

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

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

**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30
SEPTEMBER 2023**

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

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023**

Table of contents	Page
Independent Auditor's Review Report on the Interim Condensed Consolidated Financial Statements	1
Interim Condensed Consolidated Statement of Financial Position	2
Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	3
Interim Condensed Consolidated Statement of Changes in Equity	4
Interim Condensed Consolidated Statement of Cash Flows	5 - 6
Notes to the Interim Condensed Consolidated Financial Statements	7-21

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

Introduction:

We have reviewed the accompanying interim condensed consolidated statement of financial position of Middle East Company for Manufacturing and Producing Paper (A Saudi Joint Stock Company) ("the Company") and its subsidiaries (collectively referred to as "the Group") as at 30 September 2023, and the related interim condensed consolidated statements of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2023, and the related interim condensed consolidated statements of changes in equity and cash flows for the nine-month period then ended, and explanatory notes. The Board of Directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.


Scope of review:

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

Conclusion:

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

for Ernst & Young Professional Services


Ahmed Ibrahim Reda
Certified Public Accountant
License No. (356)



Jeddah: 24 Rabi Al-Thani 1445H
(08 November 2023G)

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

(Expressed in Saudi Riyals unless otherwise stated)

	<i>Note</i>	<i>30 September 2023 (Unaudited)</i>	<i>31 December 2022 (Audited)</i>
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	1,120,450,078	871,799,672
Capital work in progress	6	146,166,791	233,703,635
Right of use assets	7	26,176,225	28,660,645
Intangible assets		166,237	267,692
TOTAL NON-CURRENT ASSETS		1,292,959,331	1,134,431,644
CURRENT ASSETS			
Inventories		187,844,736	212,777,017
Trade receivables		240,606,905	297,736,735
Prepayments and other receivables		20,216,604	16,690,045
Capital project advances		2,211,944	47,715,916
Other current assets	8	87,437,260	91,911,302
Financial asset at fair value through profit or loss		5,633	5,633
Cash and cash equivalents	9	109,739,016	145,246,081
TOTAL CURRENT ASSETS		648,062,098	812,082,729
TOTAL ASSETS		1,941,021,429	1,946,514,373
EQUITY AND LIABILITIES			
EQUITY			
Share capital	21	666,666,660	666,666,660
Statutory reserve		135,278,852	135,278,852
Reserve for employees' share-based payments		9,262,500	7,860,000
Retained earnings		297,093,405	371,242,769
Equity attributable to equity holders of parent		1,108,301,417	1,181,048,281
Non- controlling interests		(4,318,830)	1,237,841
TOTAL EQUITY		1,103,982,587	1,182,286,122
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term borrowings	10	377,819,853	411,327,423
Lease liabilities	11	20,302,698	21,999,430
Employee benefits		47,658,451	48,014,426
TOTAL NON-CURRENT LIABILITIES		445,781,002	481,341,279
CURRENT LIABILITIES			
Zakat payable	13.2	7,308,903	13,386,571
Long-term borrowings – current portion	10	113,273,615	99,828,007
Lease liabilities – current portion	11	7,002,031	7,430,410
Short-term borrowings	12	92,834,648	33,564,696
Trade and other payables		161,211,980	123,950,413
Other current liabilities		9,626,663	4,726,875
TOTAL CURRENT LIABILITIES		391,257,840	282,886,972
TOTAL LIABILITIES		837,038,842	764,228,251
TOTAL EQUITY AND LIABILITIES		1,941,021,429	1,946,514,373

Chief Financial Officer

Chief Executive Officer

Chairman of the Board

The attached notes from 1 to 22 form an integral part of these interim condensed consolidated financial statements.

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

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

For the three-month and nine-month periods ended 30 September 2023

(Expressed in Saudi Riyals unless otherwise stated)

	Note	<i>Three-month period ended</i>		<i>Nine-month period ended</i>	
		<i>30 September</i>	<i>2022</i>	<i>30 September</i>	<i>2022</i>
		2023		2023	
Revenue	4	229,181,479	303,522,078	642,497,232	955,486,945
Cost of revenue		(205,291,456)	(181,615,723)	(560,443,113)	(529,865,537)
GROSS PROFIT		23,890,023	121,906,355	82,054,119	425,621,408
Selling and distribution expenses		(16,148,619)	(21,816,050)	(45,277,409)	(63,666,356)
General and administrative expenses		(22,239,974)	(20,375,207)	(71,005,177)	(61,863,708)
Reversal / (impairment) losses on financial assets		688,570	(3,969,232)	924,785	(8,809,167)
Other operating income / (expenses), net	15	3,388,775	(7,293,391)	11,209,895	(14,471,369)
OPERATING (LOSS) / PROFIT		(10,421,225)	68,452,475	(22,093,787)	276,810,808
Finance costs		(9,223,785)	(4,853,072)	(20,599,835)	(12,919,723)
(LOSS) / PROFIT BEFORE ZAKAT		(19,645,010)	63,599,403	(42,693,622)	263,891,085
Zakat expense		(646,371)	(8,998,593)	(7,458,853)	(17,078,205)
(LOSS) / PROFIT FOR THE PERIOD		(20,291,381)	54,600,810	(50,152,475)	246,812,880
Attributable to:					
Equity holders of the parent		(17,846,566)	53,926,589	(44,569,960)	244,907,967
Non-controlling interests		(2,444,815)	674,221	(5,582,515)	1,904,913
		(20,291,381)	54,600,810	(50,152,475)	246,812,880
OTHER COMPREHENSIVE INCOME / (LOSS)					
<i>Items not to be reclassified to statement of profit or loss in subsequent periods:</i>					
Actuarial gain / (loss) on re-measurement of employee benefit obligations		-	-	3,779,773	(827,372)
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD		(20,291,381)	54,600,810	(46,372,702)	245,985,508
Attributable to:					
Equity holders of the parent		(17,846,566)	53,926,589	(40,816,031)	244,080,595
Non-controlling interests		(2,444,815)	674,221	(5,556,671)	1,904,913
		(20,291,381)	54,600,810	(46,372,702)	245,985,508
(LOSS) / EARNINGS PER SHARE:					
(Loss) / earnings per share attributable to ordinary equity holders of the Parent (SR)					
- Basic and diluted		16	(0.27)	0.81	(0.67)
					3.67

