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

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2024

MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

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Building a better working world

Ernst & Young Professional Services (Professional LLC)
Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)
King's Road Tower, 13th Floor
King Abdul Aziz Road (Malek Road)
P.O. Box 1994
Jeddah 21441
Kingdom of Saudi Arabia
Head Office – Riyadh

C.R. No. 4030276644

Tel: +966 12 221 8400
Fax: +966 12 664 4408

ey.ksa@sa.ey.com
ey.com

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER (A SAUDI JOINT STOCK COMPANY)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Middle East Company for Manufacturing and Producing Paper and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia, that is relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with that Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
Allowance for expected credit losses As at 31 December 2024, the gross trade receivables amounted to 366 million (2023: SR 289 million), against which an allowance for expected credit losses of SR 28 million (2023: SR 22 million) was maintained. The Group assesses at each reporting date whether trade receivables carried at amortized cost are credit impaired. The Group uses the simplified approach for expected credit losses ("ECL") as required by International Financial Reporting Standard 9 (Financial Instruments) ('IFRS 9'). Significant judgments, estimates and assumptions have been made by the management in the calculation of ECL impact. We have considered this as a key audit matter as the determination of ECL involves significant management judgement and assumptions, including future macro-economic factors and the study of historical trends. Refer to note 3.9 to the consolidated financial statements for the accounting policy, note 2.7 for the significant accounting judgements and estimates and note 11.1 for the disclosure of movement in allowance for impairment of trade receivables.	Our audit procedures performed included, among others, the following: ➢ Evaluated the Group's accounting policy for the ECL allowance to ensure compliance with the requirements of IFRS 9. ➢ Obtained an understanding of management's assessment regarding the impairment of trade receivables and the allowance for ECL ➢ Involved our internal specialists to assess the reasonableness of significant judgments, estimates, and assumptions made by management related to the Group's assessment of the probability of default, the incorporation of forward-looking information, and the loss given default parameter used in the ECL model. ➢ Tested the accuracy of trade receivables ageing generated by the accounting system which is used in the preparation of ECL model as at 31 December 2024. ➢ Tested the arithmetical accuracy of the ECL model. ➢ Assessed the adequacy and appropriateness of the related disclosures in the accompanying consolidated financial statements.
Allowance for slow moving inventories As at 31 December 2024, the gross inventories amounted to SR 212 million (2023: SR 185 million), against which an allowance for slow moving and obsolete inventories amounting to SR 34 million (2023: SR 10 million). These inventories comprise raw materials, work in progress, finished goods, consumable spare parts and goods-in-transit.	Our audit procedures performed included, among others, the following: ➢ Evaluated the Group's accounting policy for allowance for slow-moving and obsolete inventories.

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
Allowance for slow moving inventories (continued)	
Group adopted policy of providing allowance for inventories identified as obsolete or slow-moving which are not expected to be sold / used in the normal business cycle and when there is evidence of deterioration in the physical condition, technological changes and/or no movements in the specific period. We considered this as a key audit matter given the significant management judgement in respect of factors such as identifying those slow moving, dormant and obsolete items, and assessing their future use and assessment of inventory items that may not be recoverable as damaged and obsolete. The gross inventories and related provision are material to the consolidated financial statements. Refer to note 3.6 to the consolidated financial statements for the accounting policy relating to the inventories, note 2.7 for the material accounting judgements and estimates and note 10.1 for the disclosure of movement in provision for slow moving and obsolete inventories.	➢ Assessed the reasonableness of the assumptions used in estimating the allowance for slow-moving and obsolete inventories. This included reviewing the accuracy and completeness of key inputs against the underlying supporting documents and verifying the accuracy of management's calculations. ➢ Reviewed recent inventory count results from a sample of the Group's locations to ensure that the year-end provision for damaged and obsolete inventories adequately reflected the level of inventory losses experienced during the year. ➢ Assessed the adequacy and reasonableness of the relevant disclosures included in the consolidated financial statements.

Other information included in the Group's 2024 Annual Report

Other information consists of the information included in the Group's 2024 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER (A SAUDI JOINT STOCK COMPANY) (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the applicable provisions of Regulation of Companies and Parent Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance i.e, the Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER (A SAUDI JOINT STOCK COMPANY) (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

for Ernst & Young Professional Services

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CR. 4030276644
شركة إرنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

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

Jeddah: 27 Ramadan 1446H
27 March 2025G

MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

(Expressed in Saudi Riyals unless otherwise stated)

	Notes	***2024***	*2023*
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	**1,221,071,925**	1,111,782,224
Capital work in progress	6	**27,621,024**	171,234,329
Right-of-use assets	8(a)	**20,007,916**	27,763,340
Intangible assets	9	**21,146,421**	324,848
TOTAL NON-CURRENT ASSETS		**1,289,847,286**	1,311,104,741
CURRENT ASSETS			
Inventories	10	**186,367,314**	175,697,378
Trade receivables	11	**338,341,685**	266,336,680
Capital project advances	7	**-**	2,282,335
Prepayments and other receivables	12	**9,211,564**	8,189,154
Other current assets	13	**124,149,293**	110,768,636
Financial asset at fair value through profit or loss	14	**-**	5,633
Cash and short-term deposits	15	**610,683,119**	56,549,393
TOTAL CURRENT ASSETS		**1,268,752,975**	619,829,209
TOTAL ASSETS		**2,558,600,261**	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	18	**135,278,852**	135,278,852
Reserve for employees' share-based payments	19	**-**	10,500,000
Retained earnings		**184,282,212**	261,845,302
Equity attributable to equity holders of the parent		**1,606,227,693**	1,074,290,814
Non- controlling interests		**(6,194,341)**	(6,087,404)
TOTAL EQUITY		**1,600,033,352**	1,068,203,410
LIABILITIES			
NON-CURRENT LIABILITIES			
Interest-bearing long-term borrowings	20(a)	**251,152,604**	350,204,502
Lease liabilities	8(b)	**10,208,662**	16,612,745
Employee defined benefits liabilities	21	**41,452,198**	48,808,117
TOTAL NON-CURRENT LIABILITIES		**302,813,464**	415,625,364
CURRENT LIABILITIES			
Lease liabilities – current portion	8(b)	**7,577,431**	8,292,816
Interest-bearing long-term borrowings – current portion	20(a)	**129,759,552**	114,556,914
Interest-bearing short-term borrowings	20(b)	**310,231,050**	102,127,529
Trade and other payables	23	**184,404,644**	196,984,000
Other current liabilities	24	**3,870,539**	15,415,337
Zakat payable	22.2	**19,910,229**	9,728,580
TOTAL CURRENT LIABILITIES		**655,753,445**	447,105,176
TOTAL LIABILITIES		**958,566,909**	862,730,540
TOTAL EQUITY AND LIABILITIES		**2,558,600,261**	1,930,933,950

Chief Financial Officer   Chief Executive Officer   Chairman of the Board

The accompanying notes from 1 to 38 form an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2024
(Expressed in Saudi Riyals unless otherwise stated)

	Notes	***2024***	*2023 Restated (note 36.2)*
Revenue	4	**1,065,255,961**	866,752,771
Cost of revenue	25	**(957,629,091)**	(823,076,340)
GROSS PROFIT		**107,626,870**	43,676,431
Selling and distribution expenses	26	**(21,831,983)**	(20,287,004)
General and administrative expenses	27	**(119,013,437)**	(90,042,886)
(Impairment)/reversal losses on financial assets	11	**(5,541,311)**	6,657,591
Write-off for property, plant and equipment	5	**(16,543,432)**	(2,155,875)
Write-off for capital work in progress	6	**(1,860,000)**	-
Other operating income/(expenses) – net	28	**4,630,622**	10,917,276
OPERATING LOSS		**(52,532,671)**	(51,234,467)
Finance costs	29	**(36,181,033)**	(26,524,499)
Finance income	15	**30,813,689**	-
LOSS BEFORE ZAKAT		**(57,900,015)**	(77,758,966)
Zakat expense	22.2	**(19,567,985)**	(9,878,531)
LOSS FOR THE YEAR		**(77,468,000)**	(87,637,497)
Attributable to:			
Equity holders of the parent		**(77,326,129)**	(80,269,141)
Non-controlling interests		**(141,871)**	(7,368,356)
		(77,468,000)	(87,637,497)
OTHER COMPREHENSIVE (LOSS)/ INCOME:			
Items that will not be reclassified to statement of profit or loss in subsequent period:			
Re-measurement (loss)/gain on employee benefits obligations	21	**(202,027)**	4,248,118
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(77,670,027)**	(83,389,379)
Attributable to:			
Equity holders of the parent		**(77,563,090)**	(76,064,134)
Non-controlling interests		**(106,937)**	(7,325,245)
		(77,670,027)	(83,389,379)
LOSS PER SHARE:			
Basic and diluted, loss per share attributable to ordinary equity holders of the parent (SR)	30	**(0.89)**	(1.20)

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

The accompanying notes from 1 to 38 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

(Expressed in Saudi Riyals unless otherwise stated)

