company's financial statements by reviewing and approving the interim and annual results.
- Identify and assess internal and external risks and develop mechanisms to avoid or mitigate the same.
- Assess the periodic reports by Internal Audit, including the main notes, and track the implementation of relevant recommendations to improve internal controls considering that the Management shall be responsible for the design and implementation of internal regulations to enhance the efficiency and effectiveness of the system of internal controls.
- Ensure the independence of the Internal Audit Department and provide the Department with resources and support required to efficiently carry out their roles and responsibilities.

To conduct its functions, the Internal Audit Department adopted the following process:

- The Department channeled its efforts to the high-risk activities as well as some medium-risk activities with a view to optimizing the effectiveness and efficiency of the Company's operations.
- The Department monitored the Executive Management to ensure its taken the procedures necessary to handle notes and implemented recommendations stated in audit reports.
- The Department drives effective coordination between the Management and the external Auditor.

2) Scope of Internal Audit Department work

For the purposes of realizing the objectives and protecting the assets of the Company, the Internal Audit Department adopted a systematic approach to evaluate and maximize the effectiveness of internal controls and verify the quality of reports by the Management. It focuses on ensuring that the internal controls provide a reasonable guarantee for achieving the Company's objectives and assesses the credibility of financial reports. The scope of the Internal Audit Department includes:

- Planning audit operations on a risk-assessment approach where its priorities are determined by assessing the threats of high- and medium-risk operations in that order.
- Periodically auditing activities of departments, operations of the Company and its subsidiaries in alignment with the approved annual internal audit plan.
- Notifying the departments of the results of reviewing and auditing their activities and ensuring that remedial actions are taken to correct deficiencies detected during the audit process.
- Evaluating the action plan presented by the Principal Operational Officer of the reviewed department to handle the notes and recommendations stated in the audit report.
- Tracking the Executive Management's implementation of the procedures necessary to handle the notes in the audit report.

The reports and notes by Internal Audit during 2022 contributed to a better understanding of risks and deficiencies of the operations and departments of the Company and its subsidiaries. Decisions and corrective measures were taken to handle the same. Some of these measures are still under development as clarified in the internal audit reports. Below are the key notes mentioned in the Internal Audit report of 2022:

a) At the level of the Company:

- The current matrix of authorities has not been updated for the purposes of setting forth the responsibilities and delineating obligations in light of the current work procedures and the applicable resource planning system.
- The resource planning system is not optimally utilized in the preparation of estimated budgets of the departments and identification of deviations. Reports are being prepared manually exposing them to human errors. The concerned departments coordinated with the IT Department to update the system and automate the production of the reports.
- Some key positions (including identifying candidates) are not covered by the succession plan. The Management is working on updating the succession plan and adopting the best practices to attain the desired results.
- No procedures are developed to implement the continuity or disaster schemes which were neither tested nor implemented. The Management sought the services of an external advisor to work on the continuity and disaster schemes.

b) At the level of Operations:

- The auditing process brought to our attention that some policies and procedures of logistic operations were not updated. Such policies and procedures are being formulated for approval to be promulgated and implemented.
- Some subsidiaries failed to obtain the civil defense permits. The Management arranged all civil defense requirements. The municipality license was obtained to expedite the issuance of permits.
- The auditing process identified problems with the Procurement Department. Necessary decisions and remedial actions were taken.

Audit Committee Opinion on the Effectiveness of the Internal Controls

After reviewing periodic Internal Audit reports, studying the attached notes, and tracking the corrective measures to enhance internal controls (considering that the Management is responsible for the design and implementation of the internal regulations and controls besides conducting constant analyses to improve the effectiveness and efficiency of the Company); and limited by the results of planned and additional auditing functions carried out by the Internal Audit Department; and after deliberating with the external Auditor and the Executive Management on the interim and annual financial statements for 2022, the Audit Committee did not find any material deficiency in the internal controls since no system of internal control cannot be entirely verified.

The Audit Committee recommends that the Management continue strengthening the system of internal controls by improving oversight environment, refining IT systems, applying COSO framework in implementing and evaluating the system of internal controls and maximizing the independence of control departments by providing required human resources and IT systems that enhance their performance. The Committee also advises that more effort is needed to implement the recommendations and notes and, promptly apply the corrective action plans undertaken by the Management.

Social Responsibility Activities

Social responsibility of the Middle East Paper Company forms the core of its values and business model. By means thereof, the Company contributes to achieving the social sustainable development goals while committing itself to ethics, accountability and transparency to enhance its competitive edge in the markets.

The Company integrates its model of running daily operations with its social responsibility, as well as translating its commitment to social responsibility to specific objectives stated in the Company's policies, procedures and future objectives.

In running its business, the Company adopts modern sustainable practices without prejudice to the well-being of future generations. It is also committed to preparing strategies that bring us closer to sustainability and enhance the value provided to our customers.

In order to ensure that our effort is consistent with value generation, MEPCO's initiatives of corporate and social responsibility focus on 2 cornerstones: Education and Environment, which represent the key pillars of 2022.

Education and Empowerment

Driven by its strong desire to strengthen the skills and rekindle enthusiasm of the Saudi Youth, and as part of its social responsibility, the Company took the initiative in 2011 to establish a non-profit entity named Higher Institute for Paper and Industrial Technologies in Jeddah. It constitutes one of the strategic partnerships where an agreement was signed between MEPCO and the Technical and Vocational Training Corporation. The institute seeks to qualify Saudi high school graduates to study and then join the private sector the day they are admitted.

In 2022, the number of trainees at the institute reached 635 while graduates numbered 707, of which 183 graduates are working at MEPCO.

The Institute's vision is to have a qualified Saudi Youth specialized in all types of manufacturing, while its mission is to provide high-quality training by adopting state-of-the-art training equipment and hiring professional instructors. The institute added a number of diploma programs including electricity, mechanics, supplies and an occupational Health and Safety Cadre Program. The institute is also committed to creating a suitable environment to provide high-quality training on the technologies that the private sector needs for the manufacturing industries.

Environment

Sustainability is at the heart of the Company strategy and constitutes the fundamentals of its operating model. In addition to innovation and constant improvement of sustainable practices, we step up our engagement with society and industry to increase environmental awareness. The Company's initiatives in 2022 included the following:

- The International Recycling Day for 2022. The Company used the day to spread awareness about the role of recycling in preserving our key resources, securing the future of our planet and developing eco-friendly habits within workplaces influencing how people act and benefiting the society as whole.
- We launched the Annual Ramadan Campaign which handed out 1,500 food baskets to the needy covering all neighborhoods of Al-Khumrah district. The Campaign represents MEPCO's initiative to leave a good impact and enhance the social service.
- "For Them" is a campaign launched in cooperation with the Saudi Kiswa Team for recycling services. We donated secondhand garments to inspire feelings of solidarity and cooperation among society members while preserving our planet and supporting our families. We curated an awareness seminar provided by Kiswa. It was interesting as it demonstrates the benefit of donation that constantly bonds people and makes them relate to one another.
- Under our corporate responsibility, we participated in Qaderoon Forum which encourages enterprises to empower people with disabilities so they feel equal and workable. MEPCO won the 2022 Qaderoon award of medium enterprises.
- MEPCO is a co-founder of the Future Makers Initiative that was launched in cooperation with the Distinguished Initiative Organization. The initiative seeks to enhance human capital in alignment with the Kingdom's effort to be an industrial leader and to maximize its economy. Such objectives can be realized by educating the students about the internal structure of the industrial community in support of the Kingdom's Vision 2030.
- MEPCO contributed to the Leadership Licensing Program of Sustainable Development of King Abdulaziz University. The Program plays an active role in formulating environmentally friendly individual behavior and directly influences the social conduct. This would embed healthy and sustainable habits and raise the awareness of the coming generations on the significance of adopting the sustainable development goals in light of Vision 2030.

General Assembly Meetings of Shareholders in 2022

		Attendance Record for 2022
S	Name	First Meeting on 13th June
1	Mr. Emad Abdulkader Al Muhaidib	Present
2	Eng. Abdullah Abdulrahman Almoammar	Present
3	Mr. Abdulelah Abdullah Abunayyan,Head of Strategic Committee	Present
4	Mr. Khaled Salem Mohammed Al-Rowais, Head of Audit Committee	Present
5	Mr. Musaab Sulaiman Al Muhaidib	Present
6	Mr. Walid Ibrahim Shukri*	Present
7	Mr. Ahmed Mubarak Al Debasi, Head of Nomination and Remuneration Committee	Present
8	Eng. Omar Mohamed Siraj Najjar*	–

*Membership ended on 13th November 2022.

About the Company and its Subsidiaries

Middle East Paper Company (MEPCO) is one of the largest producers of paperboard in the Middle East and Africa. It produces a wide range of paper products available to customers all over the world. MEPCO serves a diversity of industries in the packaging sector, including products for building and furniture at large scale.

MEPCO exports its products from the Kingdom of Saudi Arabia to GCC Member States, the Middle East and Africa, in addition to South Asia, the Americas and Europe.

The reflective integration cycle of the Company enhances its powerful performance and competitiveness in the market through Waste Collection and Recycling Co. Ltd. (WASCO). WASCO is a leading company in the field of waste management. It has launched a strategy towards the achievement of the Kingdom's environment ambitions under Vision 2030.

The core values of MEPCO are to provide high-quality products to its customers, contribute to preserving the environment and fulfilling the needs of the market. Since its inception, The Company has placed great emphasis on preserving the environment by recycling paper into products of economic value. Our environmental interests cover the whole production process, from treating and reusing water besides using renewable chemical additives. We are working to the best of our ability to conserve our green world.

The Company is the official sponsor of the Higher Institute for Paper and Industrial Technologies (HIPIT) in Jeddah. It is a non-profit organization that improves and develops the knowledge and technical expertise of the Saudi employees in the sector of paper and industrial technologies. This would sharpen their skills, knowledge and experience, essential for recruitment. HIPIT is working under the supervision of the Technical and Vocational Training Corporation, the Saudi Center for International Strategic Partnerships and the Company's Board of Directors. The institute is one of MEPCO's initiatives towards its social responsibility, and a number of its graduates are working in the Company.

The Company is carrying out several activities towards social responsibility and environmental education and has won several related awards.

It has 3 paper production lines in the factory located in Jeddah with an annual capacity of 475,000 tons of brown paper rolls. It is one of the largest companies in the region in terms of production capacity and geographical distribution of sales.

The Company invests heavily in research and development to provide a wide range of innovative products to its loyal partners and clients.

The Company observes the highest international quality standards related to environmental sustainability and operational efficiency and is always working to develop its activities to meet the variables and needs of the markets.

The local content of the Company's final product represents more than 75%, as WASCO, its subsidiary, recycles the combined cardboard paper and turns it into a raw material used by paper converters.
The strategic location of MEPCO, near Jeddah Islamic Port, facilitates the export of its products to a wide range of worldwide markets.

The Company provides a variety of products to several industrial sectors, including:

Packaging Sector
Cardboard Paper: Used in producing cardboard boxes for packing foodstuff, electronics, and several other purposes.

Cardboard Pipe Paper: Used in a wide range of industries, including textile rolls, paper mills, etc.

Furniture Sector
High Impregnated Formica Paper: Used on furniture surfaces, including offices, kitchen cabinets, and doors.

Building and Construction Sector
Gypsum Board Paper: Used to manufacture gypsum board for walls and false ceilings.

a) Description of the key activities of the Company and its subsidiary

- The key activity of the Company is to manufacture and produce packaging and industrial paper.
- The main activity of its subsidiary is to collect, recycle and trade in paper and waste.

The activities contribution to the Company's revenues and results, is as follows: (SAR'000s)

Activity	Revenue from Activity	Percentage
Paper manufacture and production	1,167,958	98
Collection and recycle of paper and waste (Trade)	19,048	2

Forecasts and Way Ahead

MEPCO aims to enlarge its operations to become more integrated in the field of paper industries. This requires expansion at all levels as announced by the Company in October 2022 that ground works for the new cardboard factory are under process. The productive capacity of the factory is 400,000 tons. MEPCO has moved towards more digital transformation in support of the sustainable development goals and is consistent with the comprehensive transformation drive in alignment with Vision 2030.

Key Events and Disclosures during Financial Year 2022

S	Event	2022
1	Release of annual financial results on 31st December 2022	17th March
2	Announcement of cash dividends to Shareholders for financial year 2021	17th March
3	Concluding a banking facility agreement (Shariah compliant)	24th April
4	Release of interim financial results for the period ending 31st March 2022 (first quarter)	27th April
5	Inviting Shareholders to the first ordinary General Assembly	23rd May
6	Results of the first ordinary General Assembly	14th June
7	Announcement of mechanism and date of dividends for financial year 2021	23rd June
8	Announcement of the opening of nomination for membership	13th July
9	Announcement of latest updates on liquidating a subsidiary	7th August
10	Release of interim financial results for the period ending 30th June 2022 (second quarter)	8th August
11	Announcement of the Board's recommendation to increase the Company's capital via sale of shares	14th August
12	Announcement of cash dividends to Shareholders for the first half of financial year 2022	9th October
13	Inviting Shareholders to the first ordinary General Assembly	11th October
14	Announcement of a lawsuit filed against the Company	16th October
15	Correction announcement by Middle East Co for Manufacturing and Producing Paper SJSC on the date of dividends for the first half of 2022	19th October
16	Correction announcement by Middle East Co for Manufacturing and Producing Paper SJSC on the identity of the premises subject of the formerly announced lawsuit that is filed against the Company	19th October
17	Announcement of laying ground works for the new cardboard factory with a productive capacity of 400,000 tons	20th October
18	Correction announcement of laying ground works for the new cardboard factory with a productive capacity of 400,000 tons in addition to investments of about SAR 1.5 billion	23rd October
19	Inviting Shareholders to the first extraordinary General Assembly to deliberate on increasing the Company's capital	24th October
20	Release of interim financial results for the period ending 30th September 2022 (third quarter)	1st November
21	Outputs of the first extraordinary General Assembly	6th November
22	Announcement of the Board's resolution to appoint the Chairman, Vice Chairman and formation of the Committees for the new term	15th November
23	Announcement of the results of the second extraordinary General Assembly which approved increasing the Company's capital	27th November
24	Announcement that business course is affected by heavy rains in Jeddah	28th November
25	Announcement of the latest updates on the heavy rains in Jeddah that affected our work	5th December
26	Announcement of completing the sale of fractional shares resulting from increasing the Company's capital and the failure to distribute the money generated thereby on the Shareholders within the period designated by the laws.	28th December