Chief Financial Officer

Chief Executive Officer

Chairman of the Board

The attached notes from 1 to 22 form an integral part of these interim condensed consolidated financial statements.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine-month period ended 30 September 2023

(Expressed in Saudi Riyals unless otherwise stated)

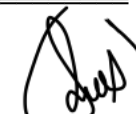
	Attributable to equity holders of the Parent						Non-controlling interests	Total equity
	Share capital	Statutory reserve	Treasury shares	Reserve for employees' share-based payments	Retained earnings	Total		
Balance as at 1 January 2022 (Audited)	500,000,000	108,308,999	(1,136,135)	1,715,000	373,801,465	982,689,329	206,563	982,895,892
Profit for the period	-	-	-	-	244,907,967	244,907,967	1,904,913	246,812,880
Other comprehensive loss for the period	-	-	-	-	(827,372)	(827,372)	-	(827,372)
Total comprehensive income for the period	-	-	-	-	244,080,595	244,080,595	1,904,913	245,985,508
Transfer from treasury shares	-	-	1,136,135	(1,136,135)	-	-	-	-
Gain on employee share-based payment plan	-	-	-	(578,865)	578,865	-	-	-
Transfer to statutory reserve	-	24,490,797	-	-	(24,490,797)	-	-	-
Dividends	-	-	-	-	(50,000,000)	(50,000,000)	-	(50,000,000)
Balance as at 30 September 2022 (Unaudited)	<u>500,000,000</u>	<u>132,799,796</u>	<u>-</u>	<u>-</u>	<u>543,970,128</u>	<u>1,176,769,924</u>	<u>2,111,476</u>	<u>1,178,881,400</u>
Balance as at 1 January 2023 (Audited)	666,666,660	135,278,852	-	7,860,000	371,242,769	1,181,048,281	1,237,841	1,182,286,122
Loss for the period	-	-	-	-	(44,569,960)	(44,569,960)	(5,582,515)	(50,152,475)
Other comprehensive income for the period	-	-	-	-	3,753,929	3,753,929	25,844	3,779,773
Total comprehensive loss for the period	-	-	-	-	(40,816,031)	(40,816,031)	(5,556,671)	(46,372,702)
Dividends (note 20)	-	-	-	-	(33,333,333)	(33,333,333)	-	(33,333,333)
Share based payments	-	-	-	1,402,500	-	1,402,500	-	1,402,500
Balance as at 30 September 2023 (Unaudited)	<u>666,666,660</u>	<u>135,278,852</u>	<u>-</u>	<u>9,262,500</u>	<u>297,093,405</u>	<u>1,108,301,417</u>	<u>(4,318,830)</u>	<u>1,103,982,587</u>



Chief Financial Officer



Chief Executive Officer



Chairman of the Board

The attached notes from 1 to 22 form an integral part of these interim condensed consolidated financial statements.

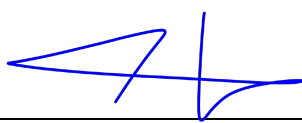
**MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER
(A SAUDI JOINT STOCK COMPANY)**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

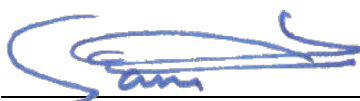
For the nine-month period ended 30 September 2023

(Expressed in Saudi Riyals unless otherwise stated)

