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 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 NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2024

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EY
Building a better working world

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Middle East Company for Manufacturing and Producing ("the Company") and its subsidiaries (collectively referred to as "the Group") as at 30 September 2024, 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 2024, and the related interim condensed consolidated statements of changes in equity and cash flows for the nine-month period then ended, and explanatory notes. Management is 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 condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as endorsed in the Kingdom of Saudi Arabia. A review of interim financial statement 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 as endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young Professional Services

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شركة ارنست ويونغ للخدمات المهنية
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Ernst & Young Professional Services
(Professional LLC)

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Jeddah: 10 Jumada al-Ula 1446H
12 November 2024G

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2024

(Expressed in Saudi Riyals unless otherwise stated)

	Notes	*30 September 2024 (Unaudited)*	*31 December 2023 (Audited)*
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	**1,236,086,500**	1,111,782,224
Capital work in progress	6	**16,837,517**	171,234,329
Right-of-use assets	7	**21,692,642**	27,763,340
Intangible assets		**959,695**	324,848
Other assets – non-current portion	9 (a)	**20,000,000**	-
TOTAL NON-CURRENT ASSETS		**1,295,576,354**	1,311,104,741
CURRENT ASSETS			
Inventories		**232,703,273**	175,697,378
Trade receivables		**323,381,196**	266,336,680
Prepayments and other receivables		**17,148,428**	8,189,154
Capital project advances	8	**-**	2,282,335
Other assets –current portion	9	**111,510,848**	110,768,636
Financial asset at fair value through profit or loss		**5,633**	5,633
Cash and cash equivalents	10	**632,785,849**	56,549,393
TOTAL CURRENT ASSETS		**1,317,535,227**	619,829,209
TOTAL ASSETS		**2,613,111,581**	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		**230,374,326**	261,845,302
Equity attributable to equity holders of parent		**1,652,319,807**	1,074,290,814
Non-controlling interests		**(7,025,796)**	(6,087,404)
TOTAL EQUITY		**1,645,294,011**	1,068,203,410
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term borrowings	11	**282,780,289**	350,204,502
Lease liabilities – non-current portion	12	**11,540,281**	16,612,745
Employee benefits		**42,990,669**	48,808,117
TOTAL NON-CURRENT LIABILITIES		**337,311,239**	415,625,364
CURRENT LIABILITIES			
Lease liabilities – current portion	12	**10,985,201**	8,292,816
Long-term borrowings – current portion	11	**128,738,986**	114,556,914
Short-term borrowings	13	**250,306,609**	109,908,824
Trade and other payables		**221,645,086**	189,202,705
Other current liabilities		**6,113,290**	15,415,337
Zakat payable	14	**12,717,159**	9,728,580
TOTAL CURRENT LIABILITIES		**630,506,331**	447,105,176
TOTAL LIABILITIES		**967,817,570**	862,730,540
TOTAL EQUITY AND LIABILITIES		**2,613,111,581**	1,930,933,950

amrou Masri (Nov 9, 2024 15:14 GMT+4)

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.

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

For the three-month and nine-month periods ended 30 September 2024

(Expressed in Saudi Riyals unless otherwise stated)