Resolutions of the Board during 2022

S	Paragraph	Resolution
1	Recommendation to the Audit Committee on the need to appoint an internal Auditor in the Company if not available – MEPCO has had an Internal Audit Department since 2013.	Not applicable
2	Audit Committee recommendations that interfere with the decisions of the Board, or those submitted by the Committee on the appointment or dismissal of an auditor, determining their fees and assessing their performance or the appointment of an internal Auditor, but rejected by the Board along with justifications for those recommendations and the reasons for rejection.	Not applicable
3	A description of any interest within the class of voting shares which belongs to parties (other than the Board members, senior Executives, and their relatives) who have informed MEPCO of those rights or any amendment thereto during the financial year in accordance with the Rules on the Offer of Securities and Continuing Obligations.	Not applicable
4	A description of the classes and numbers of convertible debt instruments, contractual securities, subscription notes or other similar rights issued or granted by the Company during the fiscal year with clarification of any compensation obtained by the Company accordingly.	Not applicable
5	A description of any transfer or subscription rights executed under convertible debt instruments, contractual securities, subscription notes or other similar rights issued or granted by the Company.	Not applicable
6	A description of any redemption, purchase, cancellation by the Company of any redeemable debt instruments or value of the remaining securities with a distinction between the listed securities purchased by the Company and those purchased by its subsidiaries.	Not applicable
7	Statement of any arrangement or agreement whereby a Board member or a senior Executive waived their remuneration.	Not applicable
8	Statement of the remunerations received by the Board members in their capacity as members or Directors, as well as the remuneration they received against technical, administrative or advisory works.	Not applicable
9	Statement of any arrangement or agreement whereby a Shareholder of the Company waived any rights to profits.	Not applicable
10	Details of stock and debt instruments issued by each subsidiary.	Not applicable
11	Statement of the value of any investments or reserves created for the benefit of the Company's employees during 2020.	Not applicable
The Board further acknowledges the following:		
12	a. Books of accounts have been properly maintained. b. The system of internal control is sound in design and has been effectively implemented. c. No significant doubts about the Company's ability to continue its activity.	
13	There is no conflict with accounting standards issued by Saudi Organization for Chartered and Professional Accountants – SOCPA.	
14	No recommendation on prematurely replacing the Auditor was made during 2022.	
15	As per the Auditor's report for the financial year 2022, no qualified opinion was made on the financial statements.	
16	The Auditor neither provided any counselling services to the Company nor received any fees in this regard.	
17	The Auditor did not request the Board to summon the General Assembly during financial year 2022.	
18	The Chairman of the Board did not receive any written request to hold an extraordinary meeting of 2 or more members during financial year 2022.	
19	The Company emphasizes that no request was received from Shareholders with 5% or more of the capital to summon the General Assembly or add an item or more to its agenda during financial year 2022.	
20	The Company emphasizes that it has not put in place any procedures or restrictions that may limit the Shareholder's exercise of their rights that are guaranteed under the laws and regulations.	
21	The Company did not provide any cash loan of any kind to its Board members, nor did it guarantee any loans that any of them hold with third parties.	

The Company does not own preferred shares or voting shares, whether by Shareholders or Board members or their affiliates. Furthermore, all the shares of the Company are ordinary shares of equal nominal value, equal in voting, and other rights as provided for by the law.

Risks Related to the Activities of the Company, its Subsidiaries and Operations

The Company's activities, financial position, future expectations, operation results and cash flows may be adversely affected at a large scale by any of the following risks, or any other unidentified risks. The Company, as an industrial entity, is exposed to such risks in the course of its business. Accordingly, the Company takes all possible measures, sets policies, and provides adequate support and information to the Risk and Compliance Department to mitigate the effects of such risks on its performance.

1- Risk management strategy:

- Risk management strategy focuses on calculated risks. It is a systematic mechanism to identify and prioritize risks to apply strategies and action plans that minimize such risks. This mechanism aims to prevent potential risks while detecting actual problems early. It is an ongoing process where all business units including human resources are involved.
- Well-prepared risk management strategy enables Management, equipped with appropriate tools, to identify and analyze risks. Subsequently, a workable solution to eliminate such risk or reduce its effects would be developed.

The basic steps of a company's risk management strategy can be summarized in a 5-step process:

- Environment assessment - This is done by establishing mechanisms to investigate and deal with risks. Thus, a risk management approach will be identified. Setting goals would help the Management to identify potential risks that affect its performance.
- Risk Identification - This is done by answering the following 2 questions: What will happen? How would it happen? Internal and external events affect the Company's ability to realize its goals. Moreover, the Management shall know the difference between risks and opportunities.
- Risk Analysis - This analysis is done by considering the possibility of risks and how they impact the Company's goals, so that a clear mechanism is set to assess and manage such risks.
- Risk Assessment - Management assesses potential risks and how to react thereto by avoiding, accepting or reducing their impacts. The Management shall afterwards develop a set of activities to prioritize risks.
- Risk Discussion / Management - At this stage, possible strategic alternatives are identified to control the risk. The optimal strategic option is then selected. Accordingly, plans, with necessary resources, shall be developed to handle the risk while taking cost into account.

To reinforce the above 5-step process, the risk management exercises oversight and makes adjustments as required. The control activities may be carried out severally or jointly for each individual step.

2- Risk management courses of action:

Having recognized and assessed, risks are managed through one of the following courses of action:

Transfer: It is a medium that helps the Company transfer risks to a third party, usually through contracts or financial preventive measures. Insurance is an example of transferring the risk through contracts.

Avoidance: Avoiding activities leading to a certain risk suggests that avoidance is the remedy for all risks. However, benefits and profits from the avoided activities would be lost.

Mitigation: It includes ways and actions to reduce losses resulting from risks.

Retention: Retention is the acknowledgment and acceptance of a risk as a given. Usually, this mechanism is accepted to manage small-size risks where the cost of risk insurance over time is greater than the total loss. Therefore, all risks that cannot be avoided or transferred shall be retained.

3- Types of risks to the Company and its subsidiaries:

a) Risks of political upheavals and economic fluctuations

Some regional countries are going through volatile political situations that may affect competitiveness of the Company and reduce its access to clients therein. To manage such risks, the Company has adopted a strategic goal to enter new markets that offset its losses in these conflict zones. Additionally, the Company's performance is subject to regional and global economic conditions. Start, end or force of any economic slowdown or subsequent recoveries is beyond expectations.

b) Risks to activities and operations of the Company and its subsidiaries

1. Risks of relying on key personnel: The Company is managed by an elite group of administrative and professional competencies whose failure to work presents a grave risk that impedes the progress and threatens the viability of the Company. The Company and its subsidiaries, therefore, endeavor to provide a workplace that encourages continuity and creativity. Besides, they furnish the team with qualified and competent second line management who can succeed and take over from their mentors.

2. Risks of unavailability of raw materials and volatility in commodity prices: Ruling prices of goods and raw materials, especially used paper, may bear upon revenues and profits of the Company and its subsidiaries. Moreover, market availability of such materials has an impact, particularly if they are subject to rapid and violent fluctuations. Accordingly, the Company always backs the business of its subsidiary (WASCO) in an effort to maintain its competitive edge over its competitors, which, in turn, solidifies its market standing since it is the Company's strategic arm procuring its needs of affordable raw materials.

3. Risks of energy supplies: The Company concluded a contract with Saudi Aramco to supply its facilities with fuel which may fluctuate. However, the Company may not be able to increase the prices of its products to offset the rise in the fuel prices. This, in turn, negatively affects the Company's business and future expectations. The Company supports internal initiatives of cost reduction eliminating the impact of higher energy prices.

4. Risks of the Company's geographical location: The Company's factory is located in the private industrial zone of Khamra in Jeddah. The Company is the exclusive title holder of the plot and owns all the essential licenses to practice its activities therein, which are renewed as stipulated by law. In the event of new legislation prescribing the activity of factories outside the industrial cities run by Saudi Authority for Industrial Cities and Technology Zones (MODON), such legislation would affect the Company's business and financial position.

5. Risks related to operations and unexpected business interruptions: The Company's factory consists of several production lines and machines for the manufacture of paper. Consequently, in the event of an unexpected incident interfering with the Company's course of business due to technical malfunctions (such as a power, fuel, or water supply interruption) or force majeure, this would impact its business viability, which harms the Company's operational and financial results. Therefore, the Company takes all precautionary measures to reduce such risks. The Company has a power generator that meets its needs in addition to backup generators being used, when necessary, as well as long term contracts and agreements with more than one party to supply the quantities of water needed for the industry. Furthermore, the Company maintains an insurance cover that includes compensation for business interruption; and production lines operate completely independent of each other, so that none of them is affected by the other's disruption.

6. Risks of transportation: The Company relies on external transportation service providers to deliver its products to its customers. Any interruption in transportation services may provisionally hinder the Company's ability to supply its products, which will be reflected in the results of the Company's business. The Company is always working to establish strategic partnerships and conclude agreements with several transportation providers to ensure the continuity of such services with quality service and a competitive price.

c) Market and Industry Risks

1. Risks of product prices: The Company's performance in the future is affected by its ability to maintain affordable production costs and to shift any increase in the prime cost to its customers by raising product prices. Such process is clouded by doubts as the final price of products depends on supply and demand in the local and global markets.

2. Risks related to sector concentration and specialization: The Company targets one sector of the paper industry, namely manufacturing recycled brown paper. Industrial and agricultural production growth, the expenditure per capita increase, the development by manufacturers of patterns and methods of paper packaging, and the increased awareness of paper recycling are all key factors affecting, positively or negatively, this industry. Therefore, any negative change therein would hold back the Company's operations. Therefore, the Company endeavors to develop and diversify its products to keep pace with the updates in the packaging and manufacturing industry.

3. Competitive risks: The Company operates in a highly competitive market prone to be dumped with cheap products from foreign competitors, which may force the Company to reduce its product prices, badly affecting the results of the Company's business. Its competitive edge depends on its ability to produce distinctive products by providing high quality products at reasonable prices.

d) Financial Risks

1. Risks of inadequate insurance coverage: The Company maintains an insurance cover of several categories. It may have to resort to the concerned insurer to compensate for any insured loss or damage. Further, the value of the Company's claims may exceed the amount of insurance coverage, or the damage incurred may not be fully covered by insurance. Such incidents would negatively affect the Company's business and the financial and operational results.

2. Risks of future additional funding: The Company uses its capital, financial standing, operational results, cash flows and creditors to fulfill its funding needs. The Company may however need additional finance in the future. Accordingly, The Company's activities and operational and financial results would be affected by any delay or failure in raising such finance or obtaining funds with unfavorable terms or of high cost. Thus, the Company avoids such risks by continuously monitoring cash flows while ensuring the availability of the funding required for the Company's needs through creditors.

3. Credit risks: It is the risk of financial loss due to client's default on their obligations. The credit risk of the Company mainly relates to trade receivables. Some of the Company's clients may fail to meet their financial obligations towards the Company due to adverse economic conditions. This will negatively affect the results of its business and its expectations. To mitigate such risks, the Company regularly monitors receivables-related credit risks and the allocations to hedge against them. The Company also resorts to insurance coverage of credit risks, particularly those related to clients outside the Kingdom of Saudi Arabia.

4. Risks of fluctuating interest rates, currency exchange rates and financing costs: The Company is exposed to foreign currency exchange rate risks. Accordingly, any unexpected considerable fluctuations therein will negatively affect its financial performance. The significant increase in the financing costs, especially in the case of growth in the volume of funding, will expose the Company to high financing costs, which may compromise its future profitability. The Company virtually carries out all its deals in Saudi Riyals and US Dollars. To hedge against the risks of fluctuating interest rates, the Company regularly monitors interest rates. In addition, the Company entered into financial derivatives (interest / profit trade-off) with banks.

5. Liquidity risk: It arises when the Company encounters difficulty in raising funds to meet its financial obligations. Liquidity risk may result from an inability to timely sell a financial asset at nearly its fair value. It is managed by regularly ensuring the availability of adequate funds through committed creditors to meet future obligations. However, the Company does not significantly focus on liquidity risk.

6. Dividend risks: Dividends are subject to more than one factor, including the Company's profitability, financial position, legal reserve requirements, conditions of creditors, available credit limits, general economic conditions, and others related to the announcement of dividends subject to the recommendation of the Board of Directors. Any big change in these factors may affect the Company's ability to pay dividends. Payment of dividends is subject to the requirements of the Company's Articles of Association, applicable regulations and laws in this regard.

7. Risk of variable fair values of financial instruments: The Company may be exposed to such risks as a result of variability in the value reached for an asset or be paid to settle an obligation in a transaction between market participants at the measurement date. To prevent any material difference between the fair and the book values of financial instruments, the Company's Management constantly manages financial assets and liabilities.

8. Capital management risks: Capital management seeks to further the Company's business viability and thus achieve value to Shareholders and other Stakeholders. It also preserves the optimal capital structure to maintain and improve the capital while minimizing its cost. The Company manages capital risk by actively monitoring levels of its debts and liquid assets, maintaining future investment requirements and Shareholder expectations.

e) Risks related to laws and legal requirements

1. Legislations, laws and regulatory environment: The Company and its operations of paper production, waste collection and recycling shall comply with regulatory authorities that monitor the application of laws and regulations exclusively in the Kingdom of Saudi Arabia. In the event of amendments or the issuance of new laws or regulations related to the manufacture and production of paper or collection and recycling of waste, the Company may, conforming thereto, have to adjust its operations, methods of providing its services, its products, or production lines. This will ultimately lead to additional financial unexpected expenses or substantially influence its operations leading to a negative impact on its financial results and profitability. The Company always seeks to renew its industrial and commercial licenses, regularize its course of business and develop its facilities pursuant to the new regulations and decisions. A special department of governance and compliance was introduced to track the application of laws and regulations, and to ensure that none thereof is violated in the course of business of the Company or its subsidiaries.

2. Environmental and safety risks: The activities of the Company and its subsidiaries entail some risks to environmental and safety regulations. Obligating factories in the future to implement more stringent standards to meet environmental and safety requirements will lead to higher costs, which will affect the results of the Company's business. The Company pays more attention to conserve the environment, safety and security in the course of its business. Moreover, it applies occupational safety, fire safety and hazardous materials protection standards. The safety team conducts field visits to deal with all emergencies and incidents, in addition to conducting periodic training courses for employees on safety procedures and measures. The team also ensures uniformity and applies safety precautions within all departments and sites of the Company.