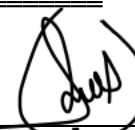
	<i>Note</i>	<i>30 September 2023 (Unaudited)</i>	<i>30 September 2022 (Unaudited)</i>
OPERATING ACTIVITIES			
(Loss) / profit before zakat		(42,693,622)	263,891,085
<i>Adjustments to reconcile (loss) / profit before zakat to net cash flows:</i>			
Depreciation and amortization		76,376,017	73,246,025
Finance costs		20,599,835	12,919,723
(Gain) / loss on disposal of property, plant and equipment		(119,349)	2,008,377
(Reversal) / allowance for impairment of trade receivables		(924,785)	8,809,167
Allowance for slow moving inventories		2,574,891	750,000
Provision against advances to suppliers and employees		208,582	-
Employee benefits provision		5,743,056	4,889,825
Employees share-based payments cost		1,402,500	-
		63,167,125	366,514,202
<i>Working capital changes:</i>			
Decrease / (increase) in inventories		22,357,390	(52,103,233)
Decrease / (increase) in trade receivables		58,054,615	(88,137,857)
Increase in prepayments and other receivables		(3,526,559)	(6,487,491)
Decrease / (increase) in other current assets		4,265,460	(26,171,470)
Decrease in capital project advances		45,503,972	-
Increase in trade and other payables		37,261,567	1,202,900
Increase / (decrease) in other current liabilities		4,899,788	(6,311,824)
Cash generated from operations		231,983,358	188,505,227
Finance costs paid		(24,242,017)	(13,828,235)
Zakat paid	13.2	(13,536,521)	(8,523,226)
Employee benefits paid		(2,319,258)	(4,409,751)
Net cash flows from operating activities		191,885,562	161,744,015
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(16,683,787)	(12,592,650)
Purchase of intangible assets		-	(38,000)
Additions to capital work in progress		(208,041,580)	(125,390,033)
Proceeds from disposal of property, plant and equipment		126,362	4,595
Net cash flows used in investing activities		(224,599,005)	(138,016,088)
FINANCING ACTIVITIES			
Net change in short-term borrowings		58,132,222	4,353,259
Proceeds from long-term borrowings		45,000,000	204,664,946
Repayments of long-term borrowings		(66,829,616)	(306,324,211)
Payment of principal portion of lease liabilities		(5,762,895)	(2,200,658)
Dividend paid		(33,333,333)	(50,000,000)
Net cash flows used in financing activities		(2,793,622)	(149,506,664)
Net decrease in cash and cash equivalents		(35,507,065)	(125,778,737)
Cash and cash equivalents at the beginning of the period		145,246,081	264,004,358
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		109,739,016	138,225,621



Chief Financial Officer



Chief Executive Officer



Chairman of the Board

The attached notes from 1 to 22 form an integral part of these interim condensed consolidated financial statements.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) (continued)

For the nine-month period ended 30 September 2023

(Expressed in Saudi Riyals unless otherwise stated)

	<i>30 September 2023 (Unaudited)</i>	<i>30 September 2022 (Unaudited)</i>
MAJOR NON-CASH TRANSACTIONS		
Finance charges capitalized in capital work in progress	7,331,800	2,811,201
Amortization of deferred finance charges in finance charges	680,873	985,926
Transfers to property, plant and equipment	(302,773,674)	(9,512,902)
Transfers to intangible assets	(136,550)	-
Non-cash addition in right to use assets	2,853,550	542,782

Chief Financial Officer

Chief Executive Officer

Chairman of the Board

The attached notes from 1 to 22 form an integral part of these interim condensed consolidated financial statements.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month and nine-month periods ended 30 September 2023

(Expressed in Saudi Riyals unless otherwise stated)

1 CORPORATE INFORMATION

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

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

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

<i>Subsidiary name</i>	<i>Country of incorporation</i>	<i>Principal business activity</i>	<i>30 September 2023</i>	<i>31 December 2022</i>
Direct holdings				
Waste Collection and Recycling Company Limited (“WASCO”)	Saudi Arabia	Whole and retail sales of paper, carton and plastic waste	100%	100%
Juthor Paper Manufacturing Company formerly known Roots Paper Manufacturing Company Limited (“Juthor”)	Saudi Arabia	Production and sales of tissue paper rolls.	100%	100%
Indirect holdings				
Estidama Environmental Services Company LLC (“Estidama”)	Saudi Arabia	Whole sales of wastes, scrap, and other unclassified product and waste management and treatment services	50%	50%
Saudi-Jordanian Waste Collection and Recycling Company (“Saudi-Jordanian WASCO”)	Jordan	Recycle and collect carton waste, manufacture, import and export carton. Retail trade in paper and carton. Own movable and immovable funds to implement the company's objectives.	100%	100%

2 BASIS OF PREPARATION

2.1 Statement of compliance

The interim condensed consolidated financial statements for the nine-month period ended 30 September 2023 have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia as well as other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants (“SOCPA”). The Group has prepared the interim condensed consolidated financial statements on the basis that it will continue to operate as a going concern. The Directors consider that there are no material uncertainties that may cast doubt significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended 30 September 2023

(Expressed in Saudi Riyals unless otherwise stated)

2 BASIS OF PREPARATION (continued)

2.2 Basis of measurement

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

2.4 Significant accounting judgements, estimates and assumptions

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

2.5 Material accounting policies

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

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

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

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

IFRS 17 Insurance Contracts

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended 30 September 2023

(Expressed in Saudi Riyals unless otherwise stated)

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

Definition of Accounting Estimates - Amendments to IAS 8

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

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

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

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

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

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

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

4 SEGMENT INFORMATION

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

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

Segment results that are reported to the Chairman Board of Directors and top management (President, 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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended 30 September 2023