		Three-month period ended 30 September		*Nine-month period ended 30 September*	
	Notes	***2024***	*2023*	***2024***	*2023*
Revenue	4	**276,894,804**	229,181,479	**775,423,799**	642,497,232
Cost of revenue		**(227,113,905)**	(205,291,456)	**(638,858,646)**	(560,443,113)
GROSS PROFIT		**49,780,899**	23,890,023	**136,565,153**	82,054,119
Selling and distribution expenses		**(18,075,577)**	(16,148,619)	**(48,409,779)**	(45,277,409)
General and administrative expenses		**(30,107,501)**	(22,239,974)	**(87,752,815)**	(71,005,177)
Reversal/(Impairment) of losses on financial assets		**171,408**	688,570	**(3,791,580)**	924,785
Write-off for property, plant and equipment	5	**(16,255,573)**	-	**(16,255,573)**	-
Write-off for capital work in progress	6	**(1,860,000)**	-	**(1,860,000)**	-
Other operating income, net	17	**1,931,989**	3,388,775	**3,563,462**	11,209,895
OPERATING LOSS		**(14,414,355)**	(10,421,225)	**(17,941,132)**	(22,093,787)
Finance costs		**(10,174,872)**	(9,223,785)	**(25,695,078)**	(20,599,835)
Finance income		**6,370,608**	-	**22,234,246**	-
LOSS BEFORE ZAKAT		**(18,218,619)**	(19,645,010)	**(21,401,964)**	(42,693,622)
Zakat expense	14.2	**(308,897)**	(646,371)	**(12,374,974)**	(7,458,853)
LOSS FOR THE PERIOD		**(18,527,516)**	(20,291,381)	**(33,776,938)**	(50,152,475)
Attributable to:					
Equity holders of the parent		**(18,500,641)**	(17,846,566)	**(32,822,276)**	(44,569,960)
Non-controlling interests		**(26,875)**	(2,444,815)	**(954,662)**	(5,582,515)
		(18,527,516)	(20,291,381)	**(33,776,938)**	(50,152,475)
OTHER COMPREHENSIVE INCOME					
Items not to be reclassified to statement of profit or loss in subsequent periods:					
Actuarial gain on re-measurement of employee benefit obligations		**1,338,919**	-	**1,367,570**	3,779,773
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(17,188,597)**	(20,291,381)	**(32,409,368)**	(46,372,702)
Attributable to:					
Equity holders of the parent		**(17,177,970)**	(17,846,566)	**(31,470,976)**	(40,816,031)
Non-controlling interests		**(10,627)**	(2,444,815)	**(938,392)**	(5,556,671)
		(17,188,597)	(20,291,381)	**(32,409,368)**	(46,372,702)
LOSS PER SHARE:					
Loss per share attributable to ordinary equity holders of the Parent (SR)					
- Basic and diluted	18	**(0.21)**	(0.27)	**(0.38)**	(0.67)

amrou Masri (Nov 9, 2024 15:14 GMT+4)

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 CHANGES IN EQUITY
For the nine-month period ended 30 September 2024
(Expressed in Saudi Riyals unless otherwise stated)

	Attributable to equity holders of the Parent							
	Share capital	*Share premium*	*Statutory reserve*	*Reserve for employees' share-based payments*	*Retained earnings*	*Total*	*Non-controlling interests*	*Total equity*
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	-	-	-	-	(33,333,333)	(33,333,333)	-	(33,333,333)
Share-based payments (note 15)	-	-	-	1,402,500	-	1,402,500	-	1,402,500
At 30 September 2023 (Unaudited)	666,666,660	-	135,278,852	9,262,500	297,093,405	1,108,301,417	(4,318,830)	1,103,982,587
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	-	-	-	-	**(32,822,276)**	**(32,822,276)**	**(954,662)**	**(33,776,938)**
Other comprehensive income for the period	-	-	-	-	**1,351,300**	**1,351,300**	**16,270**	**1,367,570**
Total comprehensive loss for the period	-	-	-	-	**(31,470,976)**	**(31,470,976)**	**(938,392)**	**(32,409,368)**
Issue of share capital (notes 16)	**199,999,990**	**429,999,979**	-	-	-	**629,999,969**	-	**629,999,969**
Transaction costs related to issue of share capital (note 16)	-	**(10,000,000)**	-	-	-	**(10,000,000)**	-	**(10,000,000)**
Settlement of share-based payments (note 15)	-	-	-	**(10,500,000)**	-	**(10,500,000)**	-	**(10,500,000)**
At 30 September 2024 (Unaudited)	**866,666,650**	**419,999,979**	**135,278,852**	-	**230,374,326**	**1,652,319,807**	**(7,025,796)**	**1,645,294,011**

amrou Masri (Nov 9, 2024 15:14 GMT+4)

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 nine-month period ended 30 September 2024

(Expressed in Saudi Riyals unless otherwise stated)

