

**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 SIX-MONTH PERIODS ENDED 30 JUNE 2024

**MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER
(A SAUDI JOINT STOCK COMPANY)
UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2024**

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

Introduction:

We have reviewed the accompanying interim condensed consolidated statement of financial position of Middle East Company for Manufacturing and Producing Paper (A Saudi Joint Stock Company) ("the Company") and its subsidiaries (collectively referred to as "the Group") as at 30 June 2024, and the related interim condensed consolidated statements of profit or loss and other comprehensive income for the three-month and six-month periods ended 30 June 2024, and the related interim condensed consolidated statements of changes in equity and cash flows for the six-month period then ended, and explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim 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: 08 Safar 1446H
12 August 2024G




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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

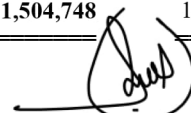
As at 30 June 2024

(Expressed in Saudi Riyals unless otherwise stated)

	Notes	30 June 2024 (Unaudited)	31 December 2023 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	1,090,376,593	1,111,782,224
Capital work in progress	6	246,032,967	171,234,329
Right-of-use assets	7	23,740,512	27,763,340
Intangible assets		859,463	324,848
Other assets – non-current portion	9 (a)	20,000,000	-
TOTAL NON-CURRENT ASSETS		1,381,009,535	1,311,104,741
CURRENT ASSETS			
Inventories		210,313,583	175,697,378
Trade receivables		313,669,202	266,336,680
Prepayments and other receivables		12,193,213	8,189,154
Capital project advances	8	694,227	2,282,335
Other assets –current portion	9	65,919,150	110,768,636
Financial asset at fair value through profit or loss		5,633	5,633
Cash and cash equivalents	10	617,700,205	56,549,393
TOTAL CURRENT ASSETS		1,220,495,213	619,829,209
TOTAL ASSETS		2,601,504,748	1,930,933,950
EQUITY AND LIABILITIES			
EQUITY			
Share capital	16	866,666,650	666,666,660
Share premium	16	419,999,979	-
Statutory reserve		135,278,852	135,278,852
Reserve for employees' share-based payments	15	-	10,500,000
Retained earnings		247,552,296	261,845,302
Equity attributable to equity holders of parent		1,669,497,777	1,074,290,814
Non-controlling interests		(7,015,169)	(6,087,404)
TOTAL EQUITY		1,662,482,608	1,068,203,410
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term borrowings – non-current portion	11	320,682,736	350,204,502
Lease liabilities – non-current portion	12	16,300,355	16,612,745
Employee benefits		44,311,522	48,808,117
TOTAL NON-CURRENT LIABILITIES		381,294,613	415,625,364
CURRENT LIABILITIES			
Lease liabilities – current portion	12	7,296,947	8,292,816
Long-term borrowings – current portion	11	120,986,215	114,556,914
Short-term borrowings	13	171,608,757	109,908,824
Trade and other payables		236,903,756	189,202,705
Other current liabilities		8,376,362	15,415,337
Zakat payable	14	12,555,490	9,728,580
TOTAL CURRENT LIABILITIES		557,727,527	447,105,176
TOTAL LIABILITIES		939,022,140	862,730,540
TOTAL EQUITY AND LIABILITIES		2,601,504,748	1,930,933,950


Chief Financial Officer


Chief Executive Officer


Chairman of the Board

The accompanying 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**

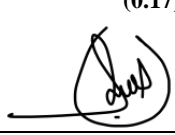
For the three-month and six-month periods ended 30 June

(Expressed in Saudi Riyals unless otherwise stated)

	Notes	<i>Three-month period ended</i> 30 June		<i>Six-month period ended</i> 30 June	
		2024	2023	2024	2023
Revenue	4	255,076,049	189,366,857	498,528,995	413,315,753
Cost of revenue		(200,799,959)	(166,497,156)	(411,744,741)	(355,151,657)
GROSS PROFIT		54,276,090	22,869,701	86,784,254	58,164,096
Selling and distribution expenses		(15,928,388)	(14,126,835)	(30,334,202)	(29,128,790)
General and administrative expenses		(28,909,862)	(28,777,279)	(57,645,314)	(48,765,203)
(Impairment) / Reversal of losses on financial assets		(3,282,801)	2,948,770	(3,962,988)	236,215
Other operating income, net	17	1,553,646	3,118,983	1,631,473	7,821,120
OPERATING PROFIT / (LOSS)		7,708,685	(13,966,660)	(3,526,777)	(11,672,562)
Finance costs		(7,132,868)	(5,367,354)	(15,520,206)	(11,376,050)
Finance income		8,818,696	-	15,863,638	-
PROFIT / (LOSS) BEFORE ZAKAT		9,394,513	(19,334,014)	(3,183,345)	(23,048,612)
Zakat expense	14.2	(5,930,258)	(3,426,750)	(12,066,077)	(6,812,482)
PROFIT / (LOSS) FOR THE PERIOD		3,464,255	(22,760,764)	(15,249,422)	(29,861,094)
Attributable to:					
Equity holders of the parent		4,038,532	(20,165,709)	(14,321,635)	(26,723,394)
Non-controlling interests		(574,277)	(2,595,055)	(927,787)	(3,137,700)
		3,464,255	(22,760,764)	(15,249,422)	(29,861,094)
OTHER COMPREHENSIVE INCOME					
<i>Items not to be reclassified to statement of profit or loss in subsequent periods:</i>					
Actuarial gain on re-measurement of employee benefit obligations		28,651	3,779,773	28,651	3,779,773
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD		3,492,906	(18,980,991)	(15,220,771)	(26,081,321)
Attributable to:					
Equity holders of the parent		4,067,161	(16,411,780)	(14,293,006)	(22,969,465)
Non-controlling interests		(574,255)	(2,569,211)	(927,765)	(3,111,856)
		3,492,906	(18,980,991)	(15,220,771)	(26,081,321)
EARNINGS / (LOSS) PER SHARE:					
Earnings / (loss) per share attributable to ordinary equity holders of the Parent (SR)					
- Basic and diluted	18	0.05	(0.30)	(0.17)	(0.40)