	Attributable to equity holders of the Parent							
	Share capital	*Statutory reserve*	*Share premium*	*Reserve for employees' share-based payments*	*Retained earnings*	*Total*	*Non-controlling interests*	*Total equity*
Balance as at 1 January 2023	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 year	-	-	-	-	(80,269,141)	(80,269,141)	(7,368,356)	(87,637,497)
Other comprehensive income for the year	-	-	-	-	4,205,007	4,205,007	43,111	4,248,118
Total comprehensive loss for the year	-	-	-	-	(76,064,134)	(76,064,134)	(7,325,245)	(83,389,379)
Additions during the year	-	-	-	2,640,000	-	2,640,000	-	2,640,000
Dividends (note 17)	-	-	-	-	(33,333,333)	(33,333,333)	-	(33,333,333)
Balance as at 31 December 2023	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 year	-	-	-	-	**(77,326,129)**	**(77,326,129)**	**(141,871)**	**(77,468,000)**
Other comprehensive (loss)/ income for the year	-	-	-	-	**(236,961)**	**(236,961)**	**34,934**	**(202,027)**
Total comprehensive loss for the year	-	-	-	-	**(77,563,090)**	**(77,563,090)**	**(106,937)**	**(77,670,027)**
Issue of share capital (note 16)	**199,999,990**	-	**419,999,979**	-	-	**619,999,969**	-	**619,999,969**
Settlement of share-based payments (note 19)	-	-	-	**(10,500,000)**	-	**(10,500,000)**	-	**(10,500,000)**
Balance as at 31 December 2024	**866,666,650**	**135,278,852**	**419,999,979**	**-**	**184,282,212**	**1,606,227,693**	**(6,194,341)**	**1,600,033,352**

Chief Financial Officer

Chief Executive Officer

Chairman of the Board

The accompanying notes from 1 to 38 form an integral part of these consolidated financial statements.

MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2024
(Expressed in Saudi Riyals unless otherwise stated)

	Notes	*2024*	*2023*
OPERATING ACTIVITIES			
Loss before zakat		**(57,900,015)**	(77,758,966)
Adjustment to reconcile loss profit before zakat to net cash flows:			
Depreciation	5	**105,178,033**	95,595,738
Depreciation of right-of-use assets	8	**7,927,036**	7,284,545
Amortization of intangible assets	9	**573,945**	248,144
(Gain)/loss on disposal of property, plant and equipment	28	**(167,632)**	412,321
Write-off for property, plant and equipment	5	**16,543,432**	2,155,875
Write-off for capital work in progress	6	**1,860,000**	-
Charge/(reversal) of allowance for impairment of trade receivables	11	**5,541,311**	(6,657,591)
Charge of allowance for slow moving and obsolete inventories	10.1	**34,158,259**	4,440,268
Provision against advances to suppliers and employees	13(c)	**176,013**	208,582
Provision for employee benefits	21	**8,054,270**	7,806,146
Provision of legal cases	23	**10,000,000**	-
Employee share-based payment cost		**-**	2,640,000
Finance costs	29	**36,181,033**	26,524,499
Finance income	15	**(30,813,689)**	-
		137,311,996	62,899,561
Working capital changes:			
(Increase)/decrease in inventories		**(41,976,578)**	32,639,371
(Increase)/decrease in trade receivables		**(77,546,316)**	38,057,646
(Increase)/decrease in prepayments and other receivables		**(349,379)**	6,400,891
Increase in other current assets		**(43,551,037)**	(16,965,916)
Decrease in capital project advances		**2,282,335**	45,433,581
(Decrease)/ Increase in trade and other payables		**(22,579,356)**	65,252,292
(Decrease)/Increase in other current liabilities		**(11,544,798)**	10,688,462
Cash flows (used in)/from operations		**(57,953,133)**	244,405,888
Finance costs paid		**(36,694,207)**	(29,982,448)
Finance income received		**30,140,658**	-
Share-based payments paid		**(10,500,000)**	-
Zakat paid	22.2	**(9,386,336)**	(13,536,522)
Employee benefits paid	21	**(15,612,216)**	(2,764,337)
Net cash flows (used in)/from operating activities		**(100,005,234)**	198,122,581
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	**(24,618,042)**	(35,531,870)
Proceeds from disposal of property, plant and equipment		**167,649**	159,058
Purchase of intangible assets	9	**(1,395,518)**	(168,750)
Additions to capital work in progress	6	**(64,200,324)**	(234,516,050)
Net cash flows used in investing activities		**(90,046,235)**	(270,057,612)

Chief Financial Officer   Chief Executive Officer   Chairman of the Board

The accompanying notes from 1 to 38 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the year ended 31 December 2024
(Expressed in Saudi Riyals unless otherwise stated)

	Notes	*2024*	*2023*
FINANCING ACTIVITIES			
Proceeds from issue of shares	16	**629,999,969**	-
Net change in short-term borrowings		**204,969,375**	74,446,677
Proceeds from long-term borrowings	20	**30,000,000**	45,000,000
Repayments of long-term borrowings	20	**(113,493,069)**	(91,963,608)
Payment of principal portion of lease liabilities	8	**(7,291,080)**	(10,911,393)
Dividend paid to equity holders of the parent	17	-	(33,333,333)
Net cash flows (used in)/from financing activities		**744,185,195**	(16,761,657)
Net increase/(decrease) in cash and short-term deposits		**554,133,726**	(88,696,688)
Cash and short-term deposits at the beginning of year		**56,549,393**	145,246,081
CASH AND SHORT-TERM DEPOSITS AT THE END OF YEAR	15	**610,683,119**	56,549,393

SUPPLEMENTARY NON-CASH INFORMATION			
Finance charges capitalized in capital work in progress	6	**3,291,129**	5,924,868
Amortization of deferred finance charges in finance charges	20	**284,301**	820,609
Transfers of capital work in progress to property, plant and equipment	6	**(206,393,141)**	(302,773,674)
Transfers to intangible assets		**(20,000,000)**	(136,550)
Interest income receivable	12	**673,031**	-
Non-cash addition in right to use assets	8	**324,057**	6,387,240
Modification of lease contracts	8	**(152,445)**	-
Reclassification of Capital Work in Progress to Inventory	6	**(2,851,617)**	-
Transaction costs related to issue of share capital (note 16)	13	**10,000,000**	-
Movement in accrued interest long-term loans	20	**640,492**	(1,390,203)
Movement in accrued interest short-term loans	20	**(3,134,146)**	(1,897,451)

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

The accompanying notes from 1 to 38 form an integral part of these 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" or the "Parent 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 the following address:
P.O. Box 22523
As-Sororyah District, Jeddah 6272,
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*	*Effective ownership interest* ***2024***	*Effective ownership interest* *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%
Al-Tadweer Al-Akhdar 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 Al-Tadweer Al-Akhdar 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 Saudi Authority for Industrial Cities and Technology Zones (Modon), Jeddah, Saudi Arabia. This subsidiary obtained Commercial Registration No. 7039584003 on 27 Dhul-Qa'dah 1445H, (corresponding to 4 June 2024). All the transactions incurred by Al-Tadweer Al-Akhdar Industrial Company have been reflected in these consolidated financial statements for the year ended 31 December 2024.

1. CORPORATE INFORMATION, (continued)

SUSTAINABILITY AND CLIMATE RELATED MATTERS

MEPCO is subject to short-term and long-term climate-related risks. These risks are inherent part of operating in a paper production industry and manufacturing industries overall. MEPCO continually works to reduce the environmental footprint of the business and enhance the processes of environmental sustainability and safeguards.

Water consumption, waste, and greenhouse gas emissions associated with fuel and electricity consumption have an impact on both the environment and MEPCO financial performance.

Climate-related risks currently have no significant impact on measurement; however, the Group is closely monitoring relevant changes and developments, such as new climate-related legislation. The items and considerations that are most directly impacted by climate-related matters are:

- Useful life of property, plant and equipment. When reviewing the residual values and expected useful lives of assets, the Group considers climate-related matters, such as legislation, regulations that may restrict the use of assets or require significant capital expenditure and upgrades.

- Impairment of non-financial assets. The value-in-use may be impacted in several different way by transition risk in particular, such as climate-related legislation and regulations. The Group considered such factors in the assessing the value-in-use amounts.

- Decommissioning liability. The impact of climate-related legislation and regulations is considered in estimating the timing and future costs of decommissioning one of the Group’s manufacturing facilities.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”) (collectively referred to as “IFRSs as endorsed in KSA”).

2.2 Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis.

The group has prepared the consolidated financial statements on the basis that it will continue to operate as a going concern.

2.3 Functional and presentation currency

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

2. BASIS OF PREPARATION (continued)

2.4 Basis of consolidation

The financial statements comprise the financial statements if the Company and its subsidiaries “the Group” as at 31 December 2024 as detailed in note 1.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Group, using consistent accounting policies of the Group.

Control is achieved when the Group is exposed, or has rights, to variable returns from its transactions with the investee and has the ability to affect those returns through exercising its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its transactions with the investee.
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has control over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group’s voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated.

Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

2. BASIS OF PREPARATION (continued)

2.5 New standards, interpretation and amendments standard applied

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2024 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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 recognize any amount of the gain or loss that relates to the right of use it retains.

The new standard had no impact on the Group's 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 to require disclosure 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 new standard had no impact on the Group's consolidated financial statements.

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 new standard had no impact on the Group's consolidated financial statements.

2. BASIS OF PREPARATION (continued)

2.6 Standards issued but not yet effective

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

Lack of exchangeability – Amendments to IAS 21

In August 2023, the IASB issued amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

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

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards. IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The Group is currently working to identify all impacts the amendments will have on the primary consolidated financial statements and notes to the consolidated financial statements.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards.

IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

As the Group's equity instruments are publicly traded, it is not eligible to elect to apply for IFRS 19.