(Expressed in Saudi Riyals unless otherwise stated)

4 SEGMENT INFORMATION (continued)

The following table presents segment information for the three-month and nine-month periods ended 30 September 2023:

	<i>Manufacturing</i>	<i>Trading</i>	<i>Inter-segment Eliminations</i>	<i>Total</i>
<i>Results for the nine-month period ended 30 September 2023 (Unaudited)</i>				
Revenues	629,925,490	173,874,247	(161,302,505)	642,497,232
External revenues	629,925,490	12,571,742	-	642,497,232
Segment loss before zakat	(46,507,959)	(35,099,236)	38,913,573	(42,693,622)
Zakat	7,058,472	400,381	-	7,458,853
Financial costs	19,834,580	765,255	-	20,599,835
Depreciation and amortization	65,556,234	10,819,783	-	76,376,017
<i>Results for the three-month period ended 30 September 2023 (Unaudited)</i>				
Revenues	224,390,216	51,681,649	(46,890,386)	229,181,479
External revenues	224,390,216	4,791,263	-	229,181,479
Segment loss before zakat	(25,325,543)	(16,186,024)	21,866,557	(19,645,010)
Zakat	641,539	4,832	-	646,371
Financial costs	8,946,152	277,633	-	9,223,785
Depreciation and amortization	23,192,488	3,608,805	-	26,801,293
<i>Results for the nine-month period ended 30 September 2022 (Unaudited)</i>				
Revenues	939,574,565	272,620,292	(256,707,912)	955,486,945
External revenues	939,574,565	15,912,380	-	955,486,945
Segment profit before zakat	256,951,610	18,297,868	(11,358,393)	263,891,085
Zakat	15,947,132	1,131,073	-	17,078,205
Finance costs	11,666,103	1,253,620	-	12,919,723
Depreciation and amortization	62,279,589	10,966,436	-	73,246,025
<i>Results for the three-month period ended 30 September 2022 (Unaudited)</i>				
Revenues	299,035,169	93,217,852	(88,730,943)	303,522,078
External revenues	299,035,169	4,486,909	-	303,522,078
Segment profit before zakat	60,481,945	4,549,978	(1,432,520)	63,599,403
Zakat	8,703,561	295,032	-	8,998,593
Finance costs	4,460,984	392,088	-	4,853,072
Depreciation and amortization	20,603,685	3,856,024	-	24,459,709
<i>As of 30 September 2023 (Unaudited)</i>				
Total assets	2,102,062,582	141,155,082	(302,196,235)	1,941,021,429
Total liabilities	770,772,450	105,168,850	(38,902,458)	837,038,842
<i>As of 31 December 2022 (Audited)</i>				
Total assets	2,026,832,429	152,294,426	(232,612,482)	1,946,514,373
Total liabilities	706,816,209	82,171,468	(24,759,426)	764,228,251

The Group makes sales in local and foreign markets in Middle East, Africa, Asia and Europe. Export sales during the three-month and nine-month periods ended 30 September 2023 amounted to SR 68.7 million and SR 230 million (three-month and nine-month periods ended 30 September 2022: SR 94.6 million and SR 323.7 million, respectively). Local external sales in Kingdom of Saudi Arabia, during the three-month and nine-month periods ended 30 September 2023 amounted to SR 123 million and SR 374.7 million (three-month and nine-month periods ended 30 September 2022: SR 209 million and SR 631.8 million, respectively).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended 30 September 2023

(Expressed in Saudi Riyals unless otherwise stated)

5 PROPERTY, PLANT AND EQUIPMENT

	<i>Land</i>	<i>Buildings and mobile cabinets</i>	<i>Machinery and equipment</i>	<i>Furniture and office equipment</i>	<i>Motor vehicles</i>	<i>Total</i>
At 1 January 2023						
Cost	137,398,877	190,135,250	1,554,710,347	34,301,153	36,148,736	1,952,694,363
Accumulated depreciation	-	(75,621,429)	(954,797,589)	(21,944,441)	(28,531,232)	(1,080,894,691)
Net book value (Audited)	137,398,877	114,513,821	599,912,758	12,356,712	7,617,504	871,799,672
Nine-month period ended 30 September 2023						
Opening net book value	137,398,877	114,513,821	599,912,758	12,356,712	7,617,504	871,799,672
Additions	-	524,535	10,716,639	2,663,708	2,778,905	16,683,787
Transfers from capital work in progress	-	67,339,854	235,225,177	169,643	39,000	302,773,674
Disposals						
- Cost	-	-	-	(242,363)	(2,361,621)	(2,603,984)
- Accumulated depreciation	-	-	-	235,385	2,361,586	2,596,971
Depreciation charge	-	(6,230,861)	(59,659,129)	(3,223,459)	(1,686,593)	(70,800,042)
Net book value as at 30 September 2023	137,398,877	176,147,349	786,195,445	11,959,626	8,748,781	1,120,450,078
At 30 September 2023						
Cost	137,398,877	257,999,639	1,800,652,163	36,892,141	36,605,020	2,269,547,840
Accumulated depreciation	-	(81,852,290)	(1,014,456,718)	(24,932,515)	(27,856,239)	(1,149,097,762)
Net book value (Unaudited)	137,398,877	176,147,349	786,195,445	11,959,626	8,748,781	1,120,450,078