Financial Information and Data

The consolidated financial statements of the Company shall be prepared in accordance with the International Financial Reporting Standards (IFRS) applicable in the Kingdom of Saudi Arabia in addition to other standards and circulars issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

In its meeting on 13thJune 2022, the General Assembly appointed and agreed the fees of Ernst and Young (E&Y) to audit the Company's accounts as recommended by the Audit Committee. E&Y shall examine, review and audit the interim financial statements of the 2nd and 3rd quarters as well as the annual ones for financial year 2022 besides the first quarter of financial year 2023.

a) Business results (SAR'000s)

Description	2022	2021	2020	2019	2018
Sales	1,187,006	1,057,400	724,685	691,077	833,614
Costs of sales	684,220	663,297	581,436	549,368	597,940
Gross profit	502,786	394,102	143,249	141,710	235,674
Operating profit	304,294	242,318	43,592	31,860	128,230
Net profits	269,699	220,710	20,176	6,128	99,444

b) Assets and liabilities (SAR'000s)

Description	2022	2021	2020	2019	2018
Current assets	812,083	801,463	445,262	474,595	459,173
Non-current assets	1,134,431	1,068,655	1,132,097	1,102,216	1,046,513
Total assets	**1,946,514**	**1,870,118**	**1,577,359**	**1,576,811**	**1,505,686**
Current liabilities	282,887	405,907	406,231	420,460	354,100
Non-current liabilities	481,341	481,315	419,135	424,972	400,274
Gross liabilities	**764,228**	**887,222**	**825,366**	**845,433**	**754,373**

c) Material changes in operating results (SAR'000s)

Income Statement Indicators	2022	2021	Change value	Change Percentage	Reasons for change
Sales	1,187,006	1,057,400	129,606	12%	Higher sale volumes are mainly attributed to increased prices of our products due to worldwide inflation in 2022. The Company's management build on this situation to ensure an organized and streamlined production process, decrease production timeouts and discipline shipping. The company reshuffled its market capital.
Sales Cost	(684,220)	(663,298)	20,922	3%	Sales increase is marginal and caused by the increase in the average prices of raw materials. However, the latest increase was treated by management through improving cost efficiency of production and sale processes.
Total Income	502,786	394,102	108,684	28%	the profit margin went up from 37% to 42% with an increase of 28% due to rise in sales and improved cost efficiency.
Operating and other expenses	(195,656)	(165,344)	30,312	18%	Other and operational expenses mainly represented in the following: * The rise of 2.6 million riyals in sales and distribution cost is mainly attributed to the rise in shipping and transport of goods. The Company kept delivering goods on time using the most efficient and safest transport modes. Shipping costs increased by 2.3 million Riyals. * General and administrative expenses increased by 20 million Riyals. The rise came as a result of increased salaries and relative expenses due to once-off ESOP payments of 7.9 million Riyals. It is worth noting that 5 million Riyals of the above amount represent 50% of the RS 10-million fine imposed on Wasco by the General Authority for Competition. The case is still under consideration. * RS 7.7-million increase in impairment of receivables. The increase came mainly as a result of adopting the monthly expected credit loss model in line with IFRS 9 which replaced the quarterly basis model in 2021. Additionally, collection days as well as sales were slightly increased.
Operating and other revenues / (expenses)	(2,836)	13,560	(16,396)	(121%)	Other expenses for the current year recorded 4 million Riyals due to an unexpected loss from currency exchange rate fluctuations, in addition to other 2 million Riyals due to equipment depreciation and scrap sales of 1 million Riyals. Other revenues of 2.2 million Riyals came from selling miscellaneous goods by Wasco. In 2021, the Company recorded profits of 6.5 million Riyals from early settlement of liabilities in addition to 5 million Riyals more from selling IPE. The process did not occur in 2022.
Operating profits	304,294	242,318	61,976	26%	Operating profit increased mainly due to a rise in sales.

d) Geographical analysis of the Company and its subsidiaries total revenue

The company and its subsidiaries operate in KSA, GCC countries, North and East Africa countries, and some other geographical regions.

The geographical distribution is as follows: - Figures in SAR (000's)

Statement	Kingdom of Saudi Arabia	Gulf Cooperation Council	Other Countries	Total Revenue
Company	742,946	65,561	359,451	1,167,958
Subsidiaries	15,304	-	3,744	19,048
Total	758,250	65,561	363,195	1,187,006

e) Information related to loans of MEPCO and its subsidiaries

1. Medium Term Loans and Credit Facilities (SAR'000s)

Entity	The principal loan amount / facilitations	Duration of the loan / facilitations	Balance at the beginning of the year	Added during the year / scaled during the year	Amount paid during the year	Balance at the end of the year
Industrial Development Fund	289,500	5 years	67,089	75,000	(28,089)	114,000
Samba Bank	50,000	5 years	23,956	-	(23,956)	(28,089)
National bank of Kuwait	150,000	4 years	5,946	-	(5,946)	(5,946)
SABB Bank	218,365	5 years	239,794	-	(21,429)	218,365
Bank AlBilad	100,000	5 years	64,904	-	(64,904)	(64,904)
Saudi National Bank	80,000	4 years	40,000	-	(40,000)	(40,000)
Riyadh Bank	127,000	5 years	122,000	-	(122,000)	(122,000)
Bank AlJazira	183,779	5 years	-	183,779	-	183,779
Total	1,198,644		563,689	258,779	(306,324)	516,144
Financing fees due, deferred financial charges	-	-	(1,928)	(3,061)	-	(4,989)
Total	1,198,644		561,761	255,718	(306,324)	511,155

2. Short term loans and facilitations (Rotating) - Figures in SAR (000's)

Loan Grantor	The principal loan amount / facilitations	Duration of the loan / facilitations	Balance at the beginning of the year	Added during the year / scaled during the year	Amount paid during the year	Balance at the end of the year
Bank Al Bilad	100,000	1 year	34,000		(34,000)	
National Commercial Bank	55,000	1 year	15,000		(15,000)	
Samba Bank	40,000	1 year	41,000		(41,000)	
Bank AlJazira	70,625	6 months	-	20,625	-	20,625
Total	265,625		90,000	20,625	(90,000)	20,625
Due and other payment papers	-	-	7,349	5,591	-	12,940
Total	265,625		97,349	26,216	(90,000)	33,565
Total medium and short term	1,359,865		659,110	281,934	(396,324)	544,720

3. Classification of total loans according to International Standards - Figures in SAR (000's)

classification	2022	2021
Short-term loans and facilities	33,565	33,565
Current portion of long-term loans	99,828	99,828
Long-term loans	411,327	411,327

f) Subsidiaries

Company Name	Capital	Activity	County of Establishment	Country of Activity	Equity
Waste Collection & Recycling Company Ltd.	20 million Riyals	Used Paper Collection and Trade	Saudi Arabia	Saudi Arabia and other countries	100%
Roots Paper Manufacturing Company Limited	68 million Riyals	Tissue paper, Roll paper and related products	Saudi Arabia	Saudi Arabia	100%
Estidama Environmental Services Company Limited	100,000 Riyals	Water supplies, sewerage, waste management and treatment	Saudi Arabia	Saudi Arabia	50%
Saudi Jordanian waste collection and recycling	529,000 Riyals	Waste Management & Treatment	Jordon	Jordon	50%

The subsidiaries are fully integrated into the parent Company's course of business. The paper collection and sorting companies along with their branches supply the paper factory with amounts of raw material required for the Company's business activities, besides creating profits by selling their surplus in the target markets.

g) Value statement of legal dues with a brief description

- **Zakat:** The Company is subject to the laws of the General Authority of Zakat and Tax in the Kingdom of Saudi Arabia. Zakat is registered on an accrual basis. Subsidiaries operating outside the Kingdom of Saudi Arabia are subject to their local tax laws.
- **Tax:** The Company and its subsidiary registered in the value-added tax system which was introduced in January 2018.
- **Social Insurance:** The Company is subject to the social insurance law. Social insurance fees are recorded on an accrual basis, and social insurance is paid monthly based on the dues for the previous month.
- **Passport and Visa costs:** These are costs that the Company pay to obtain visas, recruitment fees, and commercial visits.
- **Labor office fees:** Represent the costs of obtaining work permits and changing professions

Financial statements of 2022 (SAR'000s)	Dues	Paid	Justifications
Zakat	12,898	7,477	Zakat computed by the consultant as per the Zakat regulations
Tax	38,925	45,912	VAT on goods & external services by foreign suppliers
General Organization for Social Insurance	5,331	5,150	Due payments as per the social security records
Passport & Visa costs	1,121	1,121	Recruitment, commercial visits, visas and their renewal
Labor office fees	7,707	8,029	Employment fees and work permits
Total	65,982	67,689	

Details of the Treasury Bills held by the Company and the Uses thereof

No treasury shares for year 2022

Number of Requests for the Shareholder Register during 2022

S	Date of Ownership File	Purpose for the Request
1	20th January	Data on the movement of ownership ratios of companies and investment funds
2	3rd March	Data on the movement of ownership ratios of companies and investment funds
3	28th April	Data on the movement of ownership ratios of companies and investment funds
4	13th January	Shareholders register for the purpose of the General Assembly
5	13th January	Shareholders register for the purpose of the General Assembly
6	2nd August	Data on the movement of ownership ratios of companies and investment funds
7	8th September	Data on the movement of ownership ratios of companies and investment funds
8	13th October	Data on the movement of ownership ratios of companies and investment funds
10	3rd November	Shareholders register for the purpose of the General Assembly
11	24th November	Shareholders register for the purpose of the General Assembly
12	4th December	Data on the movement of ownership ratios of companies and investment funds
13	31st December	Statement of ownership of Board members, senior Executives and principal Shareholders at the end of the year

• The value of the above transactions is calculated after VAT deducted.

Information about the Contracts or Deals that the Company Signed with Related Parties

They are the same transactions that have an indirect interest to some members of the Board of Directors, the CEO or any related person

Contractual Nature	The other party in the contract	Conditions of Work or Contract	Beginning of Contract	Contract – Transaction Duration	Value of Transactions in Saudi Riyals during 2022	Member's name/ senior Executive or any other relatives
Supply the corn material necessary for paper rolls manufacturing	Al-Masirah International Industrial Investments Company	Continuous transactions done in the context of the normal business within the prevalent commercial conditions and without any preferential conditions	2020	5-Year framework agreement	23,035,088	Eng. Abdullah Abdul Rahman Almoammar Mr. Emad Abdulkader Al Muhaidib
Purchase the company's products from gypsum board rolls	United Mining Company	Continuous transactions done in the context of the normal business within the prevalent commercial conditions and without any preferential conditions	2010	Valid until termination by one of the parties whenever they desire.	10,627,974	Mr. Emad Abdulkader Al Muhaidib
Supply water to meet the company's needs among the approved suppliers	Develop and operate the industrial cities	Continuous transactions done in the context of the normal business within the prevalent commercial conditions and without any preferential conditions	2005	Valid till 2025	5,702,378	Mr. Emad Abdulkader Al Muhaidib

About Cash Dividends during 2022

- On 16th March 2022, The Board approved the General Assembly recommendation on paying cash dividends to the Shareholders for the year 2021. at its meeting dated 13th June 2022, the General Assembly approved the Board's recommendation to pay an amount of SAR 50,000,000 of profits to the Shareholders for the financial year ending 31st December 2021, SAR 1 per share.
- As authorized by the General Assembly held on 13th June 2022, the Board decided to distribute an amount of SAR 25,000,000 to the Company's Shareholders on 8th October 2022 for the first half of the financial year 2022, in an amount of SAR 0.5 per share.

Dividend Policy:

1. Cash dividends:

Dividends are paid to the Shareholders in accordance with the provisions of the Companies' law, its regulations and the Company's Articles of Association. Net profits are distributed after deducting all general expenses and other costs particularly the following:

- 10% of the net profits shall be set aside to form a statutory reserve, and the Ordinary General Assembly may discontinue such deduction whenever the said reserve reaches 30% of the paid-up capital.
- The Ordinary General Assembly may decide, based on the Board's recommendation, to set aside a specific percent of the net profits to form a consensual reserve towards certain purposes. Such reserve can only be used by a decision of an Extraordinary General Assembly.
- The Ordinary General Assembly may decide to form other reserves as may be essential to achieve the interests of the Company or to ensure fixed profits are distributed to the Shareholders. The aforementioned Assembly may also deduct amounts from the net profits to establish social institutions for the employees of the Company or to support the existing ones.
- The remainder is then distributed as a first payment to Shareholders, equivalent to no less than 5% of the paid-up capital.
- Subject to the provisions of Article (21) of the Company's Articles of Association, and Article (76) of Saudi Companies' Law, a percentage of no more than 10% of the remainder shall be allocated to the remuneration of the Board if it is a certain percentage of the Company's profits, provided that the entitlement to this remuneration is proportional to the number of meetings attended by each member.
- Upon meeting the regulatory requirements, the Company may distribute semi-annual and quarterly dividends to Shareholders.

2. Distribution of bonus shares:

- The Company may distribute the dividends in the form of bonus shares to the Shareholders to increase the capital by issuing bonus shares at the nominal value which is transferred from the retained earnings to the capital. To increase the capital, the approval of the Capital Market Authority (CMA) shall be obtained, followed by the approval of the Extraordinary General Assembly of the Company.
- As may be resolved by the General Assembly or by the Board on the interim dividends, the Shareholders receive their portion of net profits as cash dividends or bonus shares. The decision of the General Assembly or the Board shall specify the due date and date of distribution. The dividends are paid first to those registered on the Shareholder register at the end of the specified maturity date.
- At its meeting dated 24th November 2022, the Extraordinary General Assembly approved the Board's recommendation to increase the Company's capital by issuing bonus shares to the Shareholders in an amount of 1 share for every 3 shares.

a) About the Governance of the Company

The Company has laid down its own corporate governance system setting rules and standards to ensure compliance with the best governance practices that protect rights of the Shareholders, Stakeholders and related parties. The rules, policies and procedures stated in the Company's corporate governance regulations are binding on all Board members, Executive Management, key managerial personnel and all employees of the Company. This system may only be modified via a Board decision.

The corporate governance system aims to make the optimal and most profitable investment of the Company's capabilities and resources by creating a work ecosystem based on the principles of responsibility, control, and commitment that is founded on clarity and transparency. Such principles shall be observed in defining the Company's goals and strategic business plans, in describing the rights and obligations of all its entities, and in managing its relationship with suppliers, creditors, consumers and regulatory authorities. This ecosystem interacts and integrates with the local legislature so the Company may achieve its goals effectively and fairly.
MEPCO adopts the best standards of corporate governance and always adjusts its business models to be consistent with updated standards. This commitment constitutes a fundamental pillar for its long-term success. Therefore, the Company has developed its own governance rules, which align with the Company's commitment to integrity and quality in all of its operations, activities and products.

MEPCO Governance focuses on the following objectives:

- Activate the role of Shareholders in the Company and facilitate exercising of their rights.
- Embed transparency, integrity and fairness in the Company, its operations and business environment, and enhance disclosure thereof.
- Provide effective and balanced tools to deal with conflict-of-interest situations.
- Define the roles and responsibilities of the Board and the Executive Management.
- Activate the role of the Board and the Committees and develop their efficiency to enhance decision-making processes in the Company.
- Strengthen the controls and accountability of Company employees.
- Establish a general framework for dealing with Stakeholders and respect their rights.
- Improve the effectiveness of internal supervision and oversight and provide the required tools.
- Educate employees on the professional conduct and urge them to adopt responsible and good behavior when exercising their duties.

Key Principles of MEPCO Governance	
Responsibility:	To ensure effective performance of functions using the best available capabilities.
Accountability and Control:	To control acts and conduct and hold accountable all decision-makers ensuring that they can clarify and justify their actions.
Equality:	Fair and indiscriminate treatment for all parties.
Transparency:	Clear and accurate disclosure to ensure that all Company operations and data are clear and available to all.
Ethics:	Stick to the Code of Professional and Ethical Conduct and commit oneself to integrity, fairness and professionalism with all parties.
A Vision to Record Sustainable Value:	Long term outlook for realizing sustainability which ensures growth and promotes social well-being.

b) Articles of Association

The Articles of Association defines the identity of the Company and regulates its affairs, objectives and management. It also governs its meetings and Shareholders equities. It also controls and monitors the Company's business, its authority to borrow and grant shares in addition to outlining its policy from its inception onwards.