2. BASIS OF PREPARATION (continued)

2.7 Significant accounting judgments, estimates and assumptions

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

Other disclosure relating to the Group's exposure to risks and uncertainties includes:
- Capital management (note 35)
- Financial risk management (note 34)
- Sensitivity analyses disclosures (note 21)

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has lease contract that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

Going concern

The Group exercises judgement in assessing its ability to continue as a going concern. The management has assessed the ability of the Group to continue as a going concern based on its existing liquidity position and cash flow projections, and is not aware of any material uncertainties that may cast significant doubt and the management is satisfied that the Group has the resources to continue and meet its obligations as they fall due in the ordinary course of business in the foreseeable future. Therefore, the consolidated financial statements of the Group continue to be prepared on the going concern basis.

Zakat

The determination for zakat provision involves material management judgement that involves calculation of the zakat base and zakatable profits in accordance with the zakat and income tax regulations enforced in the Kingdom of Saudi Arabia, which may be subject to different interpretations. The final assessment amount could be significantly different from the declarations and appeals filed by the Company. In determining the amount payable to Zakat, Tax and Customs Authority ("ZATCA"), the Group has applied their judgement and interpretation of the ZATCA requirements for calculating Zakat.

2. BASIS OF PREPARATION (continued)

2.7 Significant accounting judgments, estimates and assumptions (continued)

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a material risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur. Information about the assumptions and estimation uncertainties is included in the following areas:

Useful lives and residual value of property and equipment and intangibles assets

The Group's management determines the estimated useful lives and residual value of its property and equipment and intangibles assets for calculating depreciation and amortization. These estimates are determined after considering the expected usage of the assets and their physical wear and tear and technical obsolescence. The management reviews the residual value and useful lives annually and future depreciation/amortization charges are adjusted where management believes the useful lives differ from previous estimates.

Allowance for slow moving and obsolete inventories

The Group recognizes an allowance for inventory losses due to factors such as obsolescence, physical damage based upon historical experience, current condition, and current and future expectations with respect to sales or use. The estimate of the Group's allowance for slow moving and obsolete inventory could change from period to period, which could be due to differing remaining useful life, change in technology, possible change in usage, their expiry, sales expectation and other qualitative factors of the portfolio of inventory from year to year.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. To determine a recoverable amount, the management uses fair value using market approach and value in use approach.

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognized by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in note 31.

2. BASIS OF PREPARATION (continued)

2.7 Significant accounting judgments, estimates and assumptions (continued)

Estimates and assumptions (continued)

Impairment for expected credit losses (ECL) in trade receivables
The Group uses a provision matrix to calculate ECLs for trade receivables. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

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

Employee defined benefits plans
The cost of the employee defined benefit plan, and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and employees' turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period.

The calculation most sensitive parameter to change is discount rate and future salary increases. In determining the appropriate discount rate, the management considers the market yield on high quality government bonds. Future salary increases are based on expected future inflation rates, seniority, promotion, demand and supply in the employment market.

The mortality rate is based on publicly available mortality tables for the country. Those mortality tables tend to change only at intervals in response to demographic changes.

Further details about employee benefits obligations are provided in note 21.

Leases - Estimating the incremental borrowing rate
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

3. MATERIAL ACCOUNTING POLICY INFORMATION

The following are the material accounting policies applied by the Group consistently in preparing its consolidated financial statements except for the new and amended standards and interpretations as disclosed in note 2.5.

3.1 Current versus non-current classification

Assets
The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting year; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting year.

All other assets are classified as non-current.

Liabilities
A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting year; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting year.

The Group classifies all other liabilities as non-current.

3.2 Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment is stated at cost net of accumulated depreciation and accumulated impairment losses, if any.

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

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

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

(b) Subsequent costs

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Property, plant and equipment (continued)

(c) Depreciation

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

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

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

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

** Leasehold building and improvements are depreciated over the shorter of the shorter of useful life or related lease term.*

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted prospectively, if required. For discussion on impairment assessment of property, plant and equipment, please refer note 3.9.

(d) Derecognition

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in consolidated statement of comprehensive income.

(e) Capital work in progress

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

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

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

(f) Capital Spare Parts

The Group classifies spare parts into strategic spare parts and general spare parts using the below guidance:

- A strategic spare part is one that is on "stand-by", i.e. probable to be a major item/part critical to be kept on hand to ensure uninterrupted operation of production. They would normally be used only due to breakdown and are not generally expected to be used on a routine basis. Depreciation on these spare parts commences immediately on the date being available for use.

- General spare parts are other major spare parts which bought in advance due to planned replacement schedules (in line with prescribed maintenance program) to replace existing major spare parts. Such items are considered to be "available for use" only at a future date, and hence depreciation commences when it is installed as a replacement part. The depreciation period for such general spare parts is over the lower of its useful life, and the remaining expected useful life of the equipment to which it is associated.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.3 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.4 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.
Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Lands 15 years
Buildings 2 to 15 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.
The right-of-use assets are also subject to impairment.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs).

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The unwinding component of finance cost is included in the consolidated statement of profit or loss.

The lease liabilities are presented as a separate line in the consolidated statement of financial position.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in consolidated statement of comprehensive income in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognized in the consolidated statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets under development consists of costs incurred in relation to development of software which will be eventually transferred to intangible assets. Intangible assets with indefinite useful lives (goodwill) are not amortized, but are tested for impairment annually, or earlier if there is an indication of impairment either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognized upon disposal or when no future economic benefits are expected from its use of disposal. Any gain or loss arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of profit or loss when the asset is derecognized.

Intangible assets represent computer software and right of use contract which have finite useful lives. The estimated rates of amortization of intangible assets are as follows:

Software	4 years
Contractual right	5 years

3.6 Inventories

Inventories are valued at the lower of cost and net realizable value.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost on a weighted average costs basis
- Finished goods and work in progress: cost of direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs.
- Spare parts: purchase cost on a first-in/first-out basis.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Spare parts other than capital spare parts which doesn't meet the criteria of property, plant and equipment are included as consumable spare parts in inventory and are classified as current assets.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.7 Cash and short-term deposits

Cash and cash equivalents balances comprise of cash at banks, cash on hand and short-term highly liquid deposits with original maturities of three months or less that are held for the purpose of meeting short-term cash commitments and are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

3.8 Foreign currency

The Group's consolidated financial statements are presented in Saudi Riyals ("SR"), which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange ruling at the reporting date.

All differences arising on settlement or translation of monetary items are recognized in the consolidated statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency, if any, are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of a gain or loss on change in fair value of the item.

3.9 Financial instruments

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

(a) Measurement

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables, the Group initially measures a financial asset at its fair value and in the case of a financial asset not carried at fair value through profit or loss, fair value plus transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price and for other trade receivables, that contain a significant financing component, the Group adjusts the transaction price in respect to the significant financing component.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.9 Financial instruments (continued)

(i) Financial assets (continued)

(a) Measurement

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in following categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in consolidated statement of profit or loss when the asset is derecognized, modified, or impaired.

The Group's financial assets at amortized cost includes cash and cash equivalents, trade receivables, employee loans and margin on letter of credit.

The Group's write-off policy for financial assets is when management has indications that there is no reasonable expectation of recovery.

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to consolidated statement of profit or loss.

Currently, the Group does not have any debt instruments designated at fair value through OCI.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognized as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.9 Financial instruments (continued)

(i) Financial assets (continued)

(b) De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired

  Or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

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

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

(c) Impairment

The Group applies the expected credit loss (ECL) model for measurement and recognition of impairment loss on the financial assets that are debt instruments, and are measured at amortized cost (e.g. deposits, trade and other receivables and bank balances). The Group follows 'simplified approach' for recognition of impairment loss allowance on trade receivables, if they do not contain a significant financing component.

The application of a simplified approach does not require the Group to track changes in credit risk. Rather, it recognizes impairment loss allowance based on lifetime ECL at each reporting date, right from its initial recognition. Lifetime ECL is the expected credit loss resulting from all possible default events over the expected life of a financial instrument.

The Group uses a provision matrix in the calculation of the ECL on trade receivables to estimate the lifetime expected credit losses, applying certain provision rates to respective contractual past due ageing buckets. The provision matrix was developed considering probability of default and loss given default which were derived from historical data of the Group and are adjusted to reflect the expected future outcome.

ECL impairment loss allowance or reversal recognized during the year is recognized as income/ expense in profit or loss.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.9 Financial instruments (continued)

(i) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade payables, due to related parties and lease liabilities.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortized cost (loans and borrowings)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortized cost (loans and borrowings)

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortisation process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of profit or loss.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.10 Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). The impairment loss is allocated to reduce the carrying amount of the assets of the cash generating unit (group of units) in pro rata on the basis of the carrying amount of each asset in the unit (group of units). These reductions in carrying amounts shall be treated as impairment losses on individual assets and recognized. Non-current assets other than goodwill that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the consolidated statement of comprehensive income. Impairment losses recognized on goodwill are not reversible.

3.11 Employee defined benefits plans

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

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

3.12 Zakat and taxes

The Group (entities registered in Kingdom of Saudi Arabia only) is subject to the Regulations of the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia. Zakat is provided for in accordance with the Regulations of the Zakat, Tax and Customs Authority (ZATCA) in the Kingdom of Saudi Arabia and on accruals basis. The zakat charge is computed on the zakat base of the individual companies in the Group and is charged to consolidated statement of comprehensive income. Any shortfall / excess on finalization of an assessment is accounted for in the year in which assessment is finalized.