	Note	***2024 (Unaudited)***	*2023 (Unaudited)*
OPERATING ACTIVITIES			
Loss before zakat		**(21,401,964)**	(42,693,622)
Adjustments to reconcile loss before zakat to net cash flows:			
Depreciation and amortization		**82,540,830**	76,376,017
(Loss)/gain on property, plant and equipment disposal and write-off	17	**(167,632)**	(119,349)
Charge/(reversal) of allowance for impairment of trade receivables		**3,791,580**	(924,785)
Charge of allowance for slow moving inventories		**2,450,296**	2,574,891
Provision against advances to suppliers and employees		**-**	208,582
Write-off for property, plant and equipment and capital work in progress	5&6	**18,159,254**	-
Employee benefits provision		**6,449,059**	5,743,056
Employees share-based payments expense		**-**	1,402,500
Finance costs		**25,695,078**	20,599,835
Finance income		**(22,234,246)**	-
		95,282,255	63,167,125
Working capital changes:			
(Increase) / decrease in inventories		**(59,456,191)**	22,357,390
(Increase) / decrease in trade receivables		**(60,836,096)**	58,054,615
Increase in prepayments and other receivables		**(15,792,633)**	(3,526,559)
(Increase) / decrease in other current assets		**(20,742,212)**	4,265,460
Decrease in capital project advances		**2,282,335**	45,503,972
Increase in trade and other payables		**25,956,071**	37,261,567
(Decrease) / increase in other current liabilities		**(9,302,047)**	4,899,788
Cash (used in) / generated from operations		**(42,608,518)**	231,983,358
Finance costs paid		**(27,473,198)**	(24,242,017)
Finance income received		**19,067,605**	-
Zakat paid	14.2	**(9,386,395)**	(13,536,521)
Employee benefits paid		**(4,295,689)**	(2,319,258)
Employees' share-based payments	15	**(10,500,000)**	-
Net cash flows (used in) / from operating activities		**(75,196,195)**	191,885,562
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	**(27,930,649)**	(16,683,787)
Purchase of intangible assets		**(750,968)**	-
Additions to capital work in progress		**(34,772,149)**	(208,041,580)
Proceeds from disposal of property, plant and equipment		**167,647**	126,362
Net cash flows used in investing activities		**(63,286,119)**	(224,599,005)
FINANCING ACTIVITIES			
Proceeds from issue of shares	16	**629,999,969**	-
Net change in short-term borrowings		**140,397,785**	58,132,222
Proceeds from long-term borrowings	11	**30,000,000**	45,000,000
Repayments of long-term borrowings	11	**(83,359,079)**	(66,829,616)
Payment of principal portion of lease liabilities		**(2,319,905)**	(5,762,895)
Dividend paid to equity holders of the parent		**-**	(33,333,333)
Net cash flows from / (used in) financing activities		**714,718,770**	(2,793,622)
Net increase / (decrease) in cash and cash equivalents		**576,236,456**	(35,507,065)
Cash and cash equivalents at the beginning of the period		**56,549,393**	145,246,081
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**632,785,849**	109,739,016

amrou Masri (Nov 9, 2024 15:14 GMT+4)

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.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the nine-month period ended 30 September 2024
(Expressed in Saudi Riyals unless otherwise stated)

	2024 (Unaudited)	*2023 (Unaudited)*
MAJOR NON-CASH TRANSACTIONS		
Finance charges capitalized in capital work in progress	**1,778,120**	5,328,222
Amortization of deferred finance charges	**116,940**	476,518
Non-cash addition in right to use assets	**92,389**	1,393,438
Lease modification	**(152,563)**	-
Deferred finance income	**3,166,641**	-
Dividend payable	**-**	33,333,333
Transfer from employee benefits to trade and other payables	**6,603,250**	-
Transfers to property, plant and equipment	**189,087,081**	-
Transaction costs related to issue of share capital (note 16)	**10,000,000**	-

amrou Masri (Nov 9, 2024 15:14 GMT+4)

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.

(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"):

Subsidiary name	*Country of incorporation*	*Principal business activity*	***30 September 2024*** *Effective ownership interest*	*31 December 2023*
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 Duh Al-Qi'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. This subsidiary obtained Commercial Registration No. 7039584003 on 27 Duh Al-Qi'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 September 2024.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The interim condensed consolidated financial statements for the nine-month period ended 30 September 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 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 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.

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, which 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). The Group has not early adopted any standard, interpretation or amendment that have been issued but 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.

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.

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.

