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

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

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022

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Building a better working world

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

Introduction:

We have reviewed the accompanying interim condensed consolidated statement of financial position of Middle East Company for Manufacturing and Producing Paper (A Saudi Joint Stock Company) ("the Company") and its subsidiaries (collectively referred to as "the Group") as at 31 March 2022 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review:

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

Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 and IFRS1 that are endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young Professional Services

Abdullah Ali AlMakrami
Certified Public Accountant
License No. 476

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

Jeddah: 26 Ramadhan 1443H
27 April 2022G

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2022
(Expressed in Saudi Riyals unless otherwise stated)

	Note	*31 March 2022 (Unaudited)*	*31 December 2021 (Audited)*
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	**957,017,060**	969,046,594
Capital work in progress	6	**116,461,880**	94,546,859
Right-of-use assets	7	**33,061,407**	34,158,612
Intangible assets		**730,277**	902,718
TOTAL NON-CURRENT ASSETS		**1,107,270,624**	1,098,654,783
CURRENT ASSETS			
Inventories		**143,274,647**	144,017,771
Trade receivables		**302,576,891**	291,381,361
Prepayments and other receivables		**15,045,409**	15,254,395
Other current assets		**54,280,520**	56,799,480
Financial asset at fair value through profit or loss		**5,633**	5,633
Cash and cash equivalents		**149,714,616**	264,004,358
TOTAL CURRENT ASSETS		**664,897,716**	771,462,998
TOTAL ASSETS		**1,772,168,340**	1,870,117,781
EQUITY AND LIABILITIES			
EQUITY			
Share capital		**500,000,000**	500,000,000
Statutory reserve		**117,547,592**	108,308,999
Treasury shares		**-**	(1,136,135)
Reserve for employees' share-based payments	11	**-**	1,715,000
Retained earnings		**457,527,666**	373,801,465
Equity attributable to equity holders of parent		**1,075,075,258**	982,689,329
Non- controlling interests		**842,890**	206,563
TOTAL EQUITY		**1,075,918,148**	982,895,892
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term borrowings	8	**357,378,188**	411,866,578
Lease liabilities	9	**26,848,688**	27,203,497
Employee benefits		**42,832,666**	42,244,799
TOTAL NON-CURRENT LIABILITIES		**427,059,542**	481,314,874
CURRENT LIABILITIES			
Zakat payable	10	**11,195,305**	6,752,605
Long-term borrowings – current portion	8	**77,935,839**	149,894,087
Lease liabilities – current portion	9	**5,631,881**	5,802,385
Short-term borrowings		**15,628,734**	97,349,450
Trade and other payables		**138,693,613**	134,836,567
Other current liabilities		**20,105,278**	11,271,921
TOTAL CURRENT LIABILITIES		**269,190,650**	405,907,015
TOTAL LIABILITIES		**696,250,192**	887,221,889
TOTAL EQUITY AND LIABILITIES		**1,772,168,340**	1,870,117,781

Chief Financial Officer Chief Executive Officer Chairman of the Board

The attached notes from 1 to 19 form an integral part of these interim condensed consolidated financial statements.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
For the three-month period ended 31 March 2022
(Expressed in Saudi Riyals unless otherwise stated)

	Note	*31 March 2022 (Unaudited)*	*31 March 2021 (Unaudited)*
Revenue		**305,017,138**	200,514,376
Cost of revenue		**(161,860,633)**	(152,503,239)
GROSS PROFIT		**143,156,505**	48,011,137
Selling and distribution expenses		**(18,394,443)**	(14,943,825)
General and administrative expenses		**(18,997,714)**	(13,754,571)
Impairment losses on financial assets		**(1,118,275)**	(1,287,829)
Fair value gain on derivative financial instruments		**-**	364,800
Other income, net		**(3,352,473)**	4,627,065
OPERATING PROFIT		**101,293,600**	23,016,777
Finance costs		**(3,470,958)**	(3,725,898)
PROFIT BEFORE ZAKAT		**97,822,642**	19,290,879
Zakat expense	10	**(4,800,386)**	(1,569,327)
PROFIT FOR THE PERIOD		**93,022,256**	17,721,552
Attributable to:			
Equity holders of the parent		**92,385,929**	17,721,552
Non-controlling interests		**636,327**	-
		93,022,256	17,721,552
Other comprehensive income			
Items not to be reclassified to statement of profit or loss in subsequent periods:			
Actuarial gain on re-measurement of employee benefit obligations		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**93,022,256**	17,721,552
Attributable to:			
Equity holders of the parent		**92,385,929**	17,721,552
Non-controlling interests		**636,327**	-
		93,022,256	17,721,552
EARNINGS PER SHARE:			
Basic and diluted, earnings per share attributable to ordinary equity holders of the Group (Saudi Riyals)	12	**1.85**	0.36