Withholding tax
The Group withholds taxes on transactions with non-resident parties in accordance with ZATCA regulations, which is not recognized as an expense being the obligation of the counter party on whose behalf the amounts are withheld.

3.13 Value Added Tax ("VAT")

Revenues, expenses, and assets are recognized net of the amount of Value Added Tax ("VAT") except:

- Where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to the ZATCA is included as part of receivables or payables in the consolidated statement of financial position.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.14 Selling and distribution expenses

These include any costs incurred to carry out or facilitate selling activities of the Group. These costs typically include salaries of the commercial staff, marketing, distribution, and logistics expenses.

3.15 General and administrative expenses

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

3.16 Revenue

The Group is in the business of the whole sale of container board, industrial paper, and recycling material of paper, carton and plastic. Revenue from contracts with customers is recognized when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group has generally concluded that it is the principal in its revenue arrangements, since it typically controls the goods before transferring them to the customer as the primary obligor in all arrangements, has the pricing latitude and is also exposed to inventory and credit risk.

Revenue from these sales is recognized based on the price specified in the contract. The Group doesn't offer volume discounts, rebates or any such discounts to its customers. Revenue from sale of goods is recognized at the point in time when control of the goods is transferred to the customer, when (or as) the Group satisfies the performance obligations as specified in the contract with the customer (buyer), when the Group has transferred to the customer control over the promised goods.

The Group recognizes revenue from the sale of the following goods directly to the customers:

- Sale of container board and industrial paper
- Whole and retail sales of paper, carton and plastic waste

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

Sale of goods directly to customers

- Local Sales: Local sales are recognized when goods are delivery and have been accepted by the customers as per the applicable delivery terms “mainly delivery at the customer’s location”, and accordingly, revenue is recognized at that point-in-time.

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

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

A receivable is recognized by the Group upon transfer of control as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

It is the Group's policy to sell its products to its customers with a right of return with certain requirements. However, the management concluded that the expected returns based on pattern of historical returns is deemed immaterial, accordingly the management has not accounted for it.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.17 Earnings per share

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the Group (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

3.18 Cash dividend to shareholders of the Group

The Group recognized a liability to pay a dividend when the distribution is recognized and no longer at the discretion of the Group. As per the By-laws of the Company, a distribution is recognized when it is approved by the shareholders. A corresponding amount is recognized directly in shareholders' equity.

3.19 Segment reporting

Operating Segment

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

The executive management (Chairman of the Board of Directors and top management (Chief Executive Officer (CEO), Chief Operating Officer (COO) and Chief Financial Officer (CFO)) is the Chief Operating Decision Maker ("CODM") and monitor the operation results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

An operating segment is group of assets and operations:

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

3.20 Equity-settled employee share-based payments

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

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

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

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

3.21 Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

(Expressed in Saudi Riyals unless otherwise stated)

4. SEGMENT INFORMATION

The entire Group's revenues have been recognized at point of time.

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

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

The following table presents segment information:

	Manufacturing	*Trading*	*Elimination*	*Total*
Results for the year ended 31 December 2024				
Revenues	**1,027,094,429**	**281,453,806**	**(243,292,274)**	**1,065,255,961**
External customers	**1,027,094,429**	**38,161,532**	**-**	**1,065,255,961**
Segment loss before zakat	**(44,909,449)**	**(34,477,712)**	**21,487,146**	**(57,900,015)**
Zakat	**19,262,361**	**305,624**	**-**	**19,567,985**
Financial costs	**32,975,229**	**3,477,774**	**(271,970)**	**36,181,033**
Additions to property, plant and equipment & capital work in progress	**86,480,933**	**5,666,916**	**(38,354)**	**92,109,495**
Additions to intangible assets	**1,395,518**	**20,000,000**	**-**	**21,395,518**
Depreciation and amortization	**99,796,990**	**13,882,024**	**-**	**113,679,014**
Results for the year ended 31 December 2023				
Revenues	849,755,960	231,121,904	(214,125,093)	866,752,771
External customers	849,755,960	16,996,811	-	866,752,771
Segment loss before zakat	(88,233,674)	(45,282,767)	55,757,475	(77,758,966)
Zakat	9,337,012	541,519	-	9,878,531
Financial costs	25,373,274	1,292,820	(141,595)	26,524,499
Additions to property, plant and equipment & capital work in progress	268,734,887	7,618,820	(380,919)	275,972,788
Additions to intangible assets	168,750	-	-	168,750
Depreciation and amortization	88,351,410	14,777,017	-	103,128,427
As of 31 December 2024				
Total assets	**3,125,037,944**	**127,136,559**	**(693,574,242)**	**2,558,600,261**
Total liabilities	**1,004,639,191**	**135,123,687**	**(181,195,969)**	**958,566,909**
As of 31 December 2023				
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 categorized by geographical region is as follows:

2024	***Manufacturing***	***Trading***	***Total***
Saudi Arabia	**756,110,747**	**38,161,532**	**794,272,279**
Other GCC Countries	**78,516,518**	**-**	**78,516,518**
Asia	**113,193,204**	**-**	**113,193,204**
Africa	**48,498,918**	**-**	**48,498,918**
Europe	**29,120,553**	**-**	**29,120,553**
Americas	**1,654,489**	**-**	**1,654,489**
	1,027,094,429	**38,161,532**	**1,065,255,961**
2023			
Saudi Arabia	566,397,225	14,337,290	580,734,515
Other GCC Countries	64,651,340	-	64,651,340
Asia	128,902,545	2,659,521	131,562,066
Africa	79,091,250	-	79,091,250
Europe	10,052,264	-	10,052,264
Americas	661,336	-	661,336
	849,755,960	16,996,811	866,752,771

Adjustments and eliminations

Eliminations represents inter-group revenues, transactions and balances that are eliminated on consolidation.

Reconciliation of assets

	2024	*2023*
Segment operating assets	**3,252,174,503**	2,256,010,410
Capital work in progress	**(2,131,606)**	(2,093,252)
Right-of-use assets	**(8,884,345)**	(9,439,641)
Investment in subsidiaries at equity method	**(510,830,239)**	(256,423,549)
Inventories, unrealized profit	**172,192**	4,180,895
Trade receivables, inter-group balance	**(2,896,070)**	-
Other current assets, inter-group loans	**(169,004,174)**	(61,300,913)
	2,558,600,261	1,930,933,950

Reconciliation of Liability

	2024	*2023*
Segment operating Liabilities	**1,139,762,878**	933,844,121
Lease liabilities	**(9,358,484)**	(9,812,668)
Short-term borrowings, inter-group loans	**(81,000,000)**	(60,000,000)
Trade and other payables, inter-group balance	**(90,837,485)**	(1,300,913)
	958,566,909	862,730,540

(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	-	1,183,753	18,873,118	3,039,817	1,521,354	**24,618,042**
Transfers from capital work-in-progress (note 6)	-	34,694,969	171,237,414	460,758	-	**206,393,141**
Disposals	-	-	(3,306,941)	(3,825)	(237,266)	**(3,548,032)**
Write off (note 5.1)	-	(5,109,896)	(106,986,782)	(9,224,024)	(2,497,340)	**(123,818,042)**
31 December 2024	**137,398,877**	**288,273,283**	**1,895,152,898**	**28,758,910**	**35,263,233**	**2,384,847,201**
Depreciation						
At 1 January 2024	-	**(83,900,434)**	**(1,033,571,697)**	**(23,617,657)**	**(28,330,080)**	**(1,169,419,868)**
Depreciation charge	-	(11,596,446)	(87,770,349)	(3,509,874)	(2,301,364)	**(105,178,033)**
Disposals	-	-	3,306,928	3,824	237,263	**3,548,015**
Write off (note 5.1)	-	3,208,981	92,790,156	8,821,807	2,453,666	**107,274,610**
31 December 2024	-	**(92,287,899)**	**(1,025,244,962)**	**(18,301,900)**	**(27,940,515)**	**(1,163,775,276)**
Net book value						
At 31 December 2024	**137,398,877**	**195,985,384**	**869,907,936**	**10,457,010**	**7,322,718**	**1,221,071,925**

5.1 During the year, the Group conducted and completed a full property, plant and equipment tagging and physical verification which resulted on identify certain assets with net book value amounting to SR 16.5 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.

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

(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 (note 6)	-	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	137,398,877	173,604,023	781,764,392	10,868,527	8,146,405	1,111,782,224

(Expressed in Saudi Riyals unless otherwise stated)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

5.3 Depreciation charge has been allocated as follows:

	2024	*2023*
Cost of revenue	**100,379,077**	91,463,585
Selling and distribution expenses	**1,710,022**	2,780,803
General and administrative expenses	**3,088,934**	1,351,350
	105,178,033	95,595,738

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	62,518,995	108,715,334	-	171,234,329
Additions	**15,751,715**	**32,223,000**	**19,516,738**	**67,491,453**
Transfers to property, plant and equipment (refer note 5)	**(78,270,710)**	**(128,122,431)**	**-**	**(206,393,141)**
Reclassification to consumable spare parts	**-**	**(2,851,617)**	**-**	**(2,851,617)**
Write off during the year	**-**	**(1,860,000)**	**-**	**(1,860,000)**
31 December 2024	**-**	**8,104,286**	**19,516,738**	**27,621,024**

(a) Tissue mill factory

The project of the tissue mill factory amounting to SR Nil as at 31 December 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 completed and commenced its production.