(Expressed in Saudi Riyals unless otherwise stated)

4 SEGMENT INFORMATION (continued)

The following table presents segment information:

	Manufacturing	*Trading*	*Elimination*	*Total*
Results for the nine-month period ended 30 September 2024 (Unaudited)				
Revenues	**749,395,235**	**205,471,468**	**(179,442,904)**	**775,423,799**
External revenues	**749,395,235**	**26,028,564**	**-**	**775,423,799**
Segment loss before zakat	**(12,065,533)**	**(20,813,483)**	**11,477,052**	**(21,401,964)**
Zakat	**12,087,573**	**287,401**	**-**	**12,374,974**
Financial costs	**23,527,458**	**2,372,450**	**(204,830)**	**25,695,078**
Depreciation and amortization	**72,025,935**	**10,514,895**	**-**	**82,540,830**
Write-off for plant and equipment / CWIP	**15,601,275**	**2,514,298**	**-**	**18,115,573**
Results for the three-month period ended 30 September 2024 (Unaudited)				
Revenues	**266,382,095**	**84,425,502**	**(73,912,793)**	**276,894,804**
External revenues	**266,382,095**	**10,512,709**	**-**	**276,894,804**
Segment loss before zakat	**(12,834,230)**	**(3,397,068)**	**(1,987,321)**	**(18,218,619)**
Zakat	**137,916**	**170,981**	**-**	**308,897**
Financial costs	**9,253,356**	**989,477**	**(67,961)**	**10,174,872**
Depreciation and amortization	**26,175,025**	**3,114,753**	**-**	**29,289,778**
Write-off for plant and equipment / CWIP	**15,601,275**	**2,514,298**	**-**	**18,115,573**
Results for the nine-month period ended 30 September 2023 (Unaudited)				
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
Results for the three-month period ended 30 September 2023 (Unaudited)				
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
As of 30 September 2024 (Unaudited)				
Total assets	**2,861,791,599**	**300,560,473**	**(549,240,491)**	**2,613,111,581**
Total liabilities	**1,042,133,684**	**136,330,654**	**(210,646,768)**	**967,817,570**
As of 31 December 2023 (Audited)				
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

(Expressed in Saudi Riyals unless otherwise stated)

4 SEGMENT INFORMATION (continued)

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

30 September 2024	***Manufacturing***	***Trading***	***Total***
Saudi Arabia	**558,580,983**	**26,028,564**	**584,609,547**
Other GCC Countries	**62,842,665**	**-**	**62,842,665**
Other Countries	**127,971,587**	**-**	**127,971,587**
	749,395,235	**26,028,564**	**775,423,799**
30 September 2023			
Saudi Arabia	401,663,506	12,571,742	414,235,248
Other GCC Countries	53,062,510	-	53,062,510
Other Countries	175,199,474	-	175,199,474
	629,925,490	12,571,742	642,497,232

(Expressed in Saudi Riyals unless otherwise stated)

5 PROPERTY, PLANT AND EQUIPMENT

	Land	*Buildings and mobile cabinets*	*Machinery and equipment*	*Furniture and office equipment*	*Motor vehicles*	*Total*
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	-	905,213	23,652,404	2,495,578	877,454	**27,930,649**
Transfers from capital work-in-progress	-	34,443,026	154,280,356	363,699	-	**189,087,081**
Disposals	-	-	(3,306,941)	-	(145,965)	**(3,452,906)**
Write-off *	-	(4,985,886)	(106,428,226)	(9,239,534)	(2,497,340)	**(123,150,986)**
30 September 2024	**137,398,877**	**287,866,810**	**1,883,533,682**	**28,105,927**	**34,710,634**	**2,371,615,930**
Depreciation						
At 1 January 2024	-	(83,900,434)	(1,033,571,697)	(23,617,657)	(28,330,080)	**(1,169,419,868)**
Depreciation charge	-	(8,412,971)	(61,800,934)	(4,479,122)	(1,721,158)	**(76,414,185)**
Disposals	-	-	3,306,928	-	145,963	**3,452,891**
Write-off	-	3,105,946	92,462,352	8,829,767	2,453,667	**106,851,732**
30 September 2024	**-**	**(89,207,459)**	**(999,603,351)**	**(19,267,012)**	**(27,451,608)**	**(1,135,529,430)**
Net book value						
At 30 September 2024 (Unaudited)	**137,398,877**	**198,659,351**	**883,930,331**	**8,838,915**	**7,259,026**	**1,236,086,500**

* During the period ended 30 September 2024 the Group conducted full property, plant and equipment tagging and verification which completed subsequent to Period ended 30 September 2024 which results on identify certain assets amounting to SR 16.3 million to be written-off either due to scrapped items disposed, damage, or not in working condition "obsolete" which were all due to wear and tears and normal maintenance requirements, since the exercise for property, plant and equipment assets exist at the period end date Therefore its treated as a adjusting subsequent events.