Shareholder rights

Our corporate governance framework attaches tremendous value to Shareholder rights and urges them to participate effectively in the General Assembly meetings. To that end, it educates them on voting rules, their right to fair and indiscriminate treatment, and to information they need to fully exercise their statutory rights. They are entitled to a share of the profits, to a share of the Company's assets upon liquidation, to attend Shareholder assemblies, to take part in its deliberations, to vote on its decisions, to dispose of shares, to request access to the Company's books and documents, to monitor actions of the Board, to inquire and request information that neither harms the Company's interests nor violates the capital market law and its executive regulations. They are also entitled to file a liability claim against the Board members, and to appeal against decisions made by Shareholder assemblies. Moreover, the framework lays great emphasis on the rights of other Stakeholders along with other rights guaranteed and stressed by the Company's Articles of Association.

c) Internal Controls

Based on recommendation by the Audit Committee, the Board adopted a system of internal control to evaluate the policies and procedures related to risk management, apply corporate governance rules and regulations, and to comply with relevant laws and regulations. The Audit Committee further recommended the use of the COSO framework in the evaluation, implementation and supervision of internal controls. The internal control and risk management processes are listed according to the COSO framework as follows:

- Strategy: The company's ultimate goals accord with and support its mission
- Operations: The effective and efficient use of resources to achieve the targeted goals
- Reports: The reliability of financial reports
- **Compliance:** Compliance with all applicable laws and regulations.
- The executive management implements internal control system and risk management, verifies the effectiveness and adequacy thereof, and applies best practices. Internal control systems in the company and its subsidiaries are monitored and assessed by both Internal Audit Department, and Department of Governance, Compliance and Risk management respectively. These departments are independent and report periodically to the Audit Committee and the Board.
- Throughout 2020, the Company invested in the internal controls by adopting COSO framework which is to remain in place as to the execution and annual evaluation of internal control procedures.
- In 2020, the Audit Committee recommended amending risk management institutional policy as part of advancing risk management, risk records reviewing, control plans and risk appetite.

The Company has strengthened governance role by the following:

1. Internal Audit. It is an independent department that operates under the Audit Committee. It provides the Board and Executive Management with an objective and comprehensive view of all the Company's activities and ensures the effectiveness of internal controls in handling the risks identified by the risk management to minimize or mitigate them.

2. The Corporate Governance and Compliance. An independent department works in cooperation with other departments and under the supervision of the Board and the Audit Committee. It performs the following functions:

- Monitors the application of the general framework of governance and ensures that it is reviewed periodically to confirm its conformity with amendments to the Company's objectives or activities, regulatory requirements or best practices in the field of governance.
- Tracks the amendments issued by the regulatory and supervisory authorities on the laws or the regulations and instructions of joint-stock companies; and updates the Company's internal regulations accordingly.
- Ensures that the Company abides by the instructions and regulations set forth by the regulatory and supervisory authorities and which are linked to the Company's activities.
- Responds to inquiries and correspondence received by the Company from the regulatory and supervisory authorities and participates in training activities they run, and builds up trust between such authorities and the Company.
- Monitors Company compliance with policies and internal controls to achieve compliance with local laws and regulations.
- Promotes cultural awareness of corporate governance and commitment within the Company and trains the employees accordingly.
- Keeps the Executive Management informed of the risks arising from non-compliance that may lead to statutory penalties and actions, financial losses or damage to the Company's reputation caused by its failure to implement the regulations, instructions, rules, instructions, or ethical values that control the business environment where the Company operates.
- Responds to alleged violations of rules, regulations, policies, procedures, moral standards and ethics by running an assessment and recommends an investigation.
- Conducts an annual review of all instructions included in the governance policy and procedure manuals applicable to the Company to ensure that they conform to the regulatory requirements and update accordingly.
- Monitors the Company's compliance with laws and regulations in its operations with other entities; the Company's unit commitment to the Company's corporate governance policies and internal regulations, and assists the Internal Audit Department to fulfill its control role.

3. Risk Management operates under the Governance and Compliance Department. Its key functions are as follows:

- Ensures effective management of risks to which the Company is or may be exposed.
- Defines, develops, and monitors the application of guidelines and risk management procedures necessary to identify, measure, control and monitor risks inherent in the Company's activities.
- Reviews the risk record submitted by each Manager regarding their department. The record shall afterwards be submitted to the Chief Executive Officer and the Company's Audit Committee. A regular report shall be prepared on the Company's risk management framework and risk structure.
- Promotes cultural awareness of risk management within the Company and train the employees accordingly.
- Ensures that all employees are fully aware of the risks in their work environment and their individual responsibilities.
- Coordinates with the Executive Management to ensure the effectiveness and efficiency of the Company's risk management system.
- Submits reports to the Audit Committee and the Board, including recommendations to the Executive Management that supports the effective risk management.

4. Legal Department: It is a specialized department that works with other departments to achieve objectives of the Company. It aims to ensure that actions taken by other departments are in conformity with the statutory rules. It also offers legal opinion, reviews the regulations, and audits contracts and agreements, as well as provides legal counsel on dealings referred to the Department by other business units. Its functions include formulating decisions, letters and memos assigned thereto. It expresses the legal opinion on the issues presented thereto and coordinates with the lawyers handling the Company's lawsuits, in addition to spreading legal awareness and educating the Company's employees through coordination with different departments.

Provisions of Corporate Governance Regulations; Applied and Unapplied and Why.

The Company has implemented the obligatory provisions contained in the corporate governance regulations of the Capital Market Authority as amended in 2019, with the exception of the following, which includes guiding provisions.

Number of the Article	Content of the Article	Reasons for Non-application
14 Paragraph A	On preparing the agenda of the General Assembly, the Board shall take into account the issues that Shareholders wish to include. Shareholders holding at least 5% of the Company's shares may add one or more items to the agenda.	During 2022, the Company was not notified of any issues the Shareholders wish to include in the General Assembly Agenda.
39 Paragraph 2	Establish the mechanisms that help each Board member and senior Executive obtain training programs and courses which enhance their skills and knowledge related to the Company activities.	The Company applied only Paragraph 1 of the Article. Latest updates on the Company's activities are conveyed to the Board in the meetings and through reports by the Management.
60	By a Board decision, a Remuneration Committee shall be formed of 3 Non-Executive members of whom at least one is an Independent member. Upon recommendation by the Board, the General Assembly shall issue the charter of the Remuneration Committee.	Not applicable. The Company combined remuneration and nomination in one Committee.
63	The Committee shall convene periodically at least annually and as needed.	Not applicable. The Company combined remuneration and nomination in one Committee.
64	a Board decision, a Nomination Committee shall be formed of 3 Non-Executive members of whom at least one is an Independent member. Upon recommendation by the Board, the General Assembly shall issue the charter of the nomination Committee.	Not applicable. The Company combined remuneration and nomination in one Committee.
67	The Committee shall convene periodically at least annually and as needed.	Not applicable. The Company combined remuneration and nomination in one Committee.
70	The Board shall by virtue of its own decision form a Risk Management Committee. The Chairman and majority of its members shall be Non-Executive Board members and shall be adequately knowledgeable in risk management and finance.	The Company has not formed a specialized risk management department. The risk officer is following up on risks and the application of a risk management policy in coordination with the Internal Audit and Compliance Department under the supervision of the Audit Committee.
72	The Risk Management Committee shall convene periodically at least semi-annually and as needed.	The Company has not formed a dedicated risk management department.
85 Paragraph 31	The Company shall establish programs for developing and encouraging the engagement and performance of its personnel. The programs shall particularly include the following: Formation of committees or specialized workshops where employees can speak their minds and discuss key issues. Programs to award the Company employees shares therein or portion of the profits or retirement programs in addition to setting up an independent fund to financially support such programs and create social welfare entities for the employees.	Partially not applicable. The Company has established a program to grant some employees shares in the Company. The Company provides means of communication for its employees to offer opinions and submit suggestions and complaints. Besides, employee satisfaction surveys are conducted through independent external parties. Furthermore, training courses for employees inside and outside the Company are also available.
88 Paragraph 1	Setting indicators that link the Company's performance with its social initiatives and comparing it with other companies that engage in similar activities.	Not applicable. It is a guiding paragraph, and it is specifically wanting a comparison with other similar companies which is difficult to implement due to scarce information.
95	In the event that the Board forms a Corporate Governance Committee, it shall assign thereto the competencies stipulated in Article (94) of these Regulations. Such committee shall oversee all issues relating to the implementation of governance and shall submit to the Board its reports and recommendations at least annually.	The Company has not formed a dedicated governance committee. However, the Company has a governance and compliance unit that controls and supervises the governance of the Company under the Board and the Audit Committee.

Finally, the Board of Directors would like to extend its deepest gratitude to the Government of the Custodian of the Two Holy Mosques for its unqualified support to the private sector, through governmental initiatives, to alleviate the impact of COVID-19 and for backing the industry during such hard times. The Board is also grateful to all of the Company's clients, financial institutions, and suppliers. The Board expresses its sincere thanks and appreciation to the Shareholders of the Company, for their trust and unlimited support. I am confident that such trust motivates us for more progress and profitability. We want to thank the Executive Management and employees of the Company for their relentless effort, and the Board looks forward to more achievements during 2023.

All wishes of Success for our Company

06 Financial Statements

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER (A SAUDI JOINT STOCK COMPANY)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Middle East Company for Manufacturing and Producing Paper and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA") 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 are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia, that is relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
Impairment loss on trade receivables The gross balance of trade receivables as at 31 December 2022 amounted to SR 328.95 million (2021: SR 306.6 million), against which an allowance for impairment of SR 31.2 million (2021: SR 15.1 million) was maintained. Assessment of expected credit losses is highly subjective due to the significant judgement, estimates and assumptions applied by the management in determining the expected losses. The management is required to determine an expected loss rate against the outstanding trade receivables based on the Group's historical credit loss experience adjusted with forward-looking information. We considered this as a key audit matter given the judgements and assumptions regarding the ECL impairment against trade receivables and the potential impact on the Group's consolidated financial statements Refer to note 3.8 to the consolidated financial statements for the significant accounting policy, note 2.6 for the critical accounting estimates and judgements and note 11 which details the disclosure of impairment against trade receivables.	We assessed the appropriateness of significant judgements, estimates and assumptions made by the management. We obtained and updated our understanding of management's assessment of ECL against trade receivables. We compared the Group's accounting policy for ECL allowance and the ECL methodology with the requirements of IFRS 9. We involved our specialists to review methodology implemented by the Group in relation to the requirements of IFRS (9). Particularly, we assessed the Group's approach regarding assessment of the probability of default and incorporation of forward-looking information in the calculation of ECL, as well as the changes in loss given default parameter. We reviewed the appropriateness of the Group's criteria and judgement for the determination of individually impaired receivable. We tested the completeness and accuracy of data, on a sample basis, supporting the ECL calculations. We also assessed the reasonableness and adequacy of disclosures in the consolidated financial statements as required by IFRS 9 and IFRS 7 Financial instruments: Disclosure.
Impairment of inventories As at 31 December 2022, the Group had inventories amounting to SR 218.9 million (2021: SR 151.7 million) and related provision for slow moving and obsolete inventories amounting to SR 6.1 million (2021: SR 7.7 million). These inventories comprise raw materials, work in progress, finished goods, consumable spare parts and goods-in-transit. For raw material, work in progress and finished goods including goods in transit, the Group adopts a policy of providing for inventories when there are specific quality/net realisable value concerns. For consumables spares, including supplies and other items, management considers them to be impaired when there is evidence of deterioration in the physical condition, technological changes and/or no movements in the specific period. We considered this as a key audit matter because establishing a provision for slow-moving, obsolete and damaged inventories involves significant management judgement in respect of factors such as identifying those slow moving, dormant and obsolete spare parts, and assessing their future use and respective allowance. The gross inventories and related provision are material to the consolidated financial statements. Refer to note 3.5 to the consolidated financial statements for the accounting policy relating to the inventories, note 2.6 for the critical accounting estimates and judgements and note 10 for the disclosures of movement in provision for slow moving and obsolete inventories.	We tested the inventory provision calculations against the Group's policy for obsolete and slow-moving inventories. We attended stock counts at the year-end to observe and understand the Group's procedures for identifying obsolete inventory and we observed such inventories at the count. We evaluated the assumptions and reasonableness of judgements used by management for provision assessment. For finished goods and work in progress, we traced, on a sample basis, inventories to sales subsequent to the year end and ensured that they were sold at more than net book value. For goods in transit, we tested, on sample basis, supporting documents including shipping documents and evidence of transfer of goods to the Group, and the subsequent receipts to those inventories. For raw materials, spares, including supplies and other items, which are assessed for impairment as per policy, on a sample basis, we performed the following procedures: • We obtained an understanding of how the Group's management identifies the slow-moving and obsolete inventories and assessed the amount of allowance for inventories; • We obtained an understanding and evaluated the appropriateness of the basis of identification of the slow-moving, dormant and obsolete inventories; and We have also assessed the disclosures in the consolidated financial statements, including the reasonableness of disclosure of judgment, estimates and assumptions applied by the management in determining of impairment of inventories.

INDEPENDENT AUDITOR'S REPORT continued

TO THE SHAREHOLDERS OF MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER (A SAUDI JOINT STOCK COMPANY)

Other information included in the Group's 2022 Annual Report

Other information consists of the information included in the Group's 2022 annual report, other than the consolidated financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information in its annual report. The Group's 2022 annual report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Group's 2022 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Board of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Board of Directors 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 that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and Parent 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, the Board of Directors 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 the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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 skepticism 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 Board of Directors.