(b) Plant and Machinery

Capital work in progress as at 31 December 2024 includes costs incurred related to the ongoing projects for plant and machinery related to MEPCO and WASCO amounting to SR 8.1 million (31 December 2023: SR 108.7 million). During the year, certain projects related to improvements and enhancements of the existing product lines amounted of 128 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 year ended 31 December 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%). Furthermore, the amount of SR 1.86 million written-off during the year, 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 year ended 31 December 2024 include cost related to new project amounting of SR 19.5 million relating to newly established subsidiary namely “Al-Tadweer Al-Akhdar Industrial Company” i.e. Paper Machine-5 (PM5). The project related to PM-5 is expected to be completed by 30 June 2027.

(Expressed in Saudi Riyals unless otherwise stated)

7. CAPITAL PROJECT ADVANCES

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

8. RIGHT-OF-USE ASSETS AND LEASE LIABILTIES

The Group has various leases contracts related to employees' accommodation, offices, and 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 2 to 15 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The Group applies the 'short-term lease' recognition exemptions for the leases which have lease term lower than or equal to one-year.

(a) Set out below are the carrying amounts of right-of-use assets recognized and the movements during the year:

	Lands	*Building*	*Total*
As at 1 January 2024	**24,546,615**	**3,216,725**	**27,763,340**
Additions during the year	**-**	**324,057**	**324,057**
Modification during the year	**-**	**(152,445)**	**(152,445)**
Depreciation expense	**(5,819,661)**	**(2,107,375)**	**(7,927,036)**
As at 31 December 2024	**18,726,954**	**1,280,962**	**20,007,916**
As at 1 January 2023	26,013,257	2,647,388	28,660,645
Additions during the year	3,533,689	2,853,551	6,387,240
Depreciation expense	(5,000,331)	(2,284,214)	(7,284,545)
As at 31 December 2023	24,546,615	3,216,725	27,763,340

(b) Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2024	*2023*
At the 1 January	**24,905,561**	29,429,840
Additions during the year	**324,057**	6,387,240
Accretion of interest during the year	**939,213**	1,003,874
Payments during the year	**(8,230,293)**	(11,915,393)
Modification during the year	**(152,445)**	-
At the end of the year	**17,786,093**	24,905,561
Current	**7,577,431**	8,292,816
Non-current	**10,208,662**	16,612,745

The additions, and modifications during the year occurred in normal course of business.

(Expressed in Saudi Riyals unless otherwise stated)

8. RIGHT-OF-USE ASSETS AND LEASE LIABILTIES (continued)

The scheduled maturities of the lease liabilities are as follows:

As at 31 December 2024	***Principal amount***	***Interest***	***Net lease liabilities***
Current portion	**8,144,465**	**(567,034)**	**7,577,431**
Non-current portion	**10,958,226**	**(749,564)**	**10,208,662**
	19,102,691	**(1,316,598)**	**17,786,093**

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

(c) The following are the amounts recognized in the statement of profit or loss:

	2024	*2023*
Depreciation expense of right-of-use assets	**7,927,036**	7,284,545
Interest expense on lease liabilities (refer 29)	**939,213**	1,003,874
Expense relating to short-term leases (included in cost of revenue)	**1,496,465**	2,006,552
Total amount recognized in statement of profit or loss	**10,362,714**	10,294,971

Depreciation has been charged to cost of revenue and general and administrative expenses.

The Group had total cash outflows for leases of SR 8.2 million (2023: SR 11.9 million). The Company also had non-cash additions to right-of-use assets and lease liabilities of SR 0.3 million (2023: SR 6.4 million). The future cash outflows relating to leases are disclosed in note 34.5.

(Expressed in Saudi Riyals unless otherwise stated)

9. INTANGIBLE ASSETS

	Software	*Contractual right*	***Total***
Cost:			
At 1 January 2023	8,747,873	-	8,747,873
Additions	168,750	-	168,750
Transfers from capital work in progress	136,550	-	136,550
At 31 December 2023	9,053,173	-	9,053,173
Additions (refer note 9.2)	**1,395,518**	**20,000,000**	**21,395,518**
At 31 December 2024	**10,448,691**	**20,000,000**	**30,448,691**
Accumulated amortization:			
At 1 January 2023	(8,480,181)	-	(8,480,181)
Amortization	(248,144)	-	(248,144)
At 31 December 2023	(8,728,325)	-	(8,728,325)
Amortization charge for the year	**(240,612)**	**(333,333)**	**(573,945)**
At 31 December 2024	**(8,968,937)**	**(333,333)**	**(9,302,270)**
Net book value:			
At 31 December 2024	**1,479,754**	**19,666,667**	**21,146,421**
At 31 December 2023	324,848	-	324,848

9.1 The amortization charge for the year has been charged to general and administrative expenses and cost of sales.

9.2 Additions during the year included amount of SR 20 million paid by the Company's subsidiary "Estidama" to Jeddah Development and Urban Regeneration Company ("JEDRIC") under an arrangement for the procurement of raw materials ("Agreement"). During the year, 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. The Group started to receive the material and benefit related to this contract on December 2024, which considered as the effective data to start the contract and related amortization of the contract period.

(Expressed in Saudi Riyals unless otherwise stated)

10. INVENTORIES

	2024	*2023*
Raw materials	**95,668,168**	68,515,712
Finished goods	**29,768,274**	32,656,742
Goods in transit	**21,728,800**	22,869,607
Work-in-progress	**-**	1,877,813
Consumable spare parts, not held for sale	**73,634,162**	59,379,867
	220,799,404	185,299,741
Less: Allowance for slow moving and obsolete inventories (refer note 10.1)	**(34,432,090)**	(9,602,363)
	186,367,314	175,697,378

During 2024, SR 768 million (2023; SR 675 million) was recognized as an expense for inventories carried at net realizable value. This is recognized in cost of revenue.

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

	2024	*2023*
01 January	**9,602,363**	6,103,970
Allowance during the year (note a)	**34,158,259**	4,440,268
Write-offs	**(9,328,532)**	(941,875)
31 December	**34,432,090**	9,602,363

a) During the year, management has undertaken a reassessment of inventory provision estimation process which resulted into change of estimates based on a comprehensive technical evaluation of spare parts, considering obsolescence, recoverability, and alignment with strategic plans. The assessment incorporated spare parts categorization, aging analysis, and future usability, factoring in technological advancements and upcoming production lines. The change of estimate of SR 34 million. This charge was recognized in the statement of profit and loss within cost of revenue.

(Expressed in Saudi Riyals unless otherwise stated)

11. TRADE RECEIVABLES

	2024	*2023*
Trade receivables – Local	**299,986,740**	240,757,649
Trade receivables – Foreign	**65,940,971**	48,020,101
	365,927,711	288,777,750
Less: Allowance for impairment (refer note 11.1)	**(27,586,026)**	(22,441,070)
	338,341,685	266,336,680

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

	2024	*2023*
1 January	**22,441,070**	31,210,419
Charge / (reversal) during the year	**5,541,311**	(6,657,591)
Write off during the year	**(396,355)**	(2,111,758)
31 December	**27,586,026**	22,441,070

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

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

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

Trade receivables are non-interest bearing and are generally on terms of 30 – 90 days. The overdue amounts are constantly monitored by the management and a provision towards expected credit loss is made in the books if required.

The Group has applied IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and is adjusted for average historical recovery rates. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and is based on the ageing of the days the receivables are past due, and the rates as calculated in the provision matrix. On that basis, the loss allowance as at 31 December 2024 and 31 December 2023 was determined as follows:

(Expressed in Saudi Riyals unless otherwise stated)

11. TRADE RECEIVABLES (continued)

Ageing	***Gross carrying amount***	***Expected credit loss range (%)***	***Loss allowance***
As at 31 December 2024:			
Within the credit period	**247,634,151**	**0%-1%**	**288,662**
1-90 days past due	**77,394,290**	**0.3%-3%**	**1,417,002**
91-180 days past due	**12,390,002**	**10%-27%**	**1,979,789**
181- 270 days past due	**2,871,412**	**15%-39%**	**1,061,100**
271- 360 days past due	**1,419,929**	**50%-57%**	**785,463**
More than 1 year past due	**24,217,927**	**96%-100%**	**22,054,010**
Total	**365,927,711**		**27,586,026**

Ageing	*Gross carrying amount*	*Expected credit loss range (%)*	*Loss allowance*
As at 31 December 2023:			
Within the credit period	191,554,035	0%-1%	352,036
1-90 days past due	72,534,433	10%-15%	3,144,228
91-180 days past due	3,258,117	15%-20%	508,141
181- 270 days past due	3,769,351	50%-60%	2,126,131
271- 360 days past due	2,059,520	90%-100%	2,059,071
More than 1 year past due	15,602,294	90%-100%	14,251,463
Total	288,777,750		22,441,070

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

12. PREPAYMENTS AND OTHER RECEIVABLES

	2024	*2023*
Prepaid expenses	**6,360,125**	7,005,859
Deposits with suppliers	**698,235**	595,650
Interest income receivable	**673,031**	-
Others	**1,880,173**	987,645
Less: Provision against deposits with suppliers*	**(400,000)**	(400,000)
	9,211,564	8,189,154

* Provision against deposits with suppliers is charged to cost of revenue for the year ended 31 December 2024.