(Expressed in Saudi Riyals unless otherwise stated)

5 PROPERTY, PLANT AND EQUIPMENT (continued)

	Land	*Buildings and mobile cabinets*	*Machinery and equipment*	*Furniture and office equipment*	*Motor vehicles*	*Total*
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	137,398,877	257,504,457	1,815,336,089	34,486,184	36,476,485	2,281,202,092
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	-	(83,900,434)	(1,033,571,697)	(23,617,657)	(28,330,080)	(1,169,419,868)
Net book value						
At 31 December 2023 (Audited)	137,398,877	173,604,023	781,764,392	10,868,527	8,146,405	1,111,782,224

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).

(Expressed in Saudi Riyals unless otherwise stated)

6 CAPITAL WORK IN PROGRESS

	Tissue mill factory (note a below)	*Plant and Machinery (note b below)*	*Paper Machine-5 (PM5) (note c below)*	*Total*
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	**11,623,951**	**19,496,220**	**5,430,098**	**36,550,269**
Transfers to property, plant and equipment (refer note 5)	**(73,861,751)**	**(115,225,330)**	**-**	**(189,087,081)**
Write off during the period	**-**	**(1,860,000)**	**-**	**(1,860,000)**
30 September 2024 (Unaudited)	**281,195**	**11,126,224**	**5,430,098**	**16,837,517**

(a) Tissue mill factory

The project of the tissue mill factory amounting to SR 281 thousand as at 30 September 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. During the year, the tissue mill factory, and all related facilities have been substantially completed and commenced its production.

(b) Plant and Machinery

Capital work in progress as at 30 September 2024 includes costs incurred related to the ongoing projects for plant and machinery related to MEPCO and WASCO amounting to SR 11 million (31 December 2023: SR 108.7 million). During the period, certain projects related to improvements and enhancements of the existing product lines amounted of 115 million have been fully completed and started in its intended use. The remaining projects related to plant and machinery are expected to be fully completed during the year ending 31 December 2025. During the period ended 30 September 2024, finance costs amounting to SR 1.7 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%). Furthermore, the amount of SR 1.8 million written-off during the period, in addition to amount of SR 2 million related to the same project charged directly to statement of profit or loss within general and administrative expenses.

(c) Paper Machine-5 (PM5)

Additions during the period ended 30 September 2024 include project related costs of SR 5.4 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.

(Expressed in Saudi Riyals unless otherwise stated)

7 RIGHT-OF-USE ASSETS (continued)

	Leased land	*Buildings*	*Total*
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)
31 December 2023	48,506,105	9,877,046	58,383,151
Additions	-	92,389	92,389
Remeasurement	-	(152,563)	(152,563)
30 September 2024	**48,506,105**	**9,816,872**	**58,322,977**
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
31 December 2023	(23,959,490)	(6,660,321)	(30,619,811)
Depreciation charge	**(4,419,228)**	**(1,591,296)**	**(6,010,524)**
30 September 2024	**(28,378,718)**	**(8,251,617)**	**(36,630,335)**
Net book value:			
At 30 September 2024 (Unaudited)	**20,127,387**	**1,565,256**	**21,692,642**
At 31 December 2023 (Audited)	24,546,615	3,216,725	27,763,340

8 CAPITAL PROJECT ADVANCES

Capital project advances as at 31 December 2023 included 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. During the period, the materials and the services related to the projects have been rendered.

9 OTHER ASSETS

	Notes	*30 September 2024 (Unaudited)*	*31 December 2023 (Audited)*
Advances to suppliers		**77,394,753**	45,660,999
Advances to suppliers – related party	(a)	**20,000,000**	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		**2,513,121**	3,454,663
		132,207,874	111,465,662
Less: Allowance for impairment loss on advances		**(697,026)**	(697,026)
Other assets		**131,510,848**	110,768,636
Other assets – non-current portion	(a)	**20,000,000**	-
Other assets – current portion		**111,510,848**	110,768,636

(Expressed in Saudi Riyals unless otherwise stated)

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, in 24 March 2024 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. As of the date of this report the arrangement with JEDRIC didn't start and as per management assessment expected to start in January 2025. Accordingly, the advance of SR 20 million has been re-classed to other assets – non-current portion during the period ended 30 September 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 September 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

	30 September 2024 (Unaudited)	*31 December 2023 (Audited)*
Cash in hand	**1,563,221**	1,008,539
Cash at bank	**46,628,976**	39,540,854
Short term deposits	**584,593,652**	16,000,000
	632,785,849	56,549,393

Short term deposits are placed with a local commercial banks with the original term of maturities up to three month and denominated in SR. Short term deposits yield financial income at prevailing market rates of interest. During the period the Group earned SR 22 million on short term deposits at the rate of return ranging between 4.80% to 6.15%.