- Conclude on the appropriateness of Board of Director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

for Ernst & Young Professional Services

Abdullah Ali AlMakrami
Certified Public Accountant
License No. 476

Jeddah: XX Sha'ban 1444H
XX March 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022
(Expressed in Saudi Riyals unless otherwise stated)

	Note	31 December 2022	31 December 2021
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	871,799,672	939,046,594
Capital work in progress	6	233,703,635	94,546,859
Right-of-use assets	8	28,660,645	34,158,612
Intangible assets	9	267,692	902,718
TOTAL NON-CURRENT ASSETS		1,134,431,644	1,068,654,783
CURRENT ASSETS			
Inventories	10	212,777,017	144,017,771
Trade receivables	11	297,736,735	291,381,361
Prepayments and other receivables	12	16,690,045	15,254,395
Capital project advances	7	47,715,916	-
Other current assets	13	91,911,302	86,799,480
Financial asset at fair value through profit or loss	14	5,633	5,633
Cash and cash equivalents	15	145,246,081	264,004,358
TOTAL CURRENT ASSETS		812,082,729	801,462,998
TOTAL ASSETS		1,946,514,373	1,870,117,781
EQUITY AND LIABILITIES			
EQUITY			
Share capital	16	666,666,660	500,000,000
Statutory reserve	18	135,278,852	108,308,999
Treasury shares	19	-	(1,136,135)
Reserve for employees' share-based payments	19	7,860,000	1,715,000
Retained earnings	20	371,242,769	373,801,465
Equity attributable to equity holders of parent		1,181,048,281	982,689,329
Non- controlling interests		1,237,841	206,563
TOTAL EQUITY		1,182,286,122	982,895,892
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term borrowings	21	411,327,423	411,866,578
Lease liabilities	22	21,999,430	27,203,497
Employee benefits	23	48,014,426	42,244,799
TOTAL NON-CURRENT LIABILITIES		481,341,279	481,314,874
CURRENT LIABILITIES			
Zakat payable	24.2	13,386,571	6,752,605
Long-term borrowings – current portion	21	99,828,007	149,894,087
Lease liabilities – current portion	22	7,430,410	5,802,385
Short-term borrowings	25	33,564,696	97,349,450
Trade and other payables	26	123,950,413	134,836,567
Other current liability	27	4,726,875	11,271,921
TOTAL CURRENT LIABILITIES		282,886,972	405,907,015
TOTAL LIABILITIES		764,228,251	887,221,889
TOTAL EQUITY AND LIABILITIES		1,946,514,373	1,870,117,781

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

The accompanying notes from 1 to 40 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022
(Expressed in Saudi Riyals unless otherwise stated)

	Note	2022	2021
Revenue	4	1,187,005,798	1,057,399,630
Cost of revenue	28	(684,219,701)	(663,297,385)
GROSS PROFIT		502,786,097	394,102,245
Selling and distribution expenses	29	(84,024,584)	(81,451,821)
General and administrative expenses	30	(95,347,820)	(75,259,756)
Impairment loss on financial assets	11	(16,283,851)	(8,631,766)
Fair value gain on derivative financial instruments		-	364,800
Other operating (expenses)/income - net	31	(2,835,459)	13,194,236
OPERATING PROFIT		304,294,383	242,317,938
Finance costs – net	32	(18,483,106)	(14,493,805)
PROFIT BEFORE ZAKAT		285,811,277	227,824,133
Zakat expense	24.2	(15,081,467)	(6,957,475)
PROFIT FOR THE YEAR		270,729,810	220,866,658
Attributable to:			
Equity holders of the parent		269,698,532	220,710,095
Non-controlling interests		1,031,278	156,563
		270,729,810	220,866,658
OTHER COMPREHENSIVE INCOME:			
Items that will not be reclassified to statement of profit or loss:			
Actuarial losses on re-measurement of employee benefit obligations	23	(4,199,580)	(303,758)
TOTAL COMPREHENSIVE INCOME		266,530,230	220,562,900
Attributable to:			
Equity holders of the parent		265,498,952	220,406,337
Non-controlling interests		1,031,278	156,563
		266,530,230	220,562,900
EARNINGS PER SHARE:			
Earnings per share attributable to ordinary equity holders of the Parent (Saudi Riyals)			
- Basic and diluted	33	4.05	3.31

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

The accompanying notes from 1 to 40 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022
(Expressed in Saudi Riyals unless otherwise stated)

	Note	Attributable to equity holders of the Parent			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		**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 year		-	-	-	-	269,698,532	269,698,532	1,031,278	270,729,810
Other comprehensive income for the year		-	-	-	-	(4,199,580)	(4,199,580)	-	(4,199,580)
Total comprehensive income for the year		-	-	-	-	265,498,952	265,498,952	1,031,278	266,530,230
Transfer to statutory reserve	18	-	26,969,853	-	-	(26,969,853)	-	-	-
Bonus issue	16	166,666,660	-	-	-	(166,666,660)	-	-	-
Addition during the year		-	-	-	7,860,000	-	7,860,000	-	7,860,000
Transfer from treasury shares		-	-	1,136,135	(1,136,135)	-	-	-	-
Gain on employee share-based payment plan		-	-	-	(578,865)	578,865	-	-	-
Dividends	17	-	-	-	-	(75,000,000)	(75,000,000)	-	(75,000,000)
Balance as at 31 December 2022		**666,666,660**	**135,278,852**	**-**	**7,860,000**	**371,242,769**	**1,181,048,281**	**1,237,841**	**1,182,286,122**
Balance as at 1 January 2021		500,000,000	86,237,989	(6,816,812)	-	172,571,815	751,992,992	-	751,992,992
Profit for the year		-	-	-	-	220,710,095	220,710,095	156,563	220,866,658
Other comprehensive loss for the year		-	-	-	-	(303,758)	(303,758)	-	(303,758)
Total comprehensive income for the year		-	-	-	-	220,406,337	220,406,337	156,563	220,562,900
Transfer to statutory reserve	18	-	22,071,010	-	-	(22,071,010)	-	-	-
Additions during the year		-	-	-	10,290,000	-	10,290,000	50,000	10,340,000
Transfer from treasury shares		-	-	5,680,677	(5,680,677)	-	-	-	-
Gain on employee share-based payment plan		-	-	-	(2,894,323)	2,894,323	-	-	-
Balance as at 31 December 2021		500,000,000	108,308,999	(1,136,135)	1,715,000	373,801,465	982,689,329	206,563	982,895,892

Chief Financial Officer

Chief Executive Officer

Chairman of the Board

The accompanying notes from 1 to 40 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022
(Expressed in Saudi Riyals unless otherwise stated)

	Note	2022	2021
OPERATING ACTIVITIES			
Profit before zakat		285,811,277	227,824,133
Adjustment to reconcile income before zakat to net cash inflow from operating activities:			
Depreciation and amortization	5,8,9	100,368,813	99,211,038
Finance costs	32	18,483,106	14,493,805
Loss/(gain) on disposal of property, plant and equipment	31	1,966,544	(5,011,646)
Impairment loss on property, plant and equipment	31	432,450	1,037,299
Gain on early settlement of other finance liability	31	-	(6,482,511)
Allowance for impairment of trade receivables	11	16,283,851	8,631,766
Allowance for slow moving inventories	10.1	(1,208,641)	5,487,950
(Reversal) /Provision against advances to suppliers and employees	13(c)	-	2,084,640
Employees' end of service benefits	23	7,007,279	6,362,236
Employee share-based payment cost		7,860,000	10,290,000
Fair value gain on derivative financial instruments		-	(364,800)
Fair value gain on financial asset at fair value through profit or loss	14	-	(52)
Re-measurement loss on lease liabilities		-	68,173
		437,004,679	363,632,031
Working capital adjustments:			
Inventories		(67,550,605)	17,659,960
Trade receivables		(22,639,225)	(113,963,133)
Prepayments and other receivables		664,350	(2,019,693)
Other current assets		(5,111,822)	(25,483,154)
Trade and other payables		(10,886,154)	34,423,044
Other current liabilities		(6,545,046)	4,663,376
Cash generated from operations		324,936,177	278,912,431
Finance costs paid		(24,660,588)	(14,272,262)
Zakat paid	24.2	(8,447,501)	(4,898,220)
Employees' end of service benefits paid	23	(5,437,232)	(8,440,207)
Net cash flows from operating activities		286,390,856	251,301,742
INVESTING ACTIVITIES			
Purchase of property, plant and equipment and intangible assets	5 & 9	(21,246,254)	(22,461,235)
Additions to capital work in progress		(144,466,532)	(41,529,066)
Additions to capital project advances		(47,715,916)	-
Proceeds on disposal of property, plant and equipment		409,229	6,282,887
Net cash used in investing activities		(213,019,473)	(57,707,414)
FINANCING ACTIVITIES			
Net change in short-term borrowings		(63,684,296)	11,119,803
Proceeds from long-term borrowings	21	258,778,846	301,600,359
Repayments of long-term borrowings	21	(306,324,210)	(235,925,929)
Payment of principal portion of lease liabilities	22	(5,900,000)	(10,932,890)
Payment of principal portion of other finance liability		-	(40,906,585)
Dividends	17	(75,000,000)	-
Net cash flows (used in) / from financing activities		(192,129,660)	24,954,758
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(118,758,277)	218,549,086
Cash and cash equivalents at beginning of year		264,004,358	45,455,272
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	15	145,246,081	264,004,358
MAJOR NON-CASH TRANSACTIONS			
Major non-cash transactions are reflected in note 5, 10, 11 and 22			

Chief Financial Officer   Chief Executive Officer   Chairman of the Board

The accompanying notes from 1 to 40 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022
(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 the 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 (3 May 2015). The Company's 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 December 2022	31 December 2021
			Effective ownership interest	
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") (see note b)	Saudi Arabia	Production and sales of tissue paper rolls.	100%	100%
Special Achievements Company Limited ("SACO") (see note c)	Saudi Arabia	Whole and retail sales of used papers, carton and plastic products	-	100%
Indirect holdings				
Estidama Environmental Services Company LLC ("Estidama") (see note a)	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") (see note d)	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%

(a) On 18 August 2021 (corresponding to 10 Muharram 1443H), WASCO (a wholly owned subsidiary of the parent) established a subsidiary "Estidama Environmental Services Company LLC ("Estidama") with 50:50 shareholding along with "Jeddah Development and Urban Regeneration Company" where WASCO under an arrangement established management control over Estidama. The purpose of the Estidama is the materials recovery, waste management and treatment, treatment and disposal of non-hazardous wastes, treatment activities, other waste management services and the wholesale of wastes, scrap, and other unclassified products. Estidama started its operations during September 2021 and all transactions incurred during the period from September 2021 to 31 December 2021 has been reflected in the consolidated financial statements of WASCO and consolidated financial statements for MEPCO for the year ended 31 December 2021. The transactions for the period ended 1 January 2022 to 31 December 2022 are considered in the consolidation financial statements of WASCO and consolidated financial statements for MEPCO for the year ended 31 December 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 31 December 2022
(Expressed in Saudi Riyals unless otherwise stated)

(b) On 21 January 2021 (corresponding to 8 Jumada II 1442H), the Company has established a subsidiary namely Juthor Paper Manufacturing Company also known as Roots Paper Manufacturing Company Limited ("Juthor") (a one-person limited liability company) with 100% investment in paid-up share capital to implement the expansion project of tissue paper factory in the industrial valley of King Abdullah Economic City, Rabigh, Saudi Arabia. The Company obtained Commercial Registration No. 4627100069 on 29 Rabi II 1442H, (corresponding to 14 December 2020). All the transactions incurred by Juthor have been reflected in these consolidated financial statements for the year ended 31 December 2021 and year ended 31 December 2022.

(c) During November 2021, the Board had approved to initiate the liquidation process for SACO as it no longer serves any legal nor commercial purpose in the Group. On 20 July 2022, all the legal formalities for liquidation have been completed and accordingly SACO ceases to exist.

(d) On 18 April 2019 (corresponding to 13 Sha'ban 1440H), WASCO (a wholly owned subsidiary of the parent) acquired a subsidiary "Saudi- Jordanian Waste Collection and Recycling Company" with 50% shareholding, where WASCO under an arrangement established management control over subsidiary. All the transactions incurred by Saudi- Jordanian WASCO have been reflected in these consolidated financial statements for WASCO and consolidated financial statements for MEPCO for the year ended 31 December 2021 and year ended 31 December 2022.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

These consolidated financial statements are prepared under the historical cost convention, except for investment at fair value through profit or loss which are measured at fair value. For employees' defined benefit obligations, actuarial present value calculations are used.

2.3 Functional and presentation currency

These consolidated financial statements of the Group are presented in Saudi Riyals ("SR") which is the functional and presentation currency of the Group.

2.4 New standards, interpretions and amendments standards adopted

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is a contract under which the unavoidable of meeting the obligations under the contract costs (i.e., the costs that the Group cannot avoid because it has the contract) exceed the economic benefits expected to be received under it. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

These amendments had no impact on the consolidated financial statements of the Group as there was no onerous contract during the period.

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.In accordance with the transitional provisions, the Group applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

In accordance with the transitional provisions, the Group applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the consolidated financial statements of the Group as it is not a first time adopter.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 31 December 2022
(Expressed in Saudi Riyals unless otherwise stated)

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the period.

IAS 41 Agriculture – Taxation in fair value measurements

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

These amendments had no impact on the consolidated financial statements of the Group as it did not have assets in scope of IAS 41 as at the reporting date.

2.5 Standards and interpretations issued but not yet applied by the Group

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts

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

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

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group's financial statements.

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

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

2.6 Use of judgments and estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and accompanying disclosures and disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Other disclosure relating to the Group's exposure to risks and uncertainties includes :
- Capital management (note 38)
- Financial instruments risk management and policies (note 37)
- Sensitivity analyses disclosures (note 23)

Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Information about estimates and judgments made in applying accounting policies that could potentially have an effect on the amounts recognised in the consolidated financial statements, are discussed below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

For the year ended 31 December 2022
(Expressed in Saudi Riyals unless otherwise stated)

(a) Allowance for impairment of financial assets

The Group uses a provision matrix to calculate expected credit losses ("ECLs") for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance). The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product, inflation rate, CPI) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 11.

(b) Allowance for inventory obsolescence

The Group determines its allowance for inventory obsolescence based upon historical experience, current condition, and current and future expectations with respect to sales or use. The Group provides an amount as an allowance for obsolete and slow-moving inventories on a monthly basis and reassesses the closing balance at each reporting date based on the result of a physical count and the outcome of the periodic inspections of inventory undertaken by its technical team. The estimate of the Group's allowance for inventory obsolescence could change from period to period, which could be due to differing remaining useful life, change in technology, possible change in usage, their expiry, sales expectation and other qualitative factors of the portfolio of inventory from year to year.

(c) Useful lives and residual values of property, plant and equipment

The management determines the estimated useful lives and residual values of property, plant and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear and expected proceeds on disposal of the respective assets. Management reviews the useful lives and residual values annually and future depreciation charges are adjusted where management believes the useful lives and residual values differ from previous estimates.

(d) Employee benefits – defined benefit plan

Employee benefits represent the employee termination benefits. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. The cost of post-employment defined benefits are the present value of the related obligation, as determined using projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the interest rates or high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have a term approximating the terms of the related obligation.

As per IAS-19 guidelines, the rate used to discount Defined Benefit Obligation shall be determined by reference to market yield on high quality corporate bonds at the end of the reporting period. In the absence of deep market in such bonds, the market rates on government bonds should be used. The discount rate used for evaluating the liability is based on the Sukuk corporate bonds as of 31 December, 2022. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, withdrawal before normal retirement age, mortality rates, etc. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is sensitive to changes in these assumptions.

All assumptions are reviewed at each reporting date. The parameter most subject to change is the discount rate. With respect to determining the appropriate discount rate, yield and duration of high quality bonds obligation, as designated by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. Please see note 23 for assumptions used.

(e) Right-of-use assets and lease liabilities

Extension and termination options are included in a number of leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

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 weighted average Group'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.

(f) Zakat

The Company and its subsidiaries are subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority("ZATCA").

A provision for zakat is estimated at the end of each reporting period in accordance with the regulations of the ZATCA and on a yearly basis zakat returns are submitted to the ZATCA. Differences, if any, at the finalization of final assessments are accounted for when such amounts are determined.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Group for the preparation of these consolidated financial statements are consistent with those followed in preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for accounting policies related to the new standard adopted by the Group effective as of 1 January 2022 (see note 2.4).

3.1 Basis of consolidation

(a) Subsidiaries

Subsidiaries are entities which are controlled by the Group. To meet the definition of control, all three criteria must be met:
i) the Group has power over the entity;
ii) the Group has exposure, or rights, to variable returns from its involvement with the entity; and
iii) the Group has the ability to use its power over the entity to affect the amount of the entity's 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:
i) the contractual arrangement(s) with the other vote holders of the investee
ii) rights arising from other contractual arrangements
iii) the Group's voting rights and potential voting rights

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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. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which the control is transferred from the Group. The results of subsidiaries acquired or disposed of during the year, if any, are included in the consolidated statement of profit or loss and other comprehensive income from the date of the acquisition or up to the date of disposal, as appropriate.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

(b) Eliminations on consolidation

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(c) Change in ownership

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interests and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

3.2 Current versus non-current classification

The Company 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 year; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting year.