Chief Financial Officer


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Chairman of the Board

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June

(Expressed in Saudi Riyals unless otherwise stated)

	<i>Attributable to equity holders of the Parent</i>					<i>Total</i>	<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>Share capital</i>	<i>Share premium</i>	<i>Statutory reserve</i>	<i>Reserve for employees' share-based payments</i>	<i>Retained earnings</i>			
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	-	-	-	-	(26,723,394)	(26,723,394)	(3,137,700)	(29,861,094)
Other comprehensive income for the period	-	-	-	-	3,753,929	3,753,929	25,844	3,779,773
Total comprehensive loss for the period	-	-	-	-	(22,969,465)	(22,969,465)	(3,111,856)	(26,081,321)
Dividends	-	-	-	-	(33,333,333)	(33,333,333)	-	(33,333,333)
Additions during the period (note 15)	-	-	-	1,482,000	-	1,482,000	-	1,482,000
At 30 June 2023 (Unaudited)	666,666,660	-	135,278,852	9,342,000	314,939,971	1,126,227,483	(1,874,015)	1,124,353,468
At 1 January 2024 (Audited)	666,666,660	-	135,278,852	10,500,000	261,845,302	1,074,290,814	(6,087,404)	1,068,203,410
Loss for the period	-	-	-	-	(14,321,635)	(14,321,635)	(927,787)	(15,249,422)
Other comprehensive income for the period	-	-	-	-	28,629	28,629	22	28,651
Total comprehensive loss for the period	-	-	-	-	(14,293,006)	(14,293,006)	(927,765)	(15,220,771)
Additions during the period (notes 15&16)	199,999,990	419,999,979	-	-	-	619,999,969	-	619,999,969
Transfers during the period (note 15)	-	-	-	(10,500,000)	-	(10,500,000)	-	(10,500,000)
At 30 June 2024 (Unaudited)	866,666,650	419,999,979	135,278,852	-	247,552,296	1,669,497,777	(7,015,169)	1,662,482,608



Chief Financial Officer



Chief Executive Officer



Chairman of the Board

The accompanying 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

For the six-month period ended 30 June

(Expressed in Saudi Riyals unless otherwise stated)

	Note	2024 (Unaudited)	2023 (Unaudited)
OPERATING ACTIVITIES			
Loss before zakat		(3,183,345)	(23,048,612)
<i>Adjustments to reconcile loss before zakat to net cash flows:</i>			
Depreciation and amortization		53,251,053	49,574,724
Finance costs		15,520,206	11,376,050
Gain on disposal of property, plant and equipment		(167,632)	(126,327)
Allowance / (Reversal) for impairment of trade receivables		3,962,988	(236,215)
Allowance for slow moving inventories		1,500,000	1,500,000
Employee benefits provision		3,967,457	3,788,141
Employee share-based payments expense		-	1,482,000
		<u>74,850,727</u>	<u>44,309,761</u>
<i>Working capital changes:</i>			
(Increase) / decrease in inventories		(36,116,205)	21,515,736
(Increase) / decrease in trade receivables		(51,295,510)	64,704,078
Increase in prepayments and other receivables		(4,004,059)	(8,406,850)
Decrease / (Increase) in other current assets		24,849,486	(11,936,488)
Decrease in capital project advances		1,588,108	36,013,489
Increase in trade and other payables		41,097,801	62,272,469
(Decrease) / increase in other current liabilities		(7,038,975)	3,929,796
		<u>43,931,373</u>	<u>212,401,991</u>
Cash generated from operations		43,931,373	212,401,991
Finance costs paid		(19,429,969)	(11,937,061)
Zakat paid	14.2	(9,239,167)	(13,462,003)
Employee benefits paid		(1,832,152)	(1,759,424)
Employees' share-based payments	15	(10,500,000)	-
		<u>2,930,085</u>	<u>185,243,503</u>
Net cash flows from operating activities			
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(19,162,739)	(11,147,175)
Additions to capital work in progress		(80,727,738)	(178,313,054)
Proceeds from disposal of property, plant and equipment		193,391	126,359
		<u>(99,697,086)</u>	<u>(189,333,870)</u>
Net cash flows used in investing activities			
FINANCING ACTIVITIES			
Proceeds from issue of shares		619,999,969	-
Net change in short-term borrowings		61,584,931	3,372,598
Proceeds from long-term borrowings		30,000,000	45,000,000
Repayments of long-term borrowings		(51,867,984)	(18,447,812)
Payment of principal portion of lease liabilities		(1,799,103)	(3,854,355)
		<u>657,917,813</u>	<u>26,070,431</u>
Net cash flows from financing activities			
Net increase in cash and cash equivalents		561,150,812	21,980,064
Cash and cash equivalents at the beginning of the period		56,549,393	145,246,081
		<u>617,700,205</u>	<u>167,226,145</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD			
		<u>617,700,205</u>	<u>167,226,145</u>