5.1 All land, buildings and mobile cabinets, machinery and equipment, furniture and office equipment relating to the Company are pledged as collateral to Saudi Industrial Development Fund (SIDF) as a first-degree pledge (note 10).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended 30 September 2023

(Expressed in Saudi Riyals unless otherwise stated)

6 CAPITAL WORK IN PROGRESS

	<i>Tissue Mill Factory</i>	<i>Plant and Machinery</i>	<i>Total</i>
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	-	(9,512,902)	(9,512,902)
	<u>155,381,163</u>	<u>78,322,472</u>	<u>233,703,635</u>
31 December 2022 (Audited)	<u>155,381,163</u>	<u>78,322,472</u>	<u>233,703,635</u>
Nine-month period ended 30 September 2023			
Opening net book value	155,381,163	78,322,472	233,703,635
Additions	180,384,016	34,989,364	215,373,380
Transfers to property, plant and equipment (refer note 5)	(301,150,872)	(1,622,802)	(302,773,674)
Transfers to intangible assets	(136,550)	-	(136,550)
	<u>34,477,757</u>	<u>111,689,034</u>	<u>146,166,791</u>
30 September 2023 (Unaudited)	<u>34,477,757</u>	<u>111,689,034</u>	<u>146,166,791</u>

Capital work in progress as at 30 September 2023 includes costs incurred related to the ongoing projects for plant and machinery related to MEPCO and WASCO amounting to SR 111.7 million (31 December 2022: SR 78 million). The other project pertains to tissue mill factory amounting to SR 34.5 million as at 30 September 2023 (31 December 2022: SR 155 million) located in King Abdullah Economic City, Rabigh under the wholly owned subsidiary Juthor Paper Manufacturing Company Limited. The tissue mill factory production plant has been completed and ready for use during the period ended 30 September 2023, the other factory buildings are still under completion phase which are expected to be completed during the year ending 31 December 2023. The projects related to plant and machinery are expected to be completed during the year ending 31 December 2024. Refer to note 18 for capital commitments

During the period ended 30 September 2023, finance costs amounting to SR 7.3 million were capitalized as part of capital work in progress (year ended 31 December 2022: SR 4.2 million). Average capitalization rate used 5.60% (31 December 2022: 2.33%-3.45%).

7 RIGHT OF USE ASSETS

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

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

	<i>Leased Land</i>	<i>Buildings</i>	<i>Total</i>
At 1 January 2023			
Cost	48,028,022	8,207,099	56,235,121
Accumulated depreciation	(22,014,765)	(5,559,711)	(27,574,476)
	<u>26,013,257</u>	<u>2,647,388</u>	<u>28,660,645</u>
Net book value (Audited)	<u>26,013,257</u>	<u>2,647,388</u>	<u>28,660,645</u>
Nine-month period ended 30 September 2023			
Opening net book value	26,013,257	2,647,388	28,660,645
Additions	-	2,853,550	2,853,550
Depreciation charge	(3,596,803)	(1,741,167)	(5,337,970)
	<u>22,416,454</u>	<u>3,759,771</u>	<u>26,176,225</u>
Closing net book value as at 30 September 2023	<u>22,416,454</u>	<u>3,759,771</u>	<u>26,176,225</u>
At 30 September 2023			
Cost	48,028,022	11,060,649	59,088,671
Accumulated depreciation	(25,611,568)	(7,300,878)	(32,912,446)
	<u>22,416,454</u>	<u>3,759,771</u>	<u>26,176,225</u>
Net book value (Unaudited)	<u>22,416,454</u>	<u>3,759,771</u>	<u>26,176,225</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended 30 September 2023

(Expressed in Saudi Riyals unless otherwise stated)

8 OTHER CURRENT ASSETS

	<i>30 September 2023 (Unaudited)</i>	<i>31 December 2022 (Audited)</i>
Advances to suppliers	33,711,518	40,134,826
Advances to suppliers – related parties (a)	20,050,000	20,050,000
Advance against land (b)	30,000,000	30,000,000
Advances to employees	6,071,098	5,413,250
Costs relating to share capital increase (c)	1,500,000	-
	91,332,616	95,598,076
Less: Allowance for impairment loss on advances	(3,895,356)	(3,686,774)
	87,437,260	91,911,302

a) In 2021, an advance of SR 20 million was paid by the Company’s subsidiary “Estidama” to Jeddah Development and Urban Regeneration Company (“JEDRIC”) under an arrangement for the procurement of the raw materials. Subsequent to the period ended 30 September 2023, JEDRIC management proposed an alternative use for the advance amount and the Company is in the process of amending the agreement with JEDRIC to settle the advance.

b) 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, the Company 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 soon. 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 land legal title transferred to the Group. As a result, the amount of SR 30 million is classified to advances paid for acquisition of land within other current assets in the year ended 31 December 2022. During the period ended 30 September 2023, these procedural aspects for the transfer in the name of the Group are still underway as communicated from the external lawyer.

c) These costs include legal and financial consultancy fees, documentation, prospectus and other costs ancillary to the increase of share capital as disclosed in note 21.