All other assets are classified 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 year; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting year.

The Group classifies all other liabilities as non-current.

3.3 Property, plant and equipment

(a) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use and borrowing costs on qualifying assets.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

(b) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(c) Depreciation

Depreciation represents the systematic allocation of the depreciable amount of an asset over its estimated useful life. Depreciable amount represents cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land and capital work in progress are not depreciated.

The estimated useful lives for the current and comparative years are as follows:

	Years
Buildings and mobile cabinets	6 – 33
Machinery and equipment	2 – 30
Furniture and office equipment	5 – 20
Motor vehicles	4 – 5

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted prospectively, if required. For discussion on impairment assessment of property, plant and equipment, please refer Note 3.10.

(d) Capital work in progress

Assets in the course of construction are capitalised in the capital work-in-progress account. The asset under construction is transferred to the appropriate category in property, plant and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management.

The cost of an item of capital work-in-progress comprises its purchase price, construction / development cost and any other directly attributable to the construction or acquisition of an item intended by management.

Borrowing costs related to qualifying assets are capitalised as part of the cost of the qualified assets until the commencement of commercial production. Capital work-in-progress is measured at cost less any recognised impairment.

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3.4 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets comprise software, which have finite lives and are amortised over between two to five years from the implementation date. The amortization expense on intangible assets is recognised in the consolidated statement of profit or loss in the expense category consistent with the function of the intangible asset. These are tested for impairment whenever there is an indication that the intangible may be impaired. The amortization period and the amortization method for an intangible asset, with a finite useful life, is reviewed at least annually. Any change in the estimated useful life is treated as a change in accounting estimate and accounted for prospectively. The Group doesn't have any intangible assets with indefinite useful life.

3.5 Inventories

Raw materials and spares, work in progress and finished goods are measured at the lower of cost and net realisable value.

Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3.6 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other highly liquid investments with original maturities of three months or less from the date of acquisition.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

3.7 Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary assets measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e. the translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

3.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Classification

On initial recognition, a financial asset is classified in the following categories:
• subsequently measured at amortised cost;
• subsequently measured at fair value through other comprehensive income ("FVOCI") – debt instrument;
• subsequently measured at fair value through other comprehensive income ("FVOCI") – equity instrument; or
• subsequently measured at fair value through profit and loss ("FVPL").

The classification of financial assets is based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Debt instruments

A 'debt instrument' is classified as subsequently measured at amortised cost if both the following conditions are met:
(a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows; and
(b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

If the above two conditions are not met, the 'debt instrument' is classified as subsequently measured at fair value, either at FVPL or FVOCI, based on the business model.

(a) Measurement

Initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset.

Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

Subsequent measurement

Debt instruments subsequently measured at amortised cost

This category is the most relevant to the Group. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in profit or loss. The losses arising from impairment are recognised in profit or loss. This category generally applies to trade and other receivables, cash and cash equivalents, security deposits, advances to employees.

Instruments subsequently measured at fair value

For this category, if applicable, such financial assets are subsequently measured at fair value at the end of each reporting period, with all changes recognised either in profit or loss for equity instruments classified as FVPL, or within other comprehensive income for equity instruments classified as FVOCI.

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(b) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:
- The rights to receive cash flows from the asset have expired; or,
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(c) Impairment

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 (e.g. deposits, trade and other receivables and bank balances). The Group follows 'simplified approach' for recognition of impairment loss allowance on trade receivables, if they do not contain a significant financing component.

The application of a simplified approach does not require the Group to track changes in credit risk. Rather, it recognises impairment loss allowance based on 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 probability of default and loss given default which were 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 as income/ expense in profit or loss.

(ii) Financial liabilities

Financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument. The Group classifies non-derivative financial liabilities as 'financial liabilities at amortized cost'. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the EIR method.

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

(iii) Offsetting

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(iv) Derivative financial instruments

Derivative financial instruments, principally representing profit rate swaps, are initially recorded at fair value on the date a derivative contract is entered into and re-measured to their fair value at the end of each subsequent reporting periods. Changes in the fair value of derivative financial instruments, as these are not designated as a hedging instrument, are recognised in profit or loss as they arise and the resulting positive and negative fair values are reported under assets and liabilities, respectively, in the consolidated statement of financial position. There are no derivative financial instruments as at 31 December 2022.

3.9 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of consolidated statement of profit or loss and other 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 right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on present value. Lease liabilities include the net present value of the following lease payments:
- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

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Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated statement of profit or loss and other comprehensive income. Short-term leases are leases with a lease term of 12 months or less.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

3.10 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets (other than goodwill and intangible assets with indefinite useful lives, if any which are tested at least annually for impairment), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds the recoverable amount, which is the higher of the fair value less costs of disposal and value in use. The fair value less costs of disposal is arrived based on available data from binding sales transactions at arm's length, for similar assets. The value in use is arrived based on a discounted cash flow (DCF) model, whereby the future expected cash flows discounted using a pre- tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of goodwill, if any, allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

3.11 Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related services are provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Post-employment benefits

Defined benefit plans

The Group operates a single post-employment benefit scheme of defined benefit plan, driven by the Labor Laws and Workman Laws of the Kingdom of Saudi Arabia, which is based on most recent salary and number of service years. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the Labor Law of Saudi Arabia.

The Group's obligation under employee end of service benefit plan is accounted for as an unfunded defined benefit plan and is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. Re-measurements of the defined benefit liability, which comprise actuarial gains and losses are recognised immediately in consolidated statement of profit or loss and other. The Group determines the interest expense on the defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then defined benefit liability, taking into account any changes in the defined benefit liability during the period as a result of benefit payments. Interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

3.12 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.13 Revenue

Revenue comprises of sales to customers and is measured based on the considerations specified in contracts with customers and excludes rebates and amounts, if any, collected on behalf of third parties. Certain customers are eligible for volume discounts based on aggregate sales over a 12 months period. Revenue from these sales is recognised based on the price specified in the contract. Revenue is recognised, when (or as) the Group satisfies the performance obligations as specified in the contract with the customer (buyer), when the seller has transferred to the customer control over the promised goods and services:
• at a point in time

The Group recognises revenue from the sale of the following goods directly to the customers:
• Sale of container board and industrial paper
• Whole and retail sales of paper, carton and plastic waste

The timing and measurement of revenue recognition for the above-mentioned main source of revenue is stated below:

Sale of goods directly to the customers

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. This is normally happening in the case of the domestic sales for the Group.

Invoices are usually payable within the credit period agreed with the customer which may vary from one customer to another. The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

The Group sells a significant proportion of its goods which are exports on Cost and Freight ocean transport ("CFR") and Cost, Insurance and Freight ocean transport ("CIF") as per the International Commercial Terms ("Incoterms") and therefore, the Group is responsible for loading the promised goods on the vessel at the loading port. The physical loading of the approved promised goods on the vessel, satisfies the Group's performance obligation and triggers the recognition of revenue at a point in time as the control is transferred to the customer.

The Group has full discretion over the price to sell the goods. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks.

The Group recognises a trade receivable for the sale and delivery of the promised goods when the goods, delivered to the loading port, are loaded on to the vessel as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

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3.14 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

IAS 23, Borrowing costs requires any incremental transaction cost to be amortised using the Effective Interest Rate (EIR). The Group accounts for finance cost (Interest cost and amortization of transaction cost) as per the effective interest rate method. For floating rate loans, EIR determined at initial recognition of loan liabilities is used for the entire contract period. General and specific borrowing cost directly related for any qualifying assets are capitalised as part of the cost of the asset.

3.15 Zakat and taxes

Zakat

The Company and its subsidiaries are subject to Zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Zakat expense for the Company and zakat related to the Company's ownership in the subsidiaries is charged to the profit or loss. Additional zakat, if any, is accounted for when determined to be required for payment.

Withholding tax

The Group withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under regulations of the ZATCA.

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 and shown in note 11.

3.16 Selling and distribution expenses

Selling and distribution expenses comprise of all costs for selling, distribution and transportation of the Group's products and include other sales related expenses. Allocation between cost of sales, selling and distribution expenses and general and administrative expenses are made on a consistent basis, when required.

3.17 General and administrative expenses

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

3.18 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data 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, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, if any.

3.19 Segment reporting

Operating Segment

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

An operating segment is group of assets and operations:
(i) engaged in revenue producing activities;
(ii) results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and
(iii) financial information is separately available.

3.20 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

3.21 Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost. Treasury shares are presented as a deduction from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised as share premium or discount which is presented in equity. Treasury shares are adjusted to extent of shares transferred to the employees within Employee Share Option Program ("ESOP") as of 31 December 2022.

3.22 Equity-settled employee share-based payments

Employees (including key management) of the Group receive remuneration in the form of share-based payments, whereby qualifying employees render services as consideration for equity instruments (equity-settled transactions). The cost of equity-settled transactions is determined by the fair value at the date when the grant is made based on market price of the Company's shares on Saudi stock exchange (Tadawul) at the grant date (see note 19).

That cost is recognised in employee benefits expense in their respective entities of the Group based on entitled employees included in program, together with a corresponding increase in reserve for employee share-based payments in equity as capital reserves, over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised as equity-settled transactions at each reporting date until the vesting date, reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into consideration when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met.

Upon completion of vesting period, the treasury shares are offset with reserve for employee share-based payments in equity and any difference between reserve and treasury shares are directly charged to retained earnings.

3.23 Dividends

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

4. SEGMENT INFORMATION

The Group has two operating and reportable segments, i.e. manufacturing and trading, 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 of the 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.

The following table presents segment information:

	Manufacturing	Trading	Elimination	Total
Results for the year ended 31 December 2022				
Revenues	1,167,957,709	333,238,799	(314,190,710)	1,187,005,798
External revenues	1,167,957,709	19,048,089	-	1,187,005,798
Segment profit before zakat	279,669,609	1,261,754	4,879,914	285,811,277
Zakat	14,372,318	709,149	-	15,081,467
Financial costs	16,971,636	1,511,470	-	18,483,106
Additions to property, plant and equipment & capital work in progress (CWIP)	162,853,168	7,703,566	(851,302)	169,705,432
Additions to intangible assets	38,000	172,500	-	210,500
Depreciation and amortization	83,053,000	17,315,813	-	100,368,813
Results for the year ended 31 December 2021				
Revenues	1,033,880,437	386,416,100	(362,896,907)	1,057,399,630
External revenues	1,033,880,437	23,519,193	-	1,057,399,630
Segment profit before zakat	225,823,285	30,389,474	(28,388,626)	227,824,133
Zakat	6,227,589	729,886	-	6,957,475
Financial costs	13,150,455	1,343,350	-	14,493,805
Additions to property, plant and equipment & capital work in progress (CWIP)	57,505,581	8,238,214	(861,031)	64,882,764
Additions to intangible assets	27,000	696,947	-	723,947
Depreciation and amortization	86,947,581	12,263,457	-	99,211,038
As of 31 December 2022				
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
As of 31 December 2021				
Total assets	1,833,882,335	164,406,241	(128,170,795)	1,870,117,781
Total liabilities	826,575,004	93,315,234	(32,668,349)	887,221,889

The Group makes sales in local market and foreign markets in Middle East, Africa, Asia and Europe. Export external sales during the year ended 31 December 2022 amounted to Saudi Riyal 428.8 million (2021: Saudi Riyals 422.29 million). Local external sales during the year ended 31 December 2022 amounted to Saudi Riyals 758.2 million (2021: Saudi Riyals 635.11 million).

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5. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and mobile cabinets	Machinery and equipment	Furniture and office equipment	Motor vehicles	Total
Year ended 31 December 2021						
Opening net book value	139,704,302	125,396,531	681,876,237	4,916,033	8,021,740	959,914,843
Additions	748,599	603,596	16,715,864	3,897,479	1,388,160	23,353,698
Transfers						
- Cost	-	1,572,403	42,586,313	5,805,897	-	49,964,613
Disposals						
- Cost	(1,124,500)	(210,950)	(6,966,852)	(447,639)	(10,478,982)	(19,228,923)
- Accumulated depreciation	-	96,996	6,937,239	447,011	10,476,436	17,957,682
Write off						
- Cost	-	-	(11,328,238)	-	-	(11,328,238)
- Accumulated depreciation	-	-	10,290,939	-	-	10,290,939
Depreciation charge	-	(6,543,508)	(80,966,178)	(2,388,483)	(1,979,851)	(91,878,020)
Closing net book value	139,328,401	120,915,068	659,145,324	12,230,298	7,427,503	939,046,594
At 31 December 2021						
Cost	139,328,401	190,992,059	1,537,554,753	30,903,194	33,751,781	1,932,530,188
Accumulated depreciation	-	(70,076,991)	(878,409,429)	(18,672,896)	(26,324,278)	(993,483,594)
Net book value	139,328,401	120,915,068	659,145,324	12,230,298	7,427,503	939,046,594
Year ended 31 December 2022						
Opening net book value	139,328,401	120,915,068	659,145,324	12,230,298	7,427,503	939,046,594
Additions	170,476	406,534	14,628,241	3,047,676	2,782,827	21,035,754
Transfers	-	2,018,978	6,175,854	1,318,070	-	9,512,902
Disposals						
- Cost	-	(3,282,321)	(1,426,199)	(967,787)	(385,872)	(6,062,179)
- Accumulated depreciation	-	1,210,779	1,426,185	671,475	377,966	3,686,405
Write off						
- Cost	-	-	(2,222,302)	-	-	(2,222,302)
- Accumulated depreciation	-	-	1,789,852	-	-	1,789,852
Depreciation charge	-	(6,755,217)	(79,604,197)	(3,943,020)	(2,584,920)	(92,887,354)
Reclassification	(2,100,000)	-	-	-	-	(2,100,000)
Closing net book value	137,398,877	114,513,821	599,912,758	12,356,712	7,617,504	871,799,672
At 31 December 2022						
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	137,398,877	114,513,821	599,912,758	12,356,712	7,617,504	871,799,672

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5.1 An amount of SR 30 million given as advance is reclassified from the opening balance to advance paid to land acquisition in other current assets. Please refer note 13 for more details.

5.2 All land, buildings and mobile cabinets, machinery and equipment and furniture and office equipment relating to the Company are pledged as collateral to Saudi Industrial Development Fund (SIDF) as a first-degree pledge (see note 20).

5.3 Depreciation charge has been allocated as follows:

	2022 SR	2021 SR
Cost of sales (note 28)	**89,313,067**	90,013,954
Selling and distribution expenses (note 29)	**538,031**	478,905
General and administration expenses (note 30)	**3,036,256**	1,385,161
	92,887,354	91,878,020

6. CAPITAL WORK-IN-PROGRESS

	Tissue Mill Factory	Plant and Machinery	Total
Year ended 31 December 2021			
Opening net book value	-	103,007,179	103,007,179
Additions	23,187,564	18,341,502	41,529,066
Transfers to property, plant and equipment (refer note 5)	-	(49,964,613)	(49,964,613)
Reclass to intangible assets	-	(24,773)	(24,773)
31 December 2021	23,187,564	71,359,295	94,546,859
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	**155,381,163**	**78,322,472**	**233,703,635**

Capital work-in-progress as at 31 December 2022 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 34 for capital commitments.