Chief Financial Officer

Chief Executive Officer

Chairman of the Board

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

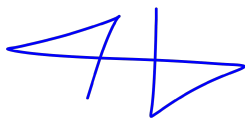
**MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER
(A SAUDI JOINT STOCK COMPANY)**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six-month period ended 30 June

(Expressed in Saudi Riyals unless otherwise stated)

	<i>2024</i> <i>(Unaudited)</i>	<i>2023</i> <i>(Unaudited)</i>
MAJOR NON-CASH TRANSACTIONS		
Finance charges capitalized in capital work in progress	3,291,129	5,328,222
Amortization of deferred finance charges	279,552	476,518
Discounted interest on lease liabilities	490,844	529,161
Non-cash addition in right to use assets	-	1,393,438
Dividend payable	-	33,333,333
Transfer from employee benefits to trade and other payables	6,603,250	-



Chief Financial Officer



Chief Executive Officer



Chairman of the Board

The accompanying 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

At 30 June 2024 (Unaudited)

(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, industrial paper and tissue 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 was converted to Saudi Joint Stock Company on 14 Rajab 1436H (3 May 2015). The Company’s office is located at Jeddah, P.O. Box 22523, Jeddah 6272, As-Sororyah Distt, 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 June 2024</i>	<i>31 December 2023</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%
Green Recycling Industrial Company (see note a)	Saudi Arabia	Production of cardboards, corrugated paper and other papers	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%

(a) On 4 June 2024 (corresponding to 27 Dhul-Qa’dah 1445H), the Company has established a wholly-owned subsidiary namely Green Recycling Industrial Company (Paper Machine 5), a one-person limited liability company with 100% investment in paid-up share capital to implement the expansion project of cardboard and corrugated paper production in the industrial valley of King Abdullah Economic City, Rabigh, Saudi Arabia. The Company obtained Commercial Registration No. 7039584003 on 27 Dhul-Qa’dah 1445H, (corresponding to 4 June 2024). All the transactions incurred by Green Recycling Industrial Company have been reflected in these consolidated financial statements for the period ended 30 June 2024.

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
At 30 June 2024 (Unaudited)**

(Expressed in Saudi Riyals unless otherwise stated)

2 BASIS OF PREPARATION

2.1 Statement of compliance

The interim condensed consolidated financial statements for the six-month period ended 30 June 2024 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 Board of Directors consider that there are no material uncertainties that may cast 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 2023 (see also note 2.4).

2.2 Basis of measurement

These interim condensed consolidated financial statements are prepared under the historical cost convention, except investment at fair value through profit or loss which are measured at fair value. 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 Material 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 2023. 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 2023, except for accounting policies related to the new standard adopted by the Group effective as of 1 January 2024 (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 2023, except for the adoption of new standards effective as of 1 January 2024. 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 2024, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity’s liabilities, cash flows and exposure to liquidity risk.

The transition rules clarify that an entity is not required to provide the disclosures in any interim periods in the year of initial application of the amendments. Thus, 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)
At 30 June 2024 (Unaudited)**

(Expressed in Saudi Riyals unless otherwise stated)

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

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

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

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

In January 2020 and October 2022, 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

In addition, a requirement has been introduced whereby an entity must disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

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

4 SEGMENT INFORMATION

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

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

Segment results that are reported to the Chairman Board of Directors and top management Chief Executive Officer (CEO) or (the Group 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 revenue and (loss)/profit 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)

At 30 June 2024 (Unaudited)

(Expressed in Saudi Riyals unless otherwise stated)

4 SEGMENT INFORMATION (continued)

The following table presents segment information:

	<i>Manufacturing</i>	<i>Trading</i>	<i>Elimination</i>	<i>Total</i>
<i>Results for the six-month period ended 30 June 2024 (Unaudited)</i>				
Revenues	483,013,140	121,045,966	(105,530,111)	498,528,995
External revenues	483,013,140	15,515,855	-	498,528,995
Segment (loss) / profit before zakat	768,697	(17,416,415)	13,464,373	(3,183,345)
Zakat	11,949,657	116,420	-	12,066,077
Financial costs	14,274,102	1,382,973	(136,869)	15,520,206
Depreciation and amortization	45,850,910	7,400,143	-	53,251,053
<i>Results for the three-month period ended 30 June 2024 (Unaudited)</i>				
Revenues	248,575,968	61,403,041	(54,902,960)	255,076,049
External revenues	248,575,968	6,500,081	-	255,076,049
Segment profit / (loss) before zakat	15,070,650	(10,008,059)	4,331,922	9,394,513
Zakat	5,813,838	116,420	-	5,930,258
Financial costs	6,381,676	819,224	(68,032)	7,132,868
Depreciation and amortization	22,997,762	3,656,542	-	26,654,304
<i>Results for the six-month period ended 30 June 2023 (Unaudited)</i>				
Revenues	405,535,274	122,192,598	(114,412,119)	413,315,753
External revenues	405,535,274	7,780,479	-	413,315,753
Segment (loss) / profit before zakat	(21,182,416)	(18,913,212)	17,047,016	(23,048,612)
Zakat	6,416,933	395,549	-	6,812,482
Financial costs	10,888,428	487,622	-	11,376,050
Depreciation and amortization	42,363,746	7,210,978	-	49,574,724
<i>Results for the three-month period ended 30 June 2023 (Unaudited)</i>				
Revenues	185,815,909	48,457,906	(44,906,958)	189,366,857
External revenues	185,815,909	3,550,948	-	189,366,857
Segment (loss) / profit before zakat	(15,745,570)	(21,561,438)	17,972,994	(19,334,014)
Zakat	3,241,007	185,743	-	3,426,750
Financial costs	5,124,480	242,874	-	5,367,354
Depreciation and amortization	21,731,414	3,558,553	-	25,289,967
<i>As of 30 June 2024 (Unaudited)</i>				
Total assets	2,835,105,428	142,967,877	(376,568,557)	2,601,504,748
Total liabilities	1,003,788,053	133,920,762	(198,686,675)	939,022,140
<i>As of 31 December 2023 (Audited)</i>				
Total assets	2,124,350,590	131,659,820	(325,076,460)	1,930,933,950
Total liabilities	828,453,870	105,390,251	(71,113,581)	862,730,540

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4 SEGMENT INFORMATION (continued)

The revenue from business segments categorised by geographical region is as follows:

30 June 2024	<i>Manufacturing</i>	<i>Trading</i>	<i>Total</i>
Saudi Arabia	380,948,805	15,515,855	396,464,660
Other GCC Countries	37,431,512	-	37,431,512
Other Countries	64,632,823	-	64,632,823
	483,013,140	15,515,855	498,528,995
30 June 2023			
Saudi Arabia	245,455,907	7,780,479	253,236,386
Other GCC Countries	41,202,788	-	41,202,788
Other Countries	118,876,579	-	118,876,579
	405,535,274	7,780,479	413,315,753

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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>
Cost						
At 1 January 2024	137,398,877	257,504,457	1,815,336,089	34,486,184	36,476,485	2,281,202,092
Additions	-	500,005	15,538,002	2,130,999	403,671	18,572,677
Disposals	-	-	(3,306,943)	(251,088)	(145,966)	(3,703,997)
Transfers from capital work-in-progress	-	1,661,428	7,476,298	82,503	-	9,220,229
30 June 2024	137,398,877	259,665,890	1,835,043,446	36,448,598	36,734,190	2,305,291,001
Depreciation						
At 1 January 2024	-	(83,900,434)	(1,033,571,697)	(23,617,657)	(28,330,080)	(1,169,419,868)
Depreciation charge	-	(5,241,838)	(40,205,296)	(2,574,503)	(1,151,141)	(49,172,778)
Disposals	-	-	3,306,927	225,348	145,963	3,678,238
30 June 2024	-	(89,142,272)	(1,070,470,066)	(25,966,812)	(29,335,258)	(1,214,914,408)
Net book value						
At 30 June 2024 (Unaudited)	137,398,877	170,523,618	764,573,380	10,481,786	7,398,932	1,090,376,593

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5 PROPERTY, PLANT AND EQUIPMENT (continued)