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

The attached notes from 1 to 19 form an integral part of these interim condensed consolidated financial statements.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three-month period ended 31 March 2022

(Expressed in Saudi Riyals unless otherwise stated)

	Attributable to equity holders of the Parent							
	Share capital	*Statutory reserve*	*Treasury shares*	*Reserve for employees' share-based payments*	*Retained earnings*	*Total*	*Non-controlling interests*	*Total equity*
Balance as at 1 January 2021 (Audited)	500,000,000	86,237,989	(6,816,812)	-	172,571,815	751,992,992	-	751,992,992
Profit for the period	-	-	-	-	17,721,552	17,721,552	-	17,721,552
Other comprehensive income for the period	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	17,721,552	17,721,552	-	17,721,552
Transfer to statutory reserve	-	1,772,155	-	-	(1,772,155)	-	-	-
Balance as at 31 March 2021 (Unaudited)	500,000,000	88,010,144	(6,816,812)	-	188,521,212	769,714,544	-	769,714,544
Balance as at 1 January 2022 (Audited)	**500,000,000**	**108,308,999**	**(1,136,135)**	**1,715,000**	**373,801,465**	**982,689,329**	**206,563**	**982,895,892**
Profit for the period	-	-	-	-	**92,385,929**	**92,385,929**	**636,327**	**93,022,256**
Other comprehensive income for the period	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	**92,385,929**	**92,385,929**	**636,327**	**93,022,256**
Transfer from treasury shares	-	-	**1,136,135**	**(1,136,135)**	-	-	-	-
Gain on employee share-based payment plan	-	-	-	**(578,865)**	**578,865**	-	-	-
Transfer to statutory reserve	-	**9,238,593**	-	-	**(9,238,593)**	-	-	-
Balance as at 31 March 2022 (Unaudited)	**500,000,000**	**117,547,592**	-	-	**457,527,666**	**1,075,075,258**	**842,890**	**1,075,918,148**

Chief Financial Officer

Chief Executive Officer

Chairman of the Board

The attached notes from 1 to 19 form an integral part of these interim condensed consolidated financial statements.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
For the three-month period ended 31 March 2022
(Expressed in Saudi Riyals unless otherwise stated)