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13. OTHER CURRENT ASSETS

	Notes	***2024***	*2023*
Advances to suppliers		**90,118,559**	45,660,999
Advances to suppliers – related party	Note 9	**-**	20,050,000
Advance against land	(a)	**32,330,000**	32,300,000
Costs relating to share capital increase	(b)	**-**	10,000,000
Advances to employees		**2,573,773**	3,454,663
		125,022,332	111,465,662
Less: Allowance for impairment loss on advances	(c)	**(873,039)**	(697,026)
		124,149,293	110,768,636

(a) During 2017, the management paid an amount of SR 32.3 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 year ended 31 December 2024, all restrictions related to the former landlord have been cleared out and the procedural aspects for the transfer in the name of the Group are underway and expected to be completed in 2025.

(b) These costs were related to legal and financial consultancy fees, documentation, prospectus and other costs ancillary to the increase of share capital as disclosed in note 16.

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

	2024	*2023*
01 January	**697,026**	3,686,774
Charge during the year*	**176,013**	208,582
Write-offs	**-**	(3,198,330)
31 December	**873,039**	697,026

*Addition in allowance for impairment loss on advances is recognized as an expense under general and administrative expenses.

14. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

During 2017, the Company had acquired the units of an unlisted open-ended mutual fund. This investment portfolio has been closed during the year 2024.

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15. CASH AND SHORT-TERM DEPOSITS

	2024	*2023*
Cash on hand	**977,015**	1,008,539
Cash at bank	**299,076,353**	55,540,854
Short-term deposits	**310,629,751**	-
	610,683,119	56,549,393

At 31 December 2024, the Group had short-term bank deposits with original maturities of less than three months. The Group earned SR 30.8 million (2023; SR Nil) on the murabaha and term-deposits at rate of return ranging between 5.60% to 6.15%.

At each reporting date, all bank balances are assessed to have low credit risk as they are held with reputable and high credit rating domestic and international banking institutions and there has been no history of default with any of the Group bank balance. Therefore, the probability of default based on forward looking factors and any loss given defaults are negligible.

16. SHARE CAPITAL AND SHARE PREMIUM

As at 31 December 2024, the Company’s authorized and issued share capital is SR 866.67 million (2023: SR 666.67 million) consists of 86.67 million (2023: 66.67 million) fully paid shares of SR 10 each. 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.

On 04 January 2024, the new share capital has issued, and 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. DIVIDENDS

On 23 May 2023, the Board proposed a final dividend for the year ended 31 December 2022 amounting to SR 33.33 million (SR 0.5 per share). The Annual General Assembly in its meeting held on 22 June 2023 approved the cash dividends of SR 33.33 million and was paid on 11 July 2023. There were no dividends proposed during 2024.

18. STATUTORY RESERVE

In accordance with the previous Company's By-laws, the Group used to be required to maintain 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 of the consolidated financial statement.

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19. 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 year ended 31 December 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 has been settled with 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. 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 consolidated financial statements as at 31 December 2024. This amount has been fully paid.

20. LOANS AND BORROWINGS

(a) Long-term borrowings

	2024	*2023*
Saudi Industrial Development Fund ("SIDF") loans - Principal	**161,600,000**	144,600,000
Accrued finance charges – SIDF	**1,058,467**	970,667
Less: Deferred financial charges	**(7,560,465)**	(7,844,764)
Saudi Industrial Development Fund (SIDF) (refer note a)	**155,098,002**	137,725,903
Islamic banking facilities (Tawarruq)	**224,087,171**	324,580,238
Accrued finance charges – Banks	**1,726,983**	2,455,275
Islamic banking facilities (Tawarruq) (refer note b)	**225,814,154**	327,035,513
Long-term borrowings	**380,912,156**	464,761,416
Current portion shown under current liabilities		
Borrowings – gross	**129,178,854**	113,535,962
Accrued finance charges	**2,785,450**	3,425,942
Less: Deferred financial charges	**(2,204,752)**	(2,404,990)
	129,759,552	114,556,914

(Expressed in Saudi Riyals unless otherwise stated)

20. LOANS AND BORROWINGS (continued)

(a) Long-term borrowings (continued)

Long term borrowings shown under non-current liabilities

	2024	*2023*
Borrowings – gross	**256,508,317**	355,644,276
Less: Deferred financial charges	**(5,355,713)**	(5,439,774)
	251,152,604	350,204,502
Long-term borrowings	**380,912,156**	464,761,416

Reconciliation of cash movement of borrowings	***2024***	*2023*
Balance at beginning of year	**464,761,416**	511,155,430
Proceeds during the year	**30,000,000**	45,000,000
Repayment of principal instalments	**(113,493,069)**	(91,963,608)
Movement in accrued financial charges	**(640,492)**	1,390,203
Movement in deferred financial charges	**284,301**	(820,609)
Balance at end of year	**380,912,156**	464,761,416

(a) During 2020, the Group had obtained new facility from Saudi Industrial Development Fund (SIDF) amounting to SR 55 million to finance the construction of manufacturing facilities and the Group has fully withdrawn this facility. The loan is repayable in unequal semi-annual instalments up to August 2025.

During 2021, the Group had obtained new facility from SIDF for the tissue paper factory amounting SR 150 million to finance the construction of manufacturing facilities. The Group has utilized SR 150 million as of 31 December 2024 (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 amortized over the periods of respective loans. The loans bear a follow up fee to be paid on periodic basis. Under the terms of the SIDF loan agreement, the Company's property, plant and equipment are pledged as collateral to SIDF.

The commission is payable on the amount of the borrowing drawdowns and is mainly calculated at a market rate plus a margin.

(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 224.1 million as of 31 December 2024 (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 amortized over the period of the respective loans.

Long-term borrowings under Islamic banking facilities bears average interest rate of 7.25% (2023: 6.51%).

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 the debt covenants compliance requirements for banks as at 31 December 2024.

All the above long-term loans are denominated in SR as at 31 December 2024 and 31 December 2023.

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20. LOANS AND BORROWINGS (continued)

(a) Long-term borrowings (continued)

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

Year ending 31 December 2024:	***Loan's principal***	***Deferred financial charges***	***Accrued financial charges***	***Net loan amount***
2025	**129,178,854**	**(2,204,752)**	**2,785,450**	**129,759,552**
2026	**116,535,962**	**(1,817,234)**	**-**	**114,718,728**
2027	**43,972,355**	**(1,490,407)**	**-**	**42,481,948**
2028	**27,000,000**	**(1,120,403)**	**-**	**25,879,597**
2029	**69,000,000**	**(927,669)**	**-**	**68,072,331**
	385,687,171	**(7,560,465)**	**2,785,450**	**380,912,156**

Year ending 31 December 2023:	*Loan's principal*	*Deferred financial charges*	*Accrued financial charges*	*Net loan amount*
2024	113,535,962	(2,404,990)	3,425,942	114,556,914
2025	129,135,960	(1,790,719)	-	127,345,241
2026	116,535,961	(1,481,748)	-	115,054,213
2027	43,972,355	(1,107,092)	-	42,865,263
2028	66,000,000	(1,060,215)	-	64,939,785
	469,180,238	(7,844,764)	3,425,942	464,761,416

(b) Short-term borrowings

	2024	*2023*
Islamic banking facilities (Tawarruq)	**304,968,375**	99,999,000
Accrued financial charges	**5,262,675**	2,128,529
	310,231,050	102,127,529

The Group has short-term credit facilities from commercial banks comprising of short-term loans, letters of credit and guarantees. These borrowings bear financing charges at the prevailing market rates. These facilities include certain financial covenants which require the Group to maintain certain levels of ratios. The Group has met all of debt covenants compliance requirements for banks as at 31 December 2024. All loans are denominated in SR as at 31 December 2024 and 31 December 2023.

Short-term borrowings under Islamic banking facilities bears average interest rate of 6.9% (2023: 6.0%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2024
(Expressed in Saudi Riyals unless otherwise stated)

21. EMPLOYEE DEFINED BENEFIT

Movement in provision for employee benefits is summarized as follows:

	2024	*2023*
At beginning of year	**48,808,117**	48,014,426
Current year charge:		
- Current service cost	**7,860,105**	7,263,156
- Curtailment gain	**(348,409)**	-
- Interest cost	**542,574**	542,990
	8,054,270	7,806,146
Re-measurement (gain) / losses:		
- Financial assumptions	**1,743,126**	(4,351,815)
- Experience adjustment	**(1,675,695)**	(7,602)
- Demographic assumptions	**134,596**	111,299
	202,027	(4,248,118)
Payments	**(15,612,216)**	(2,764,337)
At end of year	**41,452,198**	48,808,117

Actuarial assumptions

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

	2024	***2023***
Discount rate	**5.6%**	4.45%
Future salary growth	**5%**	6%
Withdrawal rate	**13%**	13.31%
Employee turnover and retirement age	**Moderate/65**	Moderate/60

Sensitivity analysis

	31 December 2024		*31 December 2023*	
	Increase	***Decrease***	*Increase*	*Decrease*
Discount rate (1% change)	**(2,859,050)**	**3,272,339**	(2,499,762)	2,800,851
Future salary growth (1% change)	**3,457,827**	**(3,075,488)**	3,028,139	(2,751,406)
Withdrawal rate (10% change)	**264,754**	**(282,340)**	105,240	(110,872)

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

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

	2024	*2023*
Less than a year	**4,727,097**	9,916,389
Between 1 – 5 years	**18,351,461**	19,630,889
Over 5 years	**46,392,817**	35,367,459

(Expressed in Saudi Riyals unless otherwise stated)

22. ZAKAT

22.1 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.