9 CASH AND CASH EQUIVALENTS

	<i>30 September 2023 (Unaudited)</i>	<i>31 December 2022 (Audited)</i>
Cash in hand	1,028,241	785,771
Cash at bank	108,710,775	144,460,310
	109,739,016	145,246,081

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended 30 September 2023

(Expressed in Saudi Riyals unless otherwise stated)

10 LONG-TERM BORROWINGS

	<i>30 September 2023 (Unaudited)</i>	<i>31 December 2022 (Audited)</i>
SIDF loans - Principal	144,600,000	114,000,000
Accrued finance charges – SIDF	2,878,170	456,169
Less: Deferred financial charges	(8,516,546)	(7,024,155)
	<hr/>	<hr/>
Saudi Industrial Development Fund (SIDF) (refer note a)	138,961,624	107,432,014
Islamic banking facilities (Tawarruq)	349,714,230	402,143,846
Accrued finance charges – Banks	2,417,614	1,579,570
	<hr/>	<hr/>
Islamic banking facilities (Tawarruq) (refer note b)	352,131,844	403,723,416
	<hr/>	<hr/>
Total long-term borrowings	491,093,468	511,155,430
	<hr/> <hr/>	<hr/> <hr/>
Current portion shown under current liabilities		
Borrowings - gross	108,535,961	98,649,784
Accrued finance charges	5,295,784	2,035,739
Less: Deferred financial charges	(558,130)	(857,516)
	<hr/>	<hr/>
	113,273,615	99,828,007
	<hr/>	<hr/>
	<hr/>	<hr/>
	<i>30 September 2023 (Unaudited)</i>	<i>31 December 2022 (Audited)</i>
Long-term borrowings shown under non-current liabilities		
Borrowings - gross	385,778,269	417,494,062
Less: Deferred financial charges	(7,958,416)	(6,166,639)
	<hr/>	<hr/>
	377,819,853	411,327,423
	<hr/>	<hr/>
Total long-term borrowings	491,093,468	511,155,430
	<hr/> <hr/>	<hr/> <hr/>
	<hr/>	<hr/>
	<i>30 September 2023 (Unaudited)</i>	<i>31 December 2022 (Audited)</i>
Reconciliation of cash movement of borrowings		
Balance at beginning of period / year	511,155,430	561,760,665
Proceeds	45,000,000	258,778,846
Repayment of principal instalments	(66,829,616)	(306,324,210)
Movement in accrued financial charges	3,260,046	1,375,045
Movement in deferred financial charges	(1,492,392)	(4,434,916)
	<hr/>	<hr/>
Balance at end of period / year	491,093,468	511,155,430
	<hr/> <hr/>	<hr/> <hr/>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended 30 September 2023

(Expressed in Saudi Riyals unless otherwise stated)

10 LONG-TERM BORROWINGS (continued)

- (a) During 2020, the Group had obtained new facility from Saudi Industrial Development Fund (SIDF) amounting to SR 55 million to finance the construction of manufacturing facilities and the Group has fully withdrawn this facility. 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 SR 150 million to finance the construction of manufacturing facilities. The Group has utilized SR 120 million as of 30 September 2023 (2022: SR 75 million). The loan is repayable in unequal semi-annual instalments up to year 2030.

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

- (b) During 2022, The Company has also obtained long-term credit facilities (Islamic Finance Tawarruq) from commercial banks amounting to SR 572 million. The Company has utilized of these facilities amounting to SR 349.7 million as of 30 September 2023 (2022: SR 402 million). These loans bear financial charges based on prevailing market rates in Kingdom of Saudi Arabia ("SIBOR"). These loans are repayable up to the year 2027.

Upfront fees were deducted at the time of receipt of loans from commercial banks, which are amortised over the period of the respective loans.

The above loans and facilities include certain covenants which require the Company to maintain certain levels of current and leverage ratios and certain restriction on dividend distribution and also notify the bank any breach or probable breach immediately. The Company has met compliance requirements most of debt covenants for banks as at 30 September 2023.

All the above long term loans are denominated in SR as at 30 September 2023 and 31 December 2022.

11 LEASE LIABILITIES

Movement in lease liabilities is summarized as follows:

	<i>30 September 2023 (Unaudited)</i>	<i>31 December 2022 (Audited)</i>
At the beginning of the period / year	29,429,840	33,005,882
Additions	2,853,550	1,137,966
Accretion of interest	784,234	1,185,992
Payments	(5,762,895)	(5,900,000)
At the end of the period / year	27,304,729	29,429,840

The scheduled maturities of the lease liabilities as follows:

As at 30 September 2023	<i>Principal amount</i>	<i>Interest</i>	<i>Net lease liabilities</i>
Current portion	7,864,491	(862,460)	7,002,031
Non-current portion	21,795,670	(1,492,972)	20,302,698
	29,660,161	(2,355,432)	27,304,729

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the three-month and nine-month periods ended 30 September 2023
(Expressed in Saudi Riyals unless otherwise stated)**

11 LEASE LIABILITIES (continued)

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

12 SHORT-TERM BORROWINGS

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Islamic banking facilities (Tawarruq)	79,999,500	20,625,000
Notes payable	11,466,340	12,708,618
Accrued financial charges	1,368,808	231,078
	<u>92,834,648</u>	<u>33,564,696</u>

The Group has short-term credit facilities from commercial banks comprising of short-term loans, letters of credit and guarantees. These facilities include certain financial covenants which require the Group to maintain certain levels of ratios. The Company has met compliance requirements most of debt covenants for banks as at 30 September 2023. All the loans are denominated in SR as at 30 September 2023 and 31 December 2022.