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 September 2024 and 31 December 2023.

(Expressed in Saudi Riyals unless otherwise stated)

11 LONG-TERM BORROWINGS

	30 September 2024 (Unaudited)	*31 December 2023 (Audited)*
Saudi Industrial Development Fund (SIDF)loans - Principal	**166,600,000**	144,600,000
Accrued finance charges	**1,981,666**	970,667
Less: Deferred financial charges	**(8,197,607)**	(7,844,764)
SIDF loans (refer note a)	**160,384,059**	137,725,903
Islamic banking facilities (Tawarruq)	**249,221,162**	324,580,238
Accrued finance charges – Banks	**1,914,054**	2,455,275
Islamic banking facilities (Tawarruq) (refer note b)	**251,135,216**	327,035,513
Long-term borrowings	**411,519,275**	464,761,416
Current portion shown under current liabilities		
Borrowings - gross	**127,178,857**	113,535,962
Accrued finance charges	**3,895,718**	3,425,942
Less: Deferred financial charges	**(2,335,589)**	(2,404,990)
	128,738,986	114,556,914
Long term borrowings shown under non-current liabilities		
Borrowings - gross	**288,642,308**	355,644,276
Less: Deferred financial charges	**(5,862,019)**	(5,439,774)
	282,780,289	350,204,502

Reconciliation of cash movement of borrowings	*30 September 2024 (Unaudited)*	*31 December 2023 (Audited)*
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	**(83,359,079)**	(91,963,608)
Movement in accrued financial charges	**469,782**	1,390,203
Movement in deferred financial charges	**(352,844)**	(820,609)
Balance at the end of period / year	**411,519,275**	464,761,416

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 September 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 249.2 million as of 30 September 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 all of debt covenants compliance requirements for banks as at 30 September 2024.

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

12 LEASE LIABILITIES

Movement in lease liabilities is summarized as follows:

	30 September 2024 (Unaudited)	*31 December 2023 (Audited)*
At the beginning of the period / year	**24,905,561**	29,429,840
Additions	**92,389**	6,387,240
Accretion of interest	**730,308**	1,003,874
Payments	**(3,050,213)**	(11,915,393)
Termination	**(152,563)**	-
At the end of the period / year	**22,525,482**	24,905,561

The scheduled maturities of the lease liabilities are as follows:

As at 30 September 2024	***Principal amount***	***Interest***	***Net lease liabilities***
Current portion	**11,624,182**	**(638,981)**	**10,985,201**
Non-current portion	**12,335,043**	**(794,762)**	**11,540,281**
	23,959,225	**(1,433,743)**	**22,525,482**

(Expressed in Saudi Riyals unless otherwise stated)

12 LEASE LIABILITIES (continued)

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

13 SHORT-TERM BORROWINGS

	30 September 2024 (Unaudited)	*31 December 2023 (Audited)*
Islamic banking facilities (Tawarruq)	**238,150,045**	99,999,000
Notes payable	**-**	7,781,295
Accrued financial charges	**2,794,695**	2,128,529
Bank overdraft	**9,361,869**	-
	250,306,609	109,908,824

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 September 2024 and 31 December 2023.

The short-term borrowings under Islamic banking facilities bears average interest rate of 6.9% (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 September 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	**12,374,974**	9,878,531
Payment	**(9,386,395)**	(13,536,522)
At the end of the period / year	**12,717,159**	9,728,580

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.

Years 2008 to 2014:
The zakat assessments of the Parent ("MEPCO") are finalized for those years.

Years 2015 to 2018:
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, TVDRC 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 favor of the Company by accepting the case from the Formal Aspect and returning the case to the TVDRC to be re-studied from the Technical/subjective aspect. On 09 July 2024, TVDRC 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.

Years 2019 to 2022:
The zakat assessments of the Parent ("MEPCO") are finalized for those years.