	<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>
Cost						
At 1 January 2023	137,398,877	190,135,250	1,554,710,347	34,301,153	36,148,736	1,952,694,363
Additions	-	1,214,029	28,361,855	3,177,082	2,778,904	35,531,870
Transfers from capital work-in-progress	-	67,339,854	235,225,177	169,643	39,000	302,773,674
Disposals	-	(447,754)	(100,658)	(321,257)	(2,477,621)	(3,347,290)
Write off	-	(736,922)	(2,860,632)	(2,840,437)	(12,534)	(6,450,525)
31 December 2023	<u>137,398,877</u>	<u>257,504,457</u>	<u>1,815,336,089</u>	<u>34,486,184</u>	<u>36,476,485</u>	<u>2,281,202,092</u>
Depreciation						
At 1 January 2023	-	(75,621,429)	(954,797,589)	(21,944,441)	(28,531,232)	(1,080,894,691)
Depreciation charge	-	(8,763,811)	(80,182,431)	(4,372,129)	(2,277,367)	(95,595,738)
Disposals	-	52,238	15,638	242,049	2,465,986	2,775,911
Write off	-	432,568	1,392,685	2,456,864	12,533	4,294,650
31 December 2023	<u>-</u>	<u>(83,900,434)</u>	<u>(1,033,571,697)</u>	<u>(23,617,657)</u>	<u>(28,330,080)</u>	<u>(1,169,419,868)</u>
Net book value						
At 31 December 2023 (Audited)	<u>137,398,877</u>	<u>173,604,023</u>	<u>781,764,392</u>	<u>10,868,527</u>	<u>8,146,405</u>	<u>1,111,782,224</u>

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 (refer note 11).

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6 CAPITAL WORK IN PROGRESS

	<i>Tissue mill factory (note a below)</i>	<i>Plant and Machinery (note b below)</i>	<i>Paper Machine-5 (PM5) (note c below)</i>	<i>Total</i>
At 1 January 2023	155,381,163	78,322,472	-	233,703,635
Additions	208,425,254	32,015,664	-	240,440,918
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)
31 December 2023 (Audited)	62,518,995	108,715,334	-	171,234,329
Additions	5,763,046	22,081,505	56,174,316	84,018,867
Transfers to property, plant and equipment (refer note 5)	-	(9,220,229)	-	(9,220,229)
30 June 2024 (Unaudited)	68,282,041	121,576,610	56,174,316	246,032,967

(a) Tissue mill factory

The other project pertains to tissue mill factory amounting to SR 68.2 million as at 30 June 2024 (31 December 2023: SR 62.5 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 substantially completed and ready for use during the year ended 31 December 2023, the other factory buildings are still under completion phase which are expected to be completed during 2024.

(b) Plant and Machinery

Capital work in progress as at 30 June 2024 includes costs incurred related to the ongoing projects for plant and machinery related to MEPCO and WASCO amounting to SR 121.56 million (31 December 2023: SR 108.7 million). The projects related to plant and machinery are expected to be completed during the year ending 31 December 2025. During the period ended 30 June 2024, finance costs amounting to SR 3.3 million were capitalized as part of capital work-in-progress (year ended 31 December 2023: SR 5.9 million). Average capitalization rate used ranges from 5.8%-6.5% (31 December 2023: 5%-5.5%).

(c) Paper Machine-5 (PM5)

Additions during the period ended 30 June 2024 include project related costs of SR 56.2 million relating to newly established subsidiary namely "Green Recycling Industrial Company" i.e. Paper Machine-5 (PM5). The project related to PM-5 is expected to be completed by 30 June 2027.

7 RIGHT-OF-USE ASSETS

The Group has various leases contracts related to employees' accommodation, offices, warehouses buildings which are shown under the category buildings and landfills sites for its subsidiaries 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.

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7 RIGHT-OF-USE ASSETS (continued)

	<i>Leased land</i>	<i>Buildings</i>	<i>Total</i>
Cost			
At 1 January 2023	48,028,022	8,207,099	56,235,121
Additions	3,533,689	2,853,551	6,387,240
Terminations	(3,055,606)	(1,183,604)	(4,239,210)
	<u>48,506,105</u>	<u>9,877,046</u>	<u>58,383,151</u>
31 December 2023	48,506,105	9,877,046	58,383,151
30 June 2024	<u>48,506,105</u>	<u>9,877,046</u>	<u>58,383,151</u>
Depreciation			
At 1 January 2023	(22,014,765)	(5,559,711)	(27,574,476)
Depreciation charge	(5,000,331)	(2,284,214)	(7,284,545)
Terminations	3,055,606	1,183,604	4,239,210
	<u>(23,959,490)</u>	<u>(6,660,321)</u>	<u>(30,619,811)</u>
31 December 2023	(23,959,490)	(6,660,321)	(30,619,811)
Depreciation charge	(2,946,191)	(1,076,637)	(4,022,828)
30 June 2024	<u>(26,905,681)</u>	<u>(7,736,958)</u>	<u>(34,642,639)</u>
Net book value:			
At 30 June 2024 (Unaudited)	<u>21,600,424</u>	<u>2,140,088</u>	<u>23,740,512</u>
At 31 December 2023 (Audited)	<u>24,546,615</u>	<u>3,216,725</u>	<u>27,763,340</u>

8 CAPITAL PROJECT ADVANCES

Capital project advances as at 30 June 2024 and 31 December 2023 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 2024.