The short-term borrowings under Islamic banking facilities bears interest rate of 6.43% (2022: 6.84%).

13 ZAKAT

13.1 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.

13.2 Provision for zakat

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
At the beginning of the period / year	13,386,571	6,752,605
Provisions		
- Provision for the current period / year	7,420,989	13,605,121
- Adjustment related to prior years	37,864	1,476,346
Payments	<u>(13,536,521)</u>	<u>(8,447,501)</u>
At the end of the period / year	<u>7,308,903</u>	<u>13,386,571</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended 30 September 2023

(Expressed in Saudi Riyals unless otherwise stated)

13 ZAKAT (continued)

13.3 Status of assessments

The zakat assessments of the Parent (“MEPCO”) 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 (“TVDRRC”) issued its decision in favor of the Company, reducing by 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 TVDRRC’s decision. The Company has submitted its reply to 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 TVDRRC. The initial hearing session would be held on December 2023.

During July 2020, the ZATCA has issued an assessment for the year 2014, without any additional claim on zakat.

During December 2020, the ZATCA issued assessments for the years ended 31 December 2015 to 2018 claiming SR 30 million as additional Zakat. The Company objected these assessments, however it was subsequently rejected by ZATCA. The Company escalated its objection to GSTC. During 2022, TVDRRC rejected the Company’s objection in Form, however the Company escalated the case to the Tax Violation & Disputes Appeal Committee (“TVDAC”). Subsequently on 01 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. The Company decided to approach the internal settlement committee (ISC) to reach a favorable agreement and resolve the case. Accordingly, the case is currently on-hold at GSTC, and the Company is currently preparing the Settlement Request to submit to ISC.

During 2021, ZATCA issued its assessments 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 million for both years. The Company settled the revised claimed amount to clear these years with ZATCA.

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

During July 2021, WASCO received the assessment for the years 2016 and 2017 where ZATCA claimed additional Zakat of SR 1.39 million and SR 0.169 million respectively. WASCO objected against these assessments, however ZATCA rejected the objection and accordingly WASCO escalated its objection to the GSTC to be heard in-front of the TVDRRC. On 18 September 2022, the TVDRRC issued their decision in favor of ZATCA. Accordingly, subsequently on 18 October 2022, the Company raised an appeal against TVDRRC’s decision. The Appeal Committee has recently issued its decision in favor of ZATCA, however according to Article 49 of the Work Rules of Tax Committees, the Company has the right to submit a Reconsideration Request to the TVDAC. The zakat declarations of WASCO till 2022 are currently under review by ZATCA and unrestricted zakat certificates have been obtained till 30 April 2024.

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

14 EQUITY SETTLED EMPLOYEE SHARE-BASED PAYMENTS PLAN

The shared based payments of the 300,000 equity shares of the 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 was granted. The Group does not have a past practice of cash settlement for these shares. The Group accounts for the share of the Parent as an equity-settled plan.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended 30 September 2023

(Expressed in Saudi Riyals unless otherwise stated)

15 OTHER OPERATING INCOME / (EXPENSES), NET

	<i>Three-month period ended</i>		<i>Nine-month period ended</i>	
	<i>30 September 2023 (Unaudited)</i>	<i>30 September 2022 (Unaudited)</i>	<i>30 September 2023 (Unaudited)</i>	<i>30 September 2022 (Unaudited)</i>
Foreign currency exchange (loss) / gain	(380,498)	(7,603,579)	3,220,742	(13,088,959)
(Loss) / gain on disposal of property, plant and equipment	(6,978)	(7,597)	119,349	(2,012,972)
Insurance claim recovery	-	-	1,795,102	-
Other services *	1,608,831	-	3,573,004	-
Others, net	2,167,420	317,785	2,501,698	630,562
	3,388,775	(7,293,391)	11,209,895	(14,471,369)

* Other services include the services given to HIPIT for the three-month and nine-month periods ended 30 September 2023 and 30 September 2022.

16 (LOSS) / EARNINGS PER SHARE

The Group presents basic and diluted (loss) / earnings per share (EPS) for its ordinary shares. Basic (loss) / earnings per share 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.

	<i>Three-month period ended</i>		<i>Nine-month period ended</i>	
	<i>30 September 2023 (Unaudited)</i>	<i>30 September 2022 (Unaudited) (Restated)</i>	<i>30 September 2023 (Unaudited)</i>	<i>30 September 2022 (Unaudited) (Restated)</i>
Net (loss) / profit attributable to equity holders of the Parent Company	(17,846,566)	53,926,589	(44,569,960)	244,907,967
Weighted average number of shares*	66,666,666	66,666,666	66,666,666	66,661,887
Basic and diluted (loss) / earnings per share (SR per share)	(0.27)	0.81	(0.67)	3.67

*The weighted average number of ordinary shares issued and outstanding at period ended 30 September 2022 have been adjusted for the bonus shares issued during the year ended 31 December 2022.