	Note	*31 March 2022 (Unaudited)*	*31 March 2021 (Unaudited)*
OPERATING ACTIVITIES			
Profit before zakat		**97,822,642**	19,290,879
Adjustments to reconcile profit before zakat to net cash flows:			
Depreciation and amortization		**24,544,846**	27,057,472
Finance costs		**3,470,958**	3,725,898
Loss/(gain) on disposal of property and equipment		**2,008,375**	(2,405,532)
Allowance for impairment of trade receivables		**1,118,275**	1,287,829
Allowance for slow moving inventories		-	750,000
Provision against advances to suppliers and employees		-	155,950
Employee benefits provision		**1,365,647**	1,267,804
Fair value loss on derivative financial instruments		-	(364,800)
Fair value gain on financial asset at fair value through profit or loss		-	(12)
		130,330,743	50,765,488
Working capital adjustments:			
Inventories		**743,124**	(4,915,483)
Trade receivables		**(12,313,805)**	(10,155,135)
Prepayments and other receivables		**208,986**	831,379
Other current assets		**2,518,960**	6,172,766
Trade and other payables		**3,857,046**	(4,340,527)
Other current liabilities		**8,833,357**	1,437,453
Cash generated from operations		**134,178,411**	39,795,941
Finance costs paid		**(3,078,859)**	(3,543,615)
Zakat paid	10	**(357,686)**	(241,040)
Employee benefits paid		**(777,780)**	(1,186,596)
Net cash flows from operating activities		**129,964,086**	34,824,690
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(4,492,151)**	(4,865,810)
Purchase of intangible assets		**(38,000)**	-
Additions to capital work in progress		**(29,700,255)**	(6,036,685)
Proceeds from disposal of property, plant and equipment		-	2,437,798
Net cash flows used in investing activities		**(34,230,406)**	(8,464,697)
FINANCING ACTIVITIES			
Net change in short-term borrowings		**(81,480,487)**	35,734,197
Repayments of long-term borrowings		**(127,167,761)**	(72,669,413)
Payment of principle portion of lease liabilities		**(1,375,174)**	(2,046,049)
Net cash flows used in financing activities		**(210,023,422)**	(38,981,265)
DECREASE IN CASH AND CASH EQUIVALENTS		**(114,289,742)**	(12,621,272)
Cash and cash equivalents at the beginning of the period		**264,004,358**	45,455,272
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**149,714,616**	32,834,000

MAJOR NON-CASH TRANSACTIONS
Major non-cash transactions are reflected in note 5, 6 and 7

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

The attached notes from 1 to 19 form an integral part of these interim condensed consolidated financial statements.

(Expressed in Saudi Riyals unless otherwise stated)

1 CORPORATE INFORMATION

Middle East Company for Manufacturing and Producing Paper ("MEPCO" or the "Company") and its subsidiaries (collectively the "Group") are engaged in production and sale of container board and industrial paper. MEPCO is a Saudi Joint Stock Company incorporated and operating in the Kingdom of Saudi Arabia.

The Company obtained its Commercial Registration No. 4030131516 on 3 Rajab 1421H (corresponding to 30 September 2000). During the year 2012, the legal status of the Company converted from a limited liability company into a Saudi Closed Joint Stock Company. The Ministry of Commerce approved the conversion of the Company to a Saudi Closed Joint Stock Company by Ministerial Decision No. 44 dated 14 Safar 1433H (corresponding to 8 January 2012). The Company's application for its initial public offering was accepted by the Capital Market Authority (CMA) on 25 Jumada I 1436H (corresponding to 16 March 2015). The Company was converted to Saudi Joint Stock Company on 14 Rajab 1436H (corresponding to 3 May 2015). The Company s head office is located at Jeddah, P.O. Box 32913, Jeddah 21438 Kingdom of Saudi Arabia. At 31 March 2022, the Company had investments in the following subsidiaries:

Subsidiary name	*Country of incorporation*	*Principal business activity*	*31 March 2022*	*31 December 2021*
			Effective Ownership interest	
Waste Collection and Recycling Company Limited ("WASCO")	Saudi Arabia	Whole and retail sales of paper, carton and plastic waste	100%	100%
Special Achievements Company Limited ("SACO")	Saudi Arabia	Whole and retail sales of used papers, carton and plastic products	100%	100%
Juthor Paper Manufacturing Company formerly known Roots Paper Manufacturing Company Limited ("Juthor") (see note b)	Saudi Arabia	Production and sales of tissue paper rolls.	100%	100%
Indirect holdings				
Estidama Environmental Services Company LLC ("Estidama") (see note a)	Saudi Arabia	Whole sales of wastes, scrap, and other unclassified product and waste management and treatment services	50%	50%

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

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

(c) During 2018, the Company started the process to transfer the 3% shareholding of WASCO and SACO in each other to the Company. The transfer of SACO's 3% shareholding in WASCO to the Company was completed during 2018. However, the legal formalities for the transfer of WASCO's 3% shareholding in SACO to the Company are under process. Further, during November 2021, the Board has approved to initiate the liquidation process for SACO as it no longer serves any legal nor commercial purpose in the Group. As of the date of the issuance of the consolidated financial statements, the Company didn't yet appoint any certified liquidator. However, there is no financial impact expected on the liquidation procedure.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The interim condensed consolidated financial statements for the three-month period ended 31 March 2022 have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia as well as other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants ("SOCPA"). The Group has prepared the interim condensed consolidated financial statements on the basis that it will continue to operate as a going concern. The Directors consider that there are no material uncertainties that may cast doubt significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021 (see also note 2.4).