22.2 Provision for zakat

	2024	*2023*
At the beginning of the year	**9,728,580**	13,386,571
Provision for current year	**16,216,680**	9,878,531
Provision related to zakat assessment	**3,351,305**	-
Payments	**(9,386,336)**	(13,536,522)
At the end of the year	**19,910,229**	9,728,580

22.3 Status of final 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 year 2020, ZATCA issued its assessments for the years 2015 to 2018 claiming additional Zakat of SR 30 million, which was objected by the Company, and further escalated to the Tax Violation & Disputes Resolution Committee ("TVDRC").

On July 9, 2024, TVDRC issued its decision, which partially came in favor of the Company reducing ZATCA's claim by SR 18 million. Accordingly, the Company escalated the case to the Tax Violation & Disputes Appeal Committee ("TVDAC"), aiming to reduce ZATCA's claim by the remaining amount, which is currently under study by the TVDAC.

Before end of year 2024, ZATCA approached the Company for a settlement offer with the Internal Settlement Committee ("ISC"). Subsequently, the Company received a final settlement with an additional zakat liability amounted of SR 3.3 million. The management decided to accept the ISC's offer to clear those year with ZATCA.

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

Year 2023
During the year, ZATCA sent queries 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.

(Expressed in Saudi Riyals unless otherwise stated)

22. ZAKAT (continued)

22.3 Status of final assessments (continued)

Waste Collection and Recycling Company Limited ("WASCO")

During 2021, ZATCA issued its assessment for the years 2016 and 2017 claiming additional Zakat of SR 1.39 and SR 0.169 million respectively, which the Company has objected, and further escalated to the TVDRC and TVDAC, which issued their decisions in favor of ZATCA. However, the Company settled the Zakat dues for appeal case on May 13, 2024, therefore the Zakat position is cleared for this years.

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 for the year 2022 and unrestricted zakat certificates have been obtained till 30 April 2025.

Al-Tadweer Al-Khadar Industrial Company ("Al Tadweer")

The Company registered with ZATCA on June 4, 2024, and is currently in the process of submitting the Zakat return for FY24 to ZATCA by the deadline of April 30, 2025.

23. TRADE AND OTHER PAYABLES

	2024	*2023*
Trade payables - third parties	**143,267,674**	158,930,844
Employees related accruals	**21,114,766**	22,648,954
Trade payables - related party (see note 33.2)	**1,381,208**	5,914,180
Net Value Added Tax (VAT) payables	**1,316,353**	1,809,818
Accrued sales services expenses	**363,889**	592,298
Accrued legal and consultancy fees	**382,000**	291,725
Accrued transportation expenses	**46,184**	142,250
Provision of legal cases	**10,000,000**	-
Others	**6,532,570**	6,653,931
	184,404,644	196,984,000

24. OTHER CURRENT LIABILITIES

	2024	*2023*
Contract liabilities (note 24.1)	**3,870,539**	8,324,497
Costs relating to share capital increase	**-**	7,000,000
Others	**-**	90,840
	3,870,539	15,415,337

24.1 During the year, revenue recognized from advances to customers balance as at 31 December 2023 was amounting to SR 8 million

(Expressed in Saudi Riyals unless otherwise stated)

25. COST OF REVENUE

	2024	*2023 Restated (note 36.2)*
Direct material costs	**498,877,684**	420,423,785
Direct employees' costs	**78,168,510**	86,351,348
Depreciation and amortization	**108,879,517**	98,562,688
Energy costs	**72,174,379**	54,800,323
Shipping and delivery costs	**44,840,667**	41,319,658
Maintenance cost	**37,911,744**	39,336,767
Allowance for slow moving and obsolete inventories (refer note 10.1)	**34,158,259**	4,440,268
Transportation cost	**19,961,898**	19,572,852
Utilities	**21,299,469**	18,527,891
Production expense	**24,644,595**	25,560,309
Short-term leases	**1,496,465**	2,006,552
Other overheads	**15,215,904**	12,173,899
	957,629,091	823,076,340

26. SELLING AND DISTRIBUTION EXPENSES

	2024	*2023 Restated (note 36.2*
Salaries and related benefits	**10,631,214**	9,464,471
Depreciation of property, plant and equipment (refer note 5.3)	**1,705,123**	2,780,803
Sales commission	**1,716,055**	1,746,880
Sales service expenses	**184,925**	385,625
Credit insurance	**798,409**	107,606
Others	**6,796,257**	5,801,619
	21,831,983	20,287,004

(Expressed in Saudi Riyals unless otherwise stated)

27. GENERAL AND ADMINISTRATIVE EXPENSES

	2024	*2023*
Salaries and related benefits	**70,764,684**	56,965,213
Consultation fee	**12,783,527**	6,445,669
Directors' remuneration (refer note 33.2)	**5,532,261**	5,514,311
Repairs and maintenance	**3,395,009**	1,005,450
Depreciation and amortization	**3,094,374**	1,784,936
IT expenses	**2,565,763**	2,952,982
Insurance expenses	**1,270,742**	1,019,814
Bank charges	**1,208,380**	1,799,687
Training	**1,165,750**	1,932,936
Travel expenses	**1,115,200**	1,835,479
Government fee	**969,730**	2,346,688
Professional fee *****	**1,455,300**	1,231,249
Communication	**293,425**	1,313,993
Penalty (reversal)/expense	**10,000,000**	(5,000,000)
Provision against advances to suppliers	**176,013**	208,582
Others	**3,223,279**	8,685,897
	119,013,437	90,042,886

*****Professional fees include audit fees amounted to SR 1.15 million for year ended 31 December 2024.

28. OTHER OPERATING INCOME / (EXPENSES)– NET

	2024	*2023*
Foreign currency exchange gain / (loss)	**(2,076,130)**	2,568,191
Consultancy services income	**2,092,744**	4,000,000
Scrap sales	**3,344,587**	2,688,779
Insurance claim recovery	**3,063,098**	1,795,102
Gain / (loss) on disposal of property, plant and equipment	**167,632**	(412,321)
Others, net	**(1,961,309)**	277,525
	4,630,622	10,917,276

(Expressed in Saudi Riyals unless otherwise stated)

29. FINANCE COSTS

	2024	*2023*
Finance costs on long-term borrowings:		
- Tawarruq	**17,324,350**	21,592,477
- SIDF charges	**3,298,195**	1,504,667
- Amortisation of deferred financial charges	**2,703,300**	857,516
Finance costs on short-term borrowings:		
- Tawarruq	**11,915,975**	1,565,965
Interest on lease liabilities	**939,213**	1,003,874
	36,181,033	26,524,499

30. LOSS PER SHARE

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

	2024	*2023*
Net loss for the year attributable to equity holders of the Parent Company	**(77,326,129)**	(80,269,141)
Weighted average number of shares *	**86,502,282**	66,666,666
Basic and diluted loss per share (SR per share)	**(0.89)**	(1.20)

*The weighted average number of ordinary shares issued and outstanding at year end 31 December 2023 have been adjusted for the new shares issued on 04 January 2024 (refer note 16).

31. FINANCIAL INSTRUMENTS

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

31.1 Financial instruments by category

(a) Financial assets subsequently measured at amortized cost:

	Notes	*2024*	*2023*
Trade receivables	11	**338,341,685**	266,336,680
Other current assets (Advances to employees)	13	**2,573,773**	3,454,663
Cash and short-term deposits (excluding cash on hand)	15	**609,706,104**	55,540,854
		950,621,562	325,332,197

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

	Note	*2024*	*2023*
Investments at fair value through profit or loss	14	**-**	5,633

(Expressed in Saudi Riyals unless otherwise stated)

31. FINANCIAL INSTRUMENTS (continued)

31.1 Financial instruments by category (continued)

(c) Financial liabilities at amortized cost:

	Notes	***2024***	*2023*
Borrowings	20	**691,143,206**	566,888,945
Trade and other payables	23	**184,404,644**	196,984,000
Lease liabilities	8	**17,786,093**	24,905,561
		893,333,943	788,778,506

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

31.2 Fair value of assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group fair values the derivative financial instruments and investment at fair value through profit or loss. The fair value of derivative financial instrument is calculated as the present value of the estimated future cash flows based on observable yield curves.

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

	2024	*2023*
Level 2		
Investments at fair value through profit or loss	**-**	5,633

During the year ended 31 December 2024, this portfolio has been closed.

32. COMMITMENT, CONTIGENCIES AND LITIGATION

i. As at 31 December 2024, the Group had outstanding letters of credit of SR 23 million (2023: SR 28 million) and letters of guarantee of SR 1 million (2023: SR 1 million) that were issued in the normal course of the business.

ii. The capital expenditure contracted by the Group but not incurred till 31 December 2024 was approximately SR 16 million (2023: SR 32.7 million).

iii. During the year ended 31 December 2024, a labor case was filed against the Company by a former employee of the Company with additional claim not exceeding SR 19 million. According to the opinion of the Company’s external legal counsel, the management is confident of winning the case and it is expected that the ultimate outcome will not result in any cash outflow other than what has already been settled. Accordingly, no provision has been recorded in the financial statements for the year ended 31 December 2024. Subsequent to the year end, first level of the court dismissed the former employee’s request and the court’s conclusion was in favor of the Company

(Expressed in Saudi Riyals unless otherwise stated)

32. COMMITMENT, CONTIGENCIES AND LITIGATION (continued)

iv. One of the Group's subsidiaries was previously involved in litigation with the General Authority for Competition, where the Administrative Court of Appeal ruled in its favor. However, the Supreme Administrative Court has overturned this ruling and referred the case back to the Administrative Court of Appeal for a new judgment. Given this development and based on the management assessment and the legal view the management recorded SR 10 million during the year ended 31 December 2024, recognizing the ongoing legal uncertainty and in accordance with International Accounting Standards ("IAS") 37 Provisions, Contingent Liabilities and Contingent Assets.