9 OTHER ASSETS

	<i>Notes</i>	<i>30 June 2024 (Unaudited)</i>	<i>31 December 2023 (Audited)</i>
Advances to suppliers		31,407,034	45,660,999
Advances to suppliers – related party	(a)	20,050,000	20,050,000
Advance against land	(b)	32,300,000	32,300,000
Costs relating to share capital increase		-	10,000,000
Advances to employees		2,859,142	3,454,663
		<u>86,616,176</u>	111,465,662
Less: Allowance for impairment loss on advances		(697,026)	(697,026)
Other assets		85,919,150	110,768,636
Other assets – non-current portion	(a)	20,000,000	-
Other assets – current portion		65,919,150	110,768,636

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9 OTHER ASSETS (continued)

- (a) In 2021, an advance of SR 20 million was paid by the Group’s subsidiary “Estidama” to Jeddah Development and Urban Regeneration Company (“JEDRIC”) under an arrangement for the procurement of the raw materials (“Agreement”). Subsequent to year ended 31 December 2023, the Group entered into amendment to said agreement whereby the purpose of advances changed to right to receive all recyclable materials from the cleaning contractors contracting with the Municipality for a period of 5 years starting from the date of effectiveness of the contract with cleaning contractors dated 01 July 2024. Accordingly, the advance of SR 20 million has been re-classed to other assets – non-current portion during the period ended 30 June 2024.
- (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. During the period ended 30 June 2024, these procedural aspects for the transfer in the name of the Group are still underway as communicated from the external lawyer.

10 CASH AND CASH EQUIVALENTS

	<i>30 June 2024 (Unaudited)</i>	<i>31 December 2023 (Audited)</i>
Cash in hand	924,965	1,008,539
Cash at bank	40,506,059	39,540,854
Short term deposits	576,269,181	16,000,000
	<u>617,700,205</u>	<u>56,549,393</u>

Short term deposits are placed with a local commercial banks with the original term of up to three month and denominated in SR. Short term deposits yield financial income at prevailing market rates of interest. The cash at bank is held in current accounts and term deposits with banks having sound credit ratings and does not carry any mark-up. The credit risk on these balances is expected to be very minimal. Bank balances and short-term deposits are subject to an insignificant risk of changes in value. The fair value of cash and cash equivalents approximates the carrying value at 30 June 2024 and 31 December 2023.

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11 LONG-TERM BORROWINGS

	<i>30 June 2024 (Unaudited)</i>	<i>31 December 2023 (Audited)</i>
SIDF loans - Principal	173,000,000	144,600,000
Accrued finance charges – SIDF	1,079,425	970,667
Less: Deferred financial charges	(8,875,436)	(7,844,764)
	<hr/>	<hr/>
Saudi Industrial Development Fund (SIDF) (refer note a)	165,203,989	137,725,903
Islamic banking facilities (Tawarruq)	274,312,257	324,580,238
Accrued finance charges – Banks	2,152,705	2,455,275
	<hr/>	<hr/>
Islamic banking facilities (Tawarruq) (refer note b)	276,464,962	327,035,513
	<hr/>	<hr/>
Long-term borrowings	441,668,951	464,761,416
	<hr/> <hr/>	<hr/> <hr/>
Current portion shown under current liabilities		
Borrowings - gross	120,235,961	113,535,962
Accrued finance charges	3,232,130	3,425,942
Less: Deferred financial charges	(2,481,876)	(2,404,990)
	<hr/>	<hr/>
	120,986,215	114,556,914
	<hr/> <hr/>	<hr/> <hr/>
Long term borrowings shown under non-current liabilities		
Borrowings - gross	327,076,298	355,644,276
Less: Deferred financial charges	(6,393,562)	(5,439,774)
	<hr/>	<hr/>
	320,682,736	350,204,502
	<hr/> <hr/>	<hr/> <hr/>
	<i>30 June 2024 (Unaudited)</i>	<i>31 December 2023 (Audited)</i>
Reconciliation of cash movement of borrowings		
Balance at the beginning of period / year	464,761,416	511,155,430
Proceeds from long term borrowings	30,000,000	45,000,000
Repayment of principal instalments	(51,867,984)	(91,963,608)
Movement in accrued financial charges	(193,810)	1,390,203
Movement in deferred financial charges	(1,030,671)	(820,609)
	<hr/>	<hr/>
Balance at the end of period / year	441,668,951	464,761,416
	<hr/> <hr/>	<hr/> <hr/>

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11 LONG-TERM BORROWINGS (continued)

- (a) During 2020, the Group had obtained 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 to SR 150 million to finance the construction of manufacturing facilities. The Group has utilized SR 150 million as of 30 June 2024 (31 December 2023: SR 120 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 period 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 274.3 million as of 30 June 2024 (31 December 2023: SR 324.6 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 most of debt covenants compliance requirements for banks as at 30 June 2024. The Company have received waiver letters as at 30 June 2024 from banks which are valid for next 12 month so management did not change the classification.

All the above long-term loans are denominated in Saudi Riyals as at 30 June 2024 and 31 December 2023.