During the year ended 31 December 2022, finance costs amounting to SR 4.2 million were capitalized as part of capital work-in-progress (year ended 31 December 2021: SR 1.6 million). Average capitalization rate used ranges from 2.33%-3.45% (31 December 2021: 1.93% - 2.57%).

7. CAPITAL PROJECT ADVANCES

Capital project advances as at 31 December 2022 includes advances 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 materials and the services related to the projects are expected to complete during the year 2023.

8. 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 2021			
Cost	48,028,022	4,574,011	52,602,033
Accumulated depreciation	(11,898,992)	(2,417,569)	(14,316,561)
Net book value	36,129,030	2,156,442	38,285,472
Year ended 31 December 2021			
Opening net book value	36,129,030	2,156,442	38,285,472
Additions	-	2,495,122	2,495,122
Depreciation charge	(5,138,521)	(1,483,461)	(6,621,982)
Closing net book value	30,990,509	3,168,103	34,158,612
At 31 December 2021			
Cost	48,028,022	7,069,133	55,097,155
Accumulated depreciation	(17,037,513)	(3,901,030)	(20,938,543)
Net book value	30,990,509	3,168,103	34,158,612

	Leased land	Buildings	Total
Year ended 31 December 2022			
Opening net book value	**30,990,509**	**3,168,103**	**34,158,612**
Additions	-	**1,137,966**	**1,137,966**
Depreciation charge	**(4,977,252)**	**(1,658,681)**	**(6,635,933)**
Closing net book value	**26,013,257**	**2,647,388**	**28,660,645**
At 31 December 2022			
Cost	**48,028,022**	**8,207,099**	**56,235,121**
Accumulated depreciation	**(22,014,765)**	**(5,559,711)**	**(27,574,476)**
Net book value	**26,013,257**	**2,647,388**	**28,660,645**

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(a) The following are the amounts recognised in the statement of profit or loss:

	2022 SR	2021 SR
Depreciation expense of right-of-use assets	6,635,933	6,621,982
Interest expense on lease liabilities (refer note 22)	1,185,992	1,385,590
Expense relating to short-term leases (included in cost of revenue)	1,235,509	1,500,557
Total amount recognised in statement of profit or loss	9,057,434	9,508,129

Depreciation has been charged to cost of sales.

The Company had total cash outflows for leases of SR 5.9 million (2021: SR 10.9 million). The Company also had non-cash additions to right-of-use assets and lease liabilities of SR 1.14 million (2021: SR 2.5 million). The future cash outflows relating to leases that have not yet commenced are disclosed in note 37.5.

9. INTANGIBLE ASSETS

Computer software and ERP	
At 1 January 2021	
Cost	7,813,426
Accumulated amortization	(6,923,619)
Net book value	889,807
Year ended 31 December 2021	
Opening net book value	889,807
Additions	723,947
Amortization	(711,036)
Closing net book value	902,718
At 31 December 2021	
Cost	8,537,373
Accumulated amortization	(7,634,655)
Net book value	902,718
Year ended 31 December 2022	
Opening net book value	902,718
Additions	210,500
Amortization	(845,526)
Closing net book value	267,692
At 31 December 2022	
Cost	8,747,873
Accumulated amortization	(8,480,181)
Net book value	267,692

10. INVENTORIES

	31 December 2022	31 December 2021
Raw materials	107,021,516	49,933,168
Finished goods	44,094,754	26,629,944
Goods in transit	11,010,578	15,052,044
Work-in-progress	2,679,115	2,660,375
Consumable spare parts, not held for sale	54,075,024	57,401,721
	218,880,987	151,677,252
Less: Allowance for slow moving inventories (refer note 10.1)	(6,103,970)	(7,659,481)
	212,777,017	144,017,771

10.1 Movement in allowance for slow moving inventories is as follows:

	2022	2021
1 January	7,659,481	3,227,034
(Reversal) / Provided during the year	(1,208,641)	5,487,950
Write-offs	(346,870)	(1,055,503)
31 December	6,103,970	7,659,481

10.2 Addition in allowance for slow moving inventories is recognised as an expense under cost of revenue.

11. TRADE RECEIVABLES

	31 December 2022	31 December 2021
Trade receivables – Local	260,954,638	222,238,636
Trade receivables – Foreign	67,992,516	84,318,984
	328,947,154	306,557,620
Less: Allowance for impairment	(31,210,419)	(15,176,259)
	297,736,735	291,381,361

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

	2022	2021
1 January	15,176,259	6,544,493
Additions	16,283,851	8,631,766
Write off during the year	(249,691)	-
31 December	31,210,419	15,176,259

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Trade receivables are amounts due from customers for goods sold in the ordinary course of business. The average credit period on sales of goods is less than one year and therefore are all classified as current and are mostly secured through trade insurance. Trade receivables are recognised at the amount of consideration that is unconditional. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Before accepting any new credit customer, the Group uses an internal credit review system to assess the potential customer's credit quality and defines credit limits by customer.

No interest is charged on trade receivables balances that are overdue. The overdue amounts are constantly monitored by the management and a provision towards expected credit loss is made in the books if required.

The Group has applied IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and is adjusted for average historical recovery rates. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and is based on the ageing of the days the receivables are past due and the rates as calculated in the provision matrix. On that basis, the loss allowance as at 31 December 2022 and 31 December 2021 was determined as follows:

Ageing	Gross carrying amount	Expected credit loss range (%)	Loss allowance
As at 31 December 2022:			
Within the credit period	150,628,262	0.00% - 0.3%	437,287
1-90 days past due	143,596,451	0.00% - 6.22%	8,890,026
91-180 days past due	12,465,246	0.00% - 19%	2,316,963
181- 270 days past due	2,074,461	34.47% - 100%	718,425
271- 360 days past due	2,099,673	72.86% - 100%	1,540,071
More than 1 year past due	18,083,061	94.75% - 100%	17,307,647
Total	328,947,154		31,210,419

Ageing	Gross carrying amount	Expected credit loss range (%)	Loss allowance
As at 31 December 2021:			
Within the credit period	252,399,510	0.00% - 43.16%	1,011,149
1-90 days past due	35,185,671	1.36% - 43.16%	861,834
91-180 days past due	2,950,518	4.07% - 43.16%	87,562
181- 270 days past due	2,064,239	10.57% - 100.00%	227,427
271- 360 days past due	1,168,342	43.16% - 95.49%	324,873
More than 1 year past due	12,789,340	45.19% - 100.00%	12,663,414
Total	306,557,620		15,176,259

Trade receivables are written off when there is no reasonable expectation of recovery. Impairment losses on trade receivables are presented as net impairment losses in profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

12. PREPAYMENT AND OTHER RECEIVABLES

	31 December 2022	31 December 2021
Prepaid expenses	10,226,333	9,814,415
Net value added tax (VAT) receivables	2,680,845	3,705,382
Deposits with suppliers	1,023,330	779,680
Others	3,159,537	954,918
Less: Provision against deposits with suppliers	(400,000)	-
	16,690,045	15,254,395

Provision against deposits with suppliers is charged to cost of revenue for the year ended 31 December 2022.

13. OTHER CURRENT ASSETS

	Note	31 December 2022	31 December 2021
Advances to suppliers		40,134,826	34,266,165
Advances to suppliers – related parties		20,050,000	20,050,000
Advance against land	(a)	30,000,000	30,000,000
Receivable from Higher Institute for Paper and Industrial Technology (HIPIT)	(b)	-	1,923,363
Advances to employees		5,413,250	4,246,726
		95,598,076	90,486,254
Less: allowance for impairment loss on advances	(c)	(3,686,774)	(3,686,774)
		91,911,302	86,799,480

(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 along with the comparatives number for the year ended 31 December 2021.

(b) The last year balance represents the expenses paid by the Company on behalf of HIPIT. HIPIT is an independent not-for-profit vocational training and administrative training institute, which is supported by the Group along with other local companies as part of their Corporate Social Responsibility project.

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(c) Movement in allowance for impairment loss on advances is as follows:

	2022	2021
1 January	**3,686,774**	3,017,838
Additions	-	2,084,640
Write-offs	-	(1,415,704)
31 December	**3,686,774**	3,686,774
Impairment loss charged to:		
Cost of revenue	-	350,000
General and admin expense	-	1,734,640
Total	-	2,084,640

14. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT AND LOSS

During 2017, the Company had acquired the units of an unlisted open-ended mutual fund. As at 31 December 2022, the fair value of the investment is Saudi Riyals 5,633 (2021: Saudi Riyals 5,633).

15. CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Cash in hand	**785,771**	716,464
Cash at bank (see note below)	**144,460,310**	263,287,894
	145,246,081	264,004,358

The cash at bank as of 31 December 2021 is abnormally high, as the Company received disbursements amounting SR 218.365 million on 29 December 2021 as part of the Group's plan to optimize its debt – equity structure and consolidate its loan facilities. The loan proceeds were received to early settle existing long-term loans from other commercial banks and the Company has settlement with the commercial banks for the year ended 31 December 2022.

16. SHARE CAPITAL

As at 31 December 2022, the Company's authorized and issued share capital is Saudi Riyals 666.67 million (2021: Saudi Riyals 500 million) consists of 66.67 million (2021: 50 million) fully paid shares of Saudi Riyals 10 each. The Company has only one class of equity shares having a par value of Saudi Riyals 10 per share. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

During the third quarter of the year 2022, the Board of Directors recommended on 08 August 2022 (corresponding to 10 Muharram 1444H) to the Extra ordinary General Assembly (EGA) to increase the Company's share capital from SR 500 million to SR 666.67 million via the capitalization of SR 166.67 million of retained earnings. Each shareholder is granted 1 share for each 3 shares owned at the eligibility date. The proposed increase in share capital was approved by the EGA on 24 November 2022 (corresponding to 30 Rabi' al-Thani 1444H) and bonus shares issuance to shareholders was completed during fourth quarter of the year 2022. As at 31 December 2022, the increase is reflected in the increase in capital in consolidated statement of equity amounting to SR 166.67 million. The Company is still in the process of completing the relevant regulatory requirements, including the update of the Commercial Registration for the revised capital amount, and the amendment of the Company's by-laws.

17. DIVIDENDS

No dividend were declared during the year ended 31 December 2021. On 14 March 2022, the Board proposed a final dividend for the year ended 31 December 2021 amounting to SR 50 million (SR1.00 per share). The Annual General Assembly in its meeting held on 13 June 2022 approved the cash dividends of SR 50 million and was paid in the period ended 30 June 2022. The Annual General Assembly also authorized Board of Directors to distribute interim dividends for the year ending 31 December 2022. The Board declared an interim dividend amounting to SR 25 million (SR 0.5 per share) and has paid it for the year ended 31 December 2022.

18. STATUTORY RESERVE

In accordance with Regulations for Companies in Saudi Arabia, the Company has established a statutory reserve by the appropriation of 10% of profit for the year until the reserve equals 30% of the share capital. This reserve is not available for dividend distribution.

19. EQUITY SETTLED EMPLOYEE SHARE-BASED PAYMENTS PLAN

During 2021, the Group's Board of Directors approved the equity settled share-based payments plan for the employees (including some key management personnel) working in operational departments of Group on completion of 3 years' vesting period ended on 1 January 2021 with a grant date of 1 July 2021. The Company had already purchased 300,000 equity shares at cost of SR 6,816,812 during 2018 for the purposes of this plan and recorded the shares as treasury shares in equity. The Group accordingly recognised the employees' service cost amounting to SR 10.29 million in statement of profit and loss and created a reserve for employee share-based payments plan in equity. The Company has transferred all of the entitled shares to respective employees as of the period ended 31 December 2022. Accordingly, the Company only proportionately recognized the realized gain for the period ended 31 December 2022 amounting SR 578,865 on employees' equity settled shared based payment plan asset as the difference between cost of purchase of treasury shares and fair value at grant date in retained earnings.

During the year ended 31 December 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.

20. RETAINED EARNINGS

Other comprehensive loss accumulated in retained earnings:

	31 December 2022	31 December 2021
Actuarial losses on re-measurements of defined benefits liability	**12,216,776**	8,017,196

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21. LONG TERM BORROWINGS

	31 December 2022	31 December 2021
SIDF loans - Principal	114,000,000	67,089,142
Accrued finance charges – SIDF	456,169	160,334
Less: Deferred financial charges	(7,024,155)	(2,465,009)
Saudi Industrial Development Fund (SIDF) (refer note a)	107,432,014	64,784,467
Islamic banking facilities (Tawarruq)	402,143,846	496,600,068
Accrued finance charges – Banks	1,579,570	500,360
Less: Deferred financial charges	-	(124,230)
Islamic banking facilities (Tawarruq) (refer note b)	403,723,416	496,976,198
Long-term borrowings	511,155,430	561,760,665
Current portion shown under current liabilities		
Borrowings - gross	98,649,784	150,427,376
Accrued finance charges	2,035,739	660,693
Less: Deferred financial charges	(857,516)	(1,193,982)
	99,828,007	149,894,087
Long term borrowings shown under non-current liabilities		
Borrowings - gross	417,494,062	413,261,835
Less: Deferred financial charges	(6,166,639)	(1,395,257)
	411,327,423	411,866,578
Long-term borrowings	511,155,430	561,760,665

	2022	2021
Reconciliation of cash movement of borrowings		
Balance at beginning of year	561,760,665	496,380,521
Disbursements	258,778,846	301,600,359
Repayment of principal instalments	(306,324,210)	(235,925,929)
Movement in accrued financial charges	1,375,045	(899,837)
Movement in deferred financial charges	(4,434,916)	605,551
Balance at end of year	511,155,430	561,760,665

(a) The Group signed a loan agreement with SIDF amounting to SR 124.7 million in 2013 to finance the construction of manufacturing facilities. This loan was fully utilized as at 31 December 2017. The loan is repayable in unequal semi-annual instalments up to March 2022. The loan has been paid entirely in second quarter for the year ended 31 December 2022.

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 75 million as of 31 December 2022 (2021: Nil).

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) 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 year (31 December 2021: SIBOR and United Kingdom ("LIBOR")).

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 is in compliance with all its related covenants as of 31 December 2022 and 31 December 2021.

All the above long term loans are denominated in Saudi Riyals as at 31 December 2022 and 31 December 2021.