Year 2023
During the period, ZATCA sent quires related to the year 2023, for which the Parent Company have replied. The Parent Company filed its Zakat returns till 2023 and obtained the certificate valid 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 TVDRC. On 18 September 2022, the TVDRC issued their decision in favor of ZATCA. Accordingly, subsequently on 18 October 2022, the Company raised an appeal against TVDRC's decision. During 2023, the Appeal Committee has issued its decision in favor 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.

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 September 2024. Subsequent to period end date, this amount has been fully paid.

(Expressed in Saudi Riyals unless otherwise stated)

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 September 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.

16.1 STATUTORY RESERVE

In accordance with the previous Company's By-laws, the Group used to be required to maintain a statutory reserve equal to a maximum of 30% of its share capital. According to the latest update in the companies' law in KSA, the mandatory statutory reserve requirement had been abolished. On 15 Jumada Al-Alkhirah1445H (corresponding to 28 December 2023), the Company's General Assembly approved amending the Company's bylaws to comply with the new Companies' Law, to remove the article of the bylaws related to Company's statutory reserve. Based on that, the Board of Directors recommended to the general assembly to approve the transfer of the entire statutory reserve to retained earnings which amounted of SR 135,278,852 as at December 2023. The Group's Assembly General Meeting didn't issue any resolution to transfer such outstanding statutory reserve up to date.

17 OTHER OPERATING INCOME – NET

	Three-month period ended		***Nine-month period ended***	
	30 September 2024 (Unaudited)	*30 September 2023 (Unaudited)*	***30 September 2024 (Unaudited)***	*30 September 2023 (Unaudited)*
Foreign currency exchange (loss)/gain	**(600,819)**	(380,498)	**(981,562)**	3,220,742
Gain/(loss) on disposal of property, plant and equipment	**-**	(6,978)	**167,632**	119,349
Insurance claim recovery	**3,012,960**	-	**3,532,424**	1,795,102
Other services	**(840,167)**	1,608,831	**(105,559)**	3,573,004
Others, net	**360,015**	2,167,420	**950,527**	2,501,698
	1,931,989	3,388,775	**3,563,462**	11,209,895

18 LOSS PER SHARE

The Group presents basic and diluted 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.

	Three-month period ended		***Nine-month period ended***	
	30 September 2024 (Unaudited)	*30 September 2023 (Unaudited)*	***30 September 2024 (Unaudited)***	*30 September 2023 (Unaudited)*
Loss attributable to equity holders of the Parent Company	**(18,500,641)**	(17,846,566)	**(32,822,276)**	(44,569,960)
Weighted average number of shares	**86,666,666**	66,666,666	**86,446,886**	66,666,666
Basic and diluted loss per share (SR per share)	**(0.21)**	(0.27)	**(0.38)**	(0.67)

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.

(Expressed in Saudi Riyals unless otherwise stated)

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

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

20 CONTINGENCIES AND COMMITMENTS

(a) At 30 September 2024, the Group had outstanding letters of credit of SR 41 million (31 December 2023: SR 28 million) and letters of guarantee of SR 1 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 September 2024 was approximately SR 9.6 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		***Nine-month period ended***	
	30 September 2024 (Unaudited)	*30 September 2023 (Unaudited)*	***30 September 2024 (Unaudited)***	*30 September 2023 (Unaudited)*
Short-term benefits	**3,111,019**	4,300,868	**10,488,476**	12,429,857
Post-employment benefits	**83,847**	67,416	**195,222**	183,395
Termination benefits	**119,851**	206,878	**516,101**	602,254
	3,314,717	4,575,162	**11,199,799**	13,215,506

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:

			Three-month period ended		***Nine-month period ended***	
Related party	***Description of transaction***	***Relationship***	***30 September 2024 (Unaudited)***	*30 September 2023 (Unaudited)*	***30 September 2024 (Unaudited)***	*30 September 2023 (Unaudited)*
Directors	Directors' remuneration	Directors	**1,514,996**	1,293,387	**4,224,993**	4,136,728

(Expressed in Saudi Riyals unless otherwise stated)

21 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

21.3 Related parties balances

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

	30 September 2024 (Unaudited)	*31 December 2023 (Audited)*
Jeddah Development and Urban Regeneration Company – (refer note 9(a))	**-**	20,050,000
Advances to key management personnel	**212,500**	210,000
Accrued directors' remuneration	**1,807,068**	-

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 08 Jumada al-Ula 1446H (corresponding to 10 November 2024G).