12 LEASE LIABILITIES

Movement in lease liabilities is summarized as follows:

	<i>30 June 2024 (Unaudited)</i>	<i>31 December 2023 (Audited)</i>
At the beginning of the period / year	24,905,561	29,429,840
Additions	-	6,387,240
Accretion of interest	490,844	1,003,874
Payments	(1,799,103)	(11,915,393)
At the end of the period / year	23,597,302	24,905,561

The scheduled maturities of the lease liabilities are as follows:

As at 30 June 2024	<i>Principal amount</i>	<i>Interest</i>	<i>Net lease liabilities</i>
Current portion	8,001,171	(704,224)	7,296,947
Non-current portion	17,306,406	(1,006,051)	16,300,355
	25,307,577	(1,710,275)	23,597,302

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12 LEASE LIABILITIES (continued)

As at 31 December 2023	<i>Principal amount</i>	<i>Interest</i>	<i>Net lease liabilities</i>
Current portion	9,022,321	(729,505)	8,292,816
Non-current portion	17,860,337	(1,247,592)	16,612,745
	<u>26,882,658</u>	<u>(1,977,097)</u>	<u>24,905,561</u>

13 SHORT-TERM BORROWINGS

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Islamic banking facilities (Tawarruq)	169,365,226	99,999,000
Notes payable	-	7,781,295
Accrued financial charges	2,243,531	2,128,529
	<u>171,608,757</u>	<u>109,908,824</u>

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. All loans are denominated in SR as at 30 June 2024 and 31 December 2023.

The short-term borrowings under Islamic banking facilities bears average interest rate of 7.3% (31 December 2023: 6.0%).

14 ZAKAT

14.1 Components of zakat base

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

14.2 Provision for zakat

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
At the beginning of the period/ year	9,728,580	13,386,571
Provision for the current period / year	12,066,077	9,878,531
Payment	(9,239,167)	(13,536,522)
At the end of the period / year	<u>12,555,490</u>	<u>9,728,580</u>

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14 ZAKAT (continued)

14.3 Status of assessments

Middle East Company for Manufacturing and Producing Paper (“MEPCO”)

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 (“TVDR”) issued its decision in favour of the Company, reducing by SR 6.3 million from the original amount. During 2022, ZATCA raised an appeal to the Tax Violation & Disputes Appeal Committee (“TVDAC”) against the TVDR’s decision. The Company has submitted its reply to memo against ZATCA’s appeal. On 12 December 2023, the TVDAC decision came in favour of the company against ZATCA’s appeal.

There is no open assessment for 2013 by ZATCA and return filed by the Company deemed final assessment. 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, TVDR rejected the Company’s objection in Form, however the Company escalated the case to the Tax Violation & Disputes Appeal Committee (“TVDAC”). On 06 February 2024, TVDAC issued its decision in favour of the Company by accepting the case from the Formal Aspect and returning the case to the TVDR to be re-studied from the Technical/subjective aspect. On 09 July 2024, TVDR issued its decision, accepting the long-term loans while rejecting the short-term loans, thus reducing ZATCA’s claim by SR 18 million. The Company will escalate its case to the TVDAC for the short-term loans, aiming to reduce ZATCA’s claim by another SR 12 million. Based on supporting documents, Management believes that TVDAC decision will be in favor of Company.

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.

During January 2024, ZATCA issued its preliminary assessment for the years 2021 & 2022, claiming additional zakat of SR 26.9 million, mainly due to loans miscalculated by ZATCA, for which the Company has objected. Subsequently, ZATCA accepted the objection and reduced its claim to SR 0.147 million for 2021 and Nil for 2022.

Based on the current progress and the available information, management believes that the level of existing provisions for zakat is sufficient to account for any potential liabilities that may arise at the time of final assessments.

The zakat declarations of the Company till 2023 are filed with the ZATCA and unrestricted zakat certificates have been obtained till 30 April 2025.

Waste Collection and Recycling Company Limited (“WASCO”)

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 TVDR. On 18 September 2022, the TVDR issued their decision in favour of ZATCA. Accordingly, subsequently on 18 October 2022, the Company raised an appeal against TVDR’s decision. During 2023, the Appeal Committee has issued its decision in favour of ZATCA, however according to Article 49 of the Work Rules of Tax Committees, the Company has submitted a Reconsideration Request to the TVDAC which is currently under review by TVDAC. The zakat declarations of WASCO till 2023 are currently under review by ZATCA and unrestricted zakat certificates have been obtained till 30 April 2025.

Juthor Paper Manufacturing Company (“Juthor”) & Estidama Environmental Services Company LLC (“Estidama”)

Both companies filed their zakat declaration till 2023 and unrestricted zakat certificates have been obtained till 30 April 2025.

15 RESERVE FOR EMPLOYEES’ SHARE-BASED PAYMENTS

During 2022, the Company had recorded a share-based payments of the 300,000 equity shares which were granted to Group President or Chief Executive Officer (CEO) with service for 5 years. The exercise price of the shares was equal to the market price of the underlying shares on the date of exercise which was 31 December 2023. All the vesting conditions mentioned for the Group President were met. During the period ended 31 March 2024, the Board had approved a cash settlement option by paying SR 10.5 million based on the settlement agreement and release of claims dated 13 March 2024. Accordingly, the reserve for employees’ share-based payments is transferred to trade and other payables in period ended 31 March 2024. Subsequent to the period ended 31 March 2024, the cash settlement has been made for the full amount of SR 10.5 million.