The scheduled maturities of the long-term borrowings outstanding are as follows:

Year ending 31 December 2022:	Loan's principal	Deferred financial charges	Accrued financial charges	Net loan amount
2023	98,649,784	(857,516)	2,035,739	99,828,007
2024	118,335,962	(3,300,467)	-	115,035,495
2025	129,135,962	(1,255,005)	-	127,880,957
2026	116,535,960	(874,246)	-	115,661,714
2027	53,486,178	(736,921)	-	52,749,257
	516,143,846	(7,024,155)	2,035,739	511,155,430

Year ending 31 December 2021:	Loan's principal	Deferred financial charges	Accrued financial charges	Net loan amount
2022	150,427,376	(1,193,982)	660,693	149,894,087
2023	147,187,404	(906,802)	-	146,280,602
2024	109,552,789	(445,525)	-	109,107,264
2025	90,930,392	(42,930)	-	90,887,462
2026	65,591,250	-	-	65,591,250
	563,689,211	(2,589,239)	660,693	561,760,665

22. LEASE LIABILITIES

Movement in lease liabilities is summarized as follows:

	2022	2021
At the beginning of the year	33,005,882	39,989,886
Additions	1,137,966	2,495,122
Remeasurement	-	68,173
Accretion of interest	1,185,992	1,385,591
Payments	(5,900,000)	(10,932,890)
At the end of the year	29,429,840	33,005,882

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The scheduled maturities of the lease liabilities are as follows:

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

As at 31 December 2021	Principal amount	Interest	Net lease liabilities
Current portion	6,968,597	(1,166,212)	5,802,385
Non-current portion	30,240,067	(3,036,570)	27,203,497
	37,208,664	(4,202,782)	33,005,882

23. EMPLOYEES END OF SERVICE BENEFITS

Movement in provision for employees' end of service benefits is summarized as follows:

	2022	2021
At beginning of year	42,244,799	44,019,012
- Current year charge:		
- Current service cost	6,152,104	5,940,895
Interest cost	855,175	421,341
	7,007,279	6,362,236
Re-measurement losses :		
- Financial assumptions	2,400,245	118,222
- Experience adjustment	1,804,115	185,536
- Demographic assumptions	(4,780)	-
	4,199,580	303,758
Payments	(5,437,232)	(8,440,207)
At end of year	48,014,426	42,244,799

Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date:

	2022	2021
Discount rate	4.10%	2.05%
Future salary growth	5.50%	2.60%

Sensitivity analysis

	31 December 2022		31 December 2021	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(2,634,290)	2,967,827	(4,963,097)	1,257,936
Future salary growth (1% movement)	3,143,255	(2,843,665)	1,204,485	(4,095,747)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

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

	2022	2021
Less than a year	8,283,703	7,335,624
Between 1 – 5 years	18,544,930	15,701,059
Over 5 years	35,228,050	23,782,268

24. ZAKAT

24.1 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.

24.2 Provision for zakat

	2022	2021
At the beginning of the year	6,752,605	4,693,350
Provisions		
- Provision for current year	13,605,121	6,752,605
- Adjustment related to prior years	1,476,346	204,870
Payments	(8,447,501)	(4,898,220)
At the end of the year	13,386,571	6,752,605

24.3 Status of final 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.

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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 2021 are filed with the ZATCA and unrestricted zakat certificates have been obtained till 30 April 2023.

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 2023.

Juthor and Estidama has filed the zakat declaration first time in 2022. During the year ended 31 December 2022, SACO commercial registration has been closed and there are no ongoing assessment in these regards

25. SHORT TERM BORROWINGS

	31 December 2022	31 December 2021
Islamic banking facilities (Tawarruq)	20,625,000	90,000,000
Notes payable	12,708,618	7,017,914
Accrued financial charges	231,078	331,536
	33,564,696	97,349,450

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 Group is in compliance with these debt covenants at 31 December 2022. All The loans are denominated in Saudi Riyals as at 31 December 2022 and 31 December 2021.

The short term borrowings under Islamic banking facilities bears interest rate of 6.84%.

26. TRADE AND OTHER PAYABLES

	31 December 2022	31 December 2021
Trade payables - third parties	75,925,960	84,441,948
Trade payables - related party (see note 36.3)	6,169,941	4,885,290
Employees related accruals	33,813,502	29,197,847
Accrued transportation expenses	230,427	5,005,281
Accrued sales services expenses	646,342	543,780
Net Value Added Tax (VAT) payables	119,016	7,103,209
Accrued legal and consultancy fees	552,225	690,973
Accrued directors' remuneration	405,751	246,250
Others	6,087,249	2,721,989
	123,950,413	134,836,567

27. OTHER CURRENT LIABILITY

	31 December 2022	31 December 2021
Advances from customers	4,726,875	11,271,921

28. COST OF REVENUE

	2022	2021
Material and employees' cost	511,271,901	485,916,268
Depreciation and maintenance cost	130,952,391	131,576,776
Transportation cost	15,285,479	15,666,339
Rent	1,235,509	1,500,557
Other overheads	25,474,421	28,637,445
	684,219,701	663,297,385

29. SELLING AND DISTRIBUTION EXPENSE

	2022	2021
Transportation and shipping	69,592,755	67,965,819
Salaries and related benefits	7,922,592	7,372,766
Sales commission	2,236,037	2,314,418
Sales service expenses	774,645	-
Credit insurance	720,000	339,260
Depreciation (refer note 5.3)	538,031	478,905
Others	2,240,524	2,980,653
	84,024,584	81,451,821

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30. GENERAL AND ADMINISTRATIVE EXPENSE

	Note	2022	2021
Salaries and related benefits		59,233,995	53,118,338
Training		1,940,731	2,118,474
Depreciation and amortization		3,738,020	1,758,752
Directors' remuneration	36	3,209,490	2,996,817
Bank charges		2,545,143	1,578,093
Consultation fee		4,875,451	3,257,560
Government fee		2,377,831	1,370,915
Insurance expenses		1,376,879	833,883
Travel expenses		1,060,967	222,760
Professional fee		1,210,633	856,097
Communication		949,665	960,293
Repairs and maintenance		732,489	528,214
Others		12,096,526	5,659,560
		95,347,820	75,259,756

31. OTHER OPERATING (EXPENSES)/ INCOME – NET

	2022	2021
Foreign currency exchange loss	(4,133,050)	(828,628)
(Loss)/gain on disposal of property, plant and equipment	(1,966,544)	5,011,646
Impairment loss on write-off of property, plant and equipment	(432,450)	(1,037,299)
Gain on early settlement of other finance liability	-	6,482,511
Loss on disposal of investment in subsidiary	(167,527)	-
Fair value gain on investment at fair value through profit or loss	-	52
Loss on re-measurement of lease liabilities	-	(68,173)
Scrap sales	1,034,615	3,821,427
Others, net	2,829,497	(187,300)
	(2,835,459)	13,194,236

32. FINANCE COSTS – NET

	Note	2022	2021
Finance costs on long-term borrowings:	21		
- Tawarruq		12,887,322	8,023,895
- SIDF charges		1,086,470	1,723,266
- Amortisation of deferred financial charges		1,243,261	1,104,364
- Lease liabilities	22	1,185,992	1,385,590
- Interest rate swap settlements		-	267,896
Finance costs on short-term borrowings:			
- Tawarruq		2,080,061	1,988,794
		18,483,106	14,493,805

33. EARNINGS PER SHARE

The Group presents basic and diluted earnings per share (EPS) data 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 year.

	2022	2021
Net profit for the year attributable to equity holders of the Parent Company	269,698,532	220,710,095
Weighted average number of shares	66,666,438	66,616,667
Basic and diluted earnings per share	4.05	3.31

33.1 The weighted average number of shares for calculation of Basic EPS and Diluted EPS are adjusted the effect of changes in treasury shares issued and the effect of the bonus shares for the year ended 31 December 2022. The weighted average number of ordinary shares issued and outstanding at year end 31 December 2021 have been adjusted for the bonus shares issued during the year ended 31 December 2022.

34. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Group holds various financial instruments in the ordinary course of its activities.

34.1 Financial instruments by category

(a) Financial assets subsequently measured at amortised cost:

	Notes	31 December 2022	31 December 2021
Trade receivables	11	297,736,735	291,381,361
Other current assets (Advances to employees and receivable from HIPIT)	13	5,413,250	6,170,089
Cash and cash equivalents	15	145,246,081	264,004,358
		448,396,066	561,555,808

(b) Financial assets at fair value through profit or loss:

	Notes	31 December 2022	31 December 2021
Investments at fair value through profit or loss	14	5,633	5,633

(c) Financial liabilities at amortised cost:

	Notes	31 December 2022	31 December 2021
Borrowings	21, 25	544,720,126	659,110,115
Trade and other payables	26	138,455,025	134,836,567
Lease liabilities	22	29,429,840	33,005,882
		712,604,991	826,952,564

The carrying amount of financial assets and liabilities approximates their fair value. Financial assets are not considered to pose a significant credit risk. Trade receivables are due from customers who have been assessed for credit worthiness prior to entering into transactions with them.

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34.2 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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:
- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group fair values the derivative financial instruments and investment at fair value through profit or loss. The fair value of derivative financial instrument 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 assets value (NAV) communicated by the fund manager. The fair values under Level 2 were as follows:

	31 December 2022	31 December 2021
Level 2		
Investments at fair value through profit or loss	5,633	5,633

During the year ended 31 December 2022, there were no movements between the levels.

35. COMMITMENT AND CONTIGENCIES

i. At 31 December 2022, the Group had outstanding letters of credit of Saudi Riyals 28 million (2021: Saudi Riyals 127.83 million) and letters of guarantee of Saudi Riyals 1.5 million (2021: Saudi Riyals 1.86 million) that were issued in the normal course of the business.

ii. The capital expenditure contracted by the Group but not incurred till 31 December 2022 was approximately Saudi Riyals 125 million (2021: Saudi Riyals 166.6 million).

iii. 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.

36. RELATED PARTIES

36.1 Transactions with key management personnel

Key management personnel compensation comprised the following:

	2022	2021
Short term benefits	32,750,360	25,050,141
Post-employment benefits	302,056	289,800
Termination benefits	830,800	3,333,778
	33,883,216	28,673,719

Compensation to key management personnel includes salaries, and contributions to post-employment defined benefit plan. During the year ended 31 December 2022 and 2021, Director of operation of Juthor has been added in key management personnel compensation.

36.2 Related parties' transactions

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

Related party	Description of transaction	Relationship	2022	2021
Arabian Maize Company for Industry (formerly "Al Masirah International Industrial Investments Company")	Purchase of materials	Company of chairman board of directors	35,716,109	23,035,088
Jeddah Development and Urban Regeneration Company	Advance for purchase of materials	Shareholder of subsidiary	-	20,050,000
Directors	Directors' remuneration	Directors	3,209,490	2,996,817

36.3 Related parties' balances

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

Related party	31 December 2022	31 December 2021
Jeddah Development and Urban Regeneration Company	20,050,000	20,050,000
Advances to key management personnel	188,488	151,940
Accrued directors' remuneration	(917,828)	(1,077,569)
Arabian Maize Company for Industry	(6,169,941)	(4,885,290)

37. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risks and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group also uses derivative financial instruments to hedge certain risk exposures.

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37.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is represented by interest rate risk, currency risk and other price risk.

37.2 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 as and entering into interest rates swap arrangements.

At 31 December 2022, if interest rates had been 1% higher/lower with all other variables held constant, future interest on outstanding loans will increase/decrease by Saudi Riyals 8,957,586 (2021: Saudi Riyals 4,664,837).

37.3 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The Group did undertake significant transactions in currencies Saudi Riyals and US Dollars during the year ended 31 December 2022 and 2021. Since Saudi Riyal is pegged to the US Dollar, the Group is not exposed to significant foreign currency risk.

The Group also has significant exposure to Euro at the end of 2022 and 2021. The following tables demonstrate the sensitivity to a reasonably possible change in Euro and Saudi Riyals exchange rates, with all other variables held constant. The impact on the Group's profit before zakat is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

	Change in rate Euros	Effect on profit before zakat
31 December 2022		
	+ 5%	**4,880,176**
	- 5%	**(4,880,176)**
31 December 2021		
	+ 5%	2,727,679
	- 5%	(2,727,679)

37.4 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The management continuously monitors the credit exposure towards the customers and makes allowances against those balances considered doubtful of recovery using the expected credit loss model. To mitigate the risk, the Group has developed a system of assigning credit limits to its customers based on an extensive evaluation based on customer profile and payment history. Outstanding customer receivables are regularly monitored. Most of the customers are secured, where possible, by way of inland letters of credit, cash security deposit, bank guarantees and insurance guarantees.

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

	31 December 2022	31 December 2021
Financial assets		
Trade receivables	**328,947,154**	306,557,620
Other current assets (*)	**5,413,250**	6,170,089
Cash at banks	**144,460,310**	263,287,894
Investment at FVTPL	**5,633**	5,633
	478,826,347	576,021,236

(*) Other current assets comprise of advances to employees and receivable from HIPIT (see Note 13).

Trade receivables are due from customers who have been assessed for credit worthiness prior to entering into transactions with them. Cash at bank and short-term investments are placed with reputable local banks. There were no past due or impaired receivables from related parties.

37.5 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. The Group has no significant concentration of liquidity risk. For instance, concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowings or reliance on a particular market in which to realize liquid assets. The following is contractual undiscounted maturity analysis of the financial liabilities of the Group as at 31 December 2022. The Group does not hold financial assets for managing liquidity risk. Hence, these risks have not been considered for maturity analysis.

31 December 2022	1 year or less	Above 1 year to 5 years	More than 5 years	Total
Non derivative financial liabilities				
Borrowings	**160,338,353**	**450,884,298**	-	**611,222,651**
Trade and other payables	**123,950,413**	-	-	**123,950,413**
Lease liabilities	**8,404,062**	**10,244,121**	**13,834,872**	**32,483,055**
	292,692,828	**461,128,419**	**13,834,872**	**767,656,119**

31 December 2021	1 year or less	Above 1 year to 5 years	More than 5 years	Total
Non derivative financial liabilities				
Borrowings	259,650,161	429,811,080	-	689,461,241
Trade and other payables	134,836,567	-	-	134,836,567
Lease liabilities	6,968,597	23,211,547	7,028,520	37,208,664
	401,455,325	453,022,627	7,028,520	861,506,472

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

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38. CAPITAL MANAGEMENT

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

The Group manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares. The Group also monitors capital using a gearing ratio, which is net debt, interest bearing loans and borrowings including finance cost thereon, less cash and bank balances. Capital signifies equity as shown in the statement of financial position plus net debt.

The capital gearing ratio is as follows:

	2022	2021
Borrowings	544,720,126	659,110,115
Total debt	544,720,126	659,110,115
Cash and cash equivalents	(145,246,081)	(264,004,358)
Net debt	399,474,045	395,105,757
Share capital	666,666,660	500,000,000
Statutory reserve	135,278,852	108,308,999
Treasury shares	-	(1,136,135)
Reserve for employee share-based payments	7,860,000	1,715,000
Retained earnings	371,242,769	373,801,465
Non-controlling interest	1,237,841	206,563
Net equity	1,182,286,122	982,895,892
TOTAL EQUITY AND NET DEBT	1,581,760,167	1,378,001,649
Capital gearing ratio - %	25%	29%

39. COMPARATIVE FIGURES

Certain account balances of prior year were reclassified to improve the consistency of information presented.

Reclassification in the statement of financial position for the year ended 31 December 2022 is summarised below:

	As previously reported	Reclassification	As currently reported
Non-current assets			
Property, plant and equipment	1,063,593,453	(124,546,859)	939,046,594
Capital work in progress	-	94,546,859	94,546,859
Current assets			
Other current assets	56,799,480	30,000,000	86,799,480

40. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorized for issue by the Company's Board of Directors on 20 March 2023.

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