33. RELATED PARTIES TRANSACTIONS AND BALANCES

Related parties represent the partners, directors and key management personnel of the Group, affiliates (the Company and the entities are members of the same group), and entities controlled, jointly controlled, or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management. Following is the list of related party transactions and balances of the Group:

33.1 Related parties' transactions

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

Related party	*Description of transaction*	*Relationship*	*2024*	*2023*
Arabian Maize Company for Industry Company	Purchase of materials	Company of chairman board of directors	**18,128,375**	25,126,617
Directors	Directors' remuneration	Directors	**5,532,261**	5,514,311

33.2 Related parties' balances

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

Related party	*2024*	*2023*
Jeddah Development and Urban Regeneration Company	**-**	20,050,000
Advances to key management personnel	**148,750**	210,000
Accrued directors' remuneration	**1,425,603**	-
Arabian Maize Company for Industry (note 25)	**(1,381,208)**	(5,914,180)

33.3 Transactions with key management personnel

Key management personnel compensation comprised the following:

	2024	*2023*
Short term benefits	**13,496,317**	14,665,549
Share-based payment	**-**	2,640,000
Post-employment benefits	**189,238**	218,250
Termination benefits	**625,729**	728,580
	14,311,284	18,252,379

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

Related party balances are generally unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables.

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34. FINANCIAL RISK MANAGEMENT

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

34.1 Market risk

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

34.2 Interest rate risk

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group manages the interest rate risk by regularly monitoring the interest rate profiles of its interest-bearing financial instruments and entering into interest rates swap arrangements.

At 31 December 2024, if interest rates had been 1% higher/lower with all other variables held constant, future interest on outstanding loans will increase/decrease by SR 447,365 (2023: SR 3,736,640).

34.3 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The Group did undertake significant transactions in currencies Saudi Riyals and US Dollars during the year ended 31 December 2024 and 2023. Since Saudi Riyal is pegged to the US Dollar, the Group is not exposed to significant foreign currency risk.

The Group also has significant exposure to Euro at the end of 2024 and 2023. The following tables demonstrate the sensitivity to a reasonably possible change in Euro and Saudi Riyals exchange rates, with all other variables held constant. The impact on the Group's (loss) before zakat is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

	Change in rate Euros	*Effect on (loss) / profit before zakat*
2024		
	+ 5%	**515,244**
	- 5%	**(515,244)**
2023		
	+ 5%	82,751
	- 5%	(82,751)

34.4 Credit risk

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

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

(Expressed in Saudi Riyals unless otherwise stated)

34. FINANCIAL RISK MANAGEMENT (continued)

34.4 Credit risk (continued)

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

	2024	*2023*
Financial assets		
Trade receivables	**365,927,711**	288,777,750
Other current assets (Advances to employees)	**2,573,773**	3,454,663
Cash at banks	**299,076,353**	55,540,854
Investment at FVTPL	**-**	5,633
	667,577,837	347,778,900

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

34.5 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments. The Group has no significant concentration of liquidity risk. For instance, concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowings or reliance on a particular market in which to realize liquid assets. The following is contractual undiscounted maturity analysis of the financial liabilities of the Group as at 31 December 2024. The Group does not hold financial assets for managing liquidity risk. Hence, these risks have not been considered for maturity analysis.

2024	***1 year or less***	***Above 1 year to 5 years***	***More than 5 years***	***Total***
Non derivative financial liabilities				
Borrowings	**458,443,278**	**267,965,702**	**-**	**726,408,980**
Trade and other payables	**184,404,644**	**-**	**-**	**184,404,644**
Lease liabilities	**8,144,465**	**10,958,226**	**-**	**19,102,691**
	650,992,387	**278,923,928**	**-**	**929,916,315**

2023	*1 year or less*	*Above 1 year to 5 years*	*More than 5 years*	*Total*
Non derivative financial liabilities				
Borrowings	246,587,548	382,922,691	439,059	629,949,298
Trade and other payables	196,984,000	-	-	196,984,000
Lease liabilities	9,022,321	4,025,465	13,834,872	26,882,658
	452,593,869	386,948,156	14,273,931	853,815,956

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

(Expressed in Saudi Riyals unless otherwise stated)

34. FINANCIAL RISK MANAGEMENT (continued)

34.6 Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities:

2024	***1 January 2024***	***Cash flows***	***New leases***	***Others***	***31 December 2024***
Non derivative financial liabilities					
Interest-bearing long-term borrowings	**464,761,416**	**(83,493,069)**	**-**	**(356,191)**	**380,912,156**
Short-term borrowings	**102,127,529**	**204,969,375**	**-**	**3,134,146**	**310,231,050**
Lease liabilities	**24,905,561**	**(7,291,080)**	**324,057**	**(152,445)**	**17,786,093**
	591,794,506	**114,185,226**	**324,057**	**2,625,510**	**708,929,299**

2023	*1 January 2023*	*Cash flows*	*New leases*	*Others*	*31 December 2023*
Non derivative financial liabilities					
Interest-bearing long-term borrowings	511,155,430	(46,963,608)	-	569,594	464,761,416
Short-term borrowings	33,564,696	74,446,677	-	(5,883,844)	102,127,529
Lease liabilities	29,429,840	(10,911,393)	6,387,114	-	24,905,561
	574,149,966	16,571,676	6,387,114	(5,314,250)	591,794,506

The ‘Other’ column includes the effect of accrued but not yet paid interest on interest-bearing loans and borrowings, lease modifications, and other adjustments. The Group classifies interest paid as cash flows from operating activities.

35. CAPITAL MANAGEMENT

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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35. CAPITAL MANAGEMENT (continued)

The capital gearing ratio is as follows:

	2024	*2023*
Borrowings	**691,143,206**	566,888,945
Total debt	**691,143,206**	566,888,945
Cash and short-term deposits	**(610,683,119)**	(56,549,393)
Net debt	**80,460,087**	510,339,552
Share capital	**866,666,650**	666,666,660
Share premium	**419,999,979**	-
Statutory reserve	**135,278,852**	135,278,852
Reserve for employee share-based payments	-	10,500,000
Retained earnings	**184,282,212**	261,845,302
Non-controlling interest	**(6,194,341)**	(6,087,404)
Net equity	**1,600,033,352**	1,068,203,410
TOTAL EQUITY AND NET DEBT	**1,680,493,439**	1,578,542,962
Capital gearing ratio - %	**4.79%**	32.33%

36. COMPARATIVE FIGURES

36.1 Certain prior year information has been reclassified to conform with the presentation in the current year. As a result of such reclassification, there is no impact on the consolidated statement of profit or loss and Comprehensive Income, consolidated statement of changes in shareholders' equity and consolidated statement of cashflows.

Reclassification in the consolidated statement of financial position for the year ended 31 December 2023 is summarised below:

	As previously reported	*Impact of reclassification*	***As currently reported***
Trade and other payables	189,202,705	7,781,295	**196,984,000**
Short-term borrowings	109,908,824	(7,781,295)	**102,127,529**

36.2 Management has reassessed the classification of shipping and delivery costs based on the requirements of IFRS 15 'Revenue from contracts with customers'. Accordingly, based on the management assessment, the Group has a performance obligation i.e., sale of goods, in addition to a promise to transfer/deliver the goods which shall be classified in cost of sales as it represents costs to fulfil the revenue obligation instead of classified in selling and distribution expenses. Consequentially, prior year shipping and delivery cost amounting to SR 41.3 million has been reclassified from selling and distribution expenses to cost of sales to conform with the current year presentation. Such reclassification changes do not affect previously reported profit or equity. Reclassification in the statement of profit or loss and other comprehensive income for the year ended 31 December 2023 is summarized below:

	As previously reported	*Impact of reclassification*	***As currently reported***
Cost of Sales	781,756,682	41,319,658	**823,076,340**
Gross profit	84,996,089	(41,319,658)	**43,676,431**
Selling and distribution expenses	61,606,662	(41,319,658)	**20,287,004**

37. SUBSEQUENT EVENTS

The Company signed a Share Purchase Agreement dated 27 Ramadan 1446H corresponding to 27 March 2025 (the "SPA") of acquisition for the entire shareholding in Al-Medan Project Company For Corrugated Carton ("MPCCC") amounting to 1,000 ordinary shares, representing 100% of MPCCC's share capital, for a consideration consisting of a cash amount of SR 91 million to be paid by MEPCO, and the remaining consideration being paid through the issuance of new ordinary shares in MEPCO to the Sellers which will be calculated prior to completion based on the volume-weighted average price (VWAP) of the shares of MEPCO. The completion of the acquisition will be subject to the satisfaction of certain regulatory and corporate conditions, including Capital Market Authority, other regulatory approvals and the Extraordinary General Assembly of MEPCO.

Except for that, there have been no significant subsequent events since the year ended 31 December 2024, which would have a material impact on the financial position of the Group as reflected in these consolidated financial statements.

38. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorized for issue by the Company's Board of Directors on 27 Ramadan 1446H (corresponding to 27 March 2025G).