17 FAIR VALUE OF ASSETS AND LIABILITIES

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

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the three-month and nine-month periods ended 30 September 2023
(Expressed in Saudi Riyals unless otherwise stated)

17 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

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

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

- Level 1: quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

The fair value of investment at fair value through profit or loss is based on the net asset value communicated by the fund manager. The fair values under Level 2 were as follows:

	<i>30 September 2023 (Unaudited)</i>	<i>31 December 2022 (Audited)</i>
Level 2		
Investment at fair value through profit or loss	<u>5,633</u>	<u>5,633</u>

During the nine-month period ended 30 September 2023 and year ended 31 December 2022, there were no movements between the levels.

18 CONTINGENCIES, COMMITMENTS AND LITIGATION

- As at 30 September 2023, the Group had outstanding letters of credit amounting to SR 13.5 million (31 December 2022: SR 36 million) and letters of guarantee amounting to SR 1 million (31 December 2022: SR 1.5 million) that were issued in the normal course of the business.
- The capital expenditure contracted by the Group but not incurred till 30 September 2023 was approximately SR 36.8 million (31 December 2022: SR 125 million).
- Litigation is in process against the Group relating to a matter with General Authority of Competition who alleges that the one of the subsidiaries has been involved in fixing the prices and incurs penalty charges of SR 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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended 30 September 2023

(Expressed in Saudi Riyals unless otherwise stated)

19 RELATED PARTY TRANSACTIONS AND BALANCES

19.1 Key management compensation

Compensation for key management is as follows:

	<i>Three-month period ended</i>		<i>Nine-month period ended</i>	
	<i>30 September 2023 (Unaudited)</i>	<i>30 September 2022 (Unaudited)</i>	<i>30 September 2023 (Unaudited)</i>	<i>30 September 2022 (Unaudited)</i>
Short-term benefits	4,300,868	8,119,089	12,429,857	18,501,369
Post-employment benefits	67,416	128,138	183,395	217,007
Termination benefits	206,878	325,971	602,254	590,364
	4,575,162	8,573,198	13,215,506	19,308,740

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

19.2 Related party transactions

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

<i>Related party</i>	<i>Description of transaction</i>	<i>Relationship</i>	<i>Three-month period ended</i>		<i>Nine-month period ended</i>	
			<i>30 September 2023 (Unaudited)</i>	<i>30 September 2022 (Unaudited)</i>	<i>30 September 2023 (Unaudited)</i>	<i>30 September 2022 (Unaudited)</i>
Directors	Directors' remuneration	Directors	1,293,387	699,269	4,136,728	2,186,615
Arabian Maize Company for Industry (formerly "Al Masirah International Industrial Investments Company")	Purchase of materials	Company of vice chairman-board of directors	7,203,945	8,613,097	19,276,530	28,436,826

19.3 Related party balances

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

	<i>30 September 2023 (Unaudited)</i>	<i>31 December 2022 (Audited)</i>
<i>Due from related parties</i>		
Jeddah Development and Urban Regeneration Company	20,050,000	20,050,000
Advances to key management personnel	581,530	188,488
	20,631,530	20,238,488
<i>Due to related parties</i>		
Arabian Maize Company for Industry	(4,319,745)	(6,169,941)
Accrued directors' remuneration	(969,614)	(917,828)
	(5,289,359)	(7,087,769)

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended 30 September 2023

(Expressed in Saudi Riyals unless otherwise stated)

20 DIVIDENDS

On 23 May 2023, the Board proposed a final dividend for the year ended 31 December 2022 amounting to SR 33.33 million (SR 0.5 per share). The Annual General Assembly in its meeting held on 22 June 2023 approved the cash dividends of SR 33.33 million and was paid on 11 July 2023.

21 CAPITAL INCREASE

In accordance with the share subscription agreement signed between MEPCO and Public Investment Fund (PIF) dated 31 July 2023, subject to certain conditions, MEPCO will increase its capital from SR 666,666,660 to SR 866,666,650 with the suspension of pre-emptive rights, by issuing 19,999,999 new ordinary shares (representing 30% of MEPCO's current capital), with a nominal value of SR 10 per share (the "New Shares").

In full consideration of the issuance of the New Shares, PIF has committed to pay to MEPCO a subscription amount of SR 31.50 per New Share being a total subscription amount of SR 629,999,968.50. The New Shares will be fully subscribed by PIF, so that PIF's ownership in MEPCO's share capital will be 23.08% after the capital increase, this remains subject to the Capital Market Authority's approvals, approval of MEPCO's extra-ordinary general assembly and internal approvals of PIF. These approvals are still under progress.

22 AUTHORISATION OF FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were authorized for issue by the Company's Board of Directors on 23 Rabi Al Thani 1445H (corresponding to 07 November 2023G).