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15 RESERVE FOR EMPLOYEES' SHARE-BASED PAYMENTS (continued)

A new employment agreement related to Group President or Chief Executive Officer (CEO) was started from 1 January 2024 in which the Company has granted another share-based option of the 300,000 equity shares to Group President with service for 5 years starting from 1 January 2024 and ending on 31 December 2028 subject to market based and non-market based performance conditions. The Group President has resigned from the Company effective from 12 June 2024 and appointed as advisor to Board. An independent consultant has determined the final settlement of the former Group President to be SR 7.8 million which is reviewed by Nomination and Remuneration Committee of the Board and approved by Board of Directors. The settlement includes end of service benefits, vacations benefits etc which is presented part of the trade and other payables balances in the interim condensed consolidated financial statements as at 30 June 2024.

16 SHARE CAPITAL AND SHARE PREMIUM

In accordance with the share subscription agreement signed between MEPCO and Public Investment Fund (PIF) dated 31 July 2023, MEPCO increased 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") after approval of MEPCO's extra-ordinary general assembly on 28 December 2023. During the period ended 30 June 2024, PIF has paid to MEPCO a subscription amount of SR 31.50 per new share being a total subscription amount of SR 629,999,969. The transaction charges of SR 10 million are deducted upfront from the subscription proceeds and the Company received net amount of SR 619,999,969. After the full subscription of new shares by PIF, its ownership in MEPCO's share capital becomes 23.08% after the capital increased. Management has updated its commercial registration on 07 February 2024.

17 OTHER OPERATING INCOME – NET

	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Foreign currency exchange (loss)/gain	(210,923)	1,775,907	(380,743)	3,601,240
Gain on disposal of property, plant and equipment	5,216	126,327	167,632	126,327
Insurance claim recovery	519,464	-	519,464	1,795,102
Other services	709,377	943,161	734,608	1,964,173
Others, net	530,512	273,588	590,512	334,278
	1,553,646	3,118,983	1,631,473	7,821,120

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18 EARNINGS / (LOSS) PER SHARE

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

	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net (loss)/profit attributable to equity holders of the Parent Company	4,038,532	(20,165,709)	(14,321,635)	(26,723,394)
Weighted average number of shares	86,666,666	66,666,666	86,335,174	66,666,666
Basic and diluted earnings / (loss) per share (SR per share)	0.05	(0.30)	(0.17)	(0.40)

19 FAIR VALUE OF ASSETS AND LIABILITIES

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

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

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

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

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

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.

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19 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

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

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Level 2		
Investment at fair value through profit or loss	5,633	5,633

During the six-month period ended 30 June 2024 and year ended 31 December 2023, there were no movements between the levels.

20 CONTINGENCIES AND COMMITMENTS

- (a) At 30 June 2024, the Group had outstanding letters of credit of SR 58 million (31 December 2023: SR 28 million) and letters of guarantee of SR 1.4 million (31 December 2023: SR 1 million) that were issued in the normal course of the business.
- (b) The capital expenditure contracted by the Group but not incurred till 30 June 2024 was approximately SR 29.3 million (31 December 2023: SR 32.7 million).

21 RELATED PARTY TRANSACTIONS AND BALANCES

21.1 Key management compensation

Compensation for key management is as follows:

	Three-month period ended		Six-month period ended	
	30 June 2024 (Unaudited)	30 June 2023 (Unaudited)	30 June 2024 (Unaudited)	30 June 2023 (Unaudited)
Short-term benefits	3,624,010	4,735,985	7,377,457	8,128,989
Post-employment benefits	(554,062)	71,766	111,375	115,979
Termination benefits	195,364	229,226	396,250	395,376
	3,265,312	5,036,977	7,885,082	8,640,344

Compensation to key management personnel includes salaries, contributions to post-employment defined benefit plan and employees' share-based payments (refer note 15).

21.2 Related party transaction

Significant transaction with related party in the ordinary course of business included in the interim condensed consolidated financial statements is summarized below:

Related party	Description of transaction	Relationship	Three-month period ended		Six-month period ended	
			30 June 2024 (Unaudited)	30 June 2023 (Unaudited)	30 June 2024 (Unaudited)	30 June 2023 (Unaudited)
Directors	Directors' remuneration	Directors	1,211,585	1,270,156	2,709,997	2,843,341

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21 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

21.3 Related parties balances

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

	<i>30 June 2024 (Unaudited)</i>	<i>31 December 2023 (Audited)</i>
Jeddah Development and Urban Regeneration Company – (refer note 9(a))	50,000	20,050,000
Advances to key management personnel	247,917	210,000
Accrued directors' remuneration	1,705,065	-

22 AUTHORISATION OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were authorised for issue by the Company's Board of Directors on 05 Safar 1446H (corresponding to August 9 August 2024G).