2.2 Basis of measurement

These interim condensed consolidated financial statements are prepared under the historical cost convention, except investment at fair value through profit or loss which are measured at fair value.

2.3 Functional and presentation currency

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

2.4 Significant accounting judgements, estimates and assumptions

The preparation of the Group's interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and accompanying disclosures. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, were disclosed in annual consolidated financial statements for the year ended 31 December 2021.

However, in the view of the current uncertainty due to COVID-19, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments (see also note 16).

2.5 Significant accounting policies

The accounting policies adopted by the Group for the preparation of these interim condensed consolidated financial statements are consistent with those followed in preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for accounting policies related to the new standard adopted by the Group effective as of 1 January 2022 (see Note 3).

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments and interpretations apply for the first time in 2022, but do not have an impact on the interim condensed consolidated financial statements of the Group.

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

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the period.

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

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

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

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

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

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

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.These amendments had no impact on the interim condensed consolidated financial statements of the Group as it is not a first-time adopter.

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

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

These amendments had no significant impact on the interim condensed consolidated financial statements of the Group during the period.

4 SEGMENT INFORMATION

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

(Expressed in Saudi Riyals unless otherwise stated)

4 SEGMENT INFORMATION (continued)

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

Segment results that are reported to the Chairman Board of Directors and top management (Chief Executive Officer (CEO), Chief Operating Officer (COO) and Chief Financial Officer (CFO) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment revenues and profit (loss) before zakat, as included in the internal management reports that are reviewed by the top management. The following table presents segment information for the three-month period ended 31 March 2022:

	Manufacturing	*Trading*	*Elimination*	*Total*
Results for the three-month period ended 31 March 2022 (Unaudited)				
Revenues	**297,180,116**	**89,213,623**	**(81,376,601)**	**305,017,138**
External revenues	**297,180,116**	**7,837,022**	**-**	**305,017,138**
Segment profit before zakat	**96,526,607**	**8,349,147**	**(7,053,112)**	**97,822,642**
Zakat	**4,546,063**	**254,323**	**-**	**4,800,386**
Financial costs	**3,082,873**	**388,085**	**-**	**3,470,958**
Depreciation and amortization	**21,029,031**	**3,515,815**	**-**	**24,544,846**
Results for the three-month period ended 31 March 2021 (Unaudited)				
Revenues	193,981,280	90,524,854	(83,991,758)	200,514,376
External revenues	193,981,280	6,533,096	-	200,514,376
Segment profit before zakat	19,201,304	5,245,533	(5,155,958)	19,290,879
Zakat	1,568,129	1,198	-	1,569,327
Finance costs	3,389,560	336,338	-	3,725,898
Depreciation and amortization	23,988,753	3,068,719	-	27,057,472
As of 31 March 2022 (Unaudited)				
Total assets	**1,783,642,095**	**185,213,856**	**(196,687,611)**	**1,772,168,340**
Total liabilities	**660,183,659**	**106,028,024**	**(69,961,491)**	**696,250,192**
As of 31 December 2021 (Audited)				
Total assets	1,834,608,489	164,406,241	(128,896,949)	1,870,117,781
Total liabilities	826,466,081	93,315,234	(32,559,426)	887,221,889

The Group makes sales in local and foreign markets in Middle East, Africa, Asia and Europe. Export sales during the three-month period ended 31 March 2022 amounted to SR 111.52 million (three-month period ended 31 March 2021: SR 85.95 million). Local external sales in Kingdom of Saudi Arabia, during the three-month period ended 31 March 2022 amounted to SR 193.5 million (three-month period ended 31 March 2021: SR 114.56 million).

(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*
At 1 January 2022						
Cost	169,328,401	190,992,059	1,537,554,753	30,903,194	33,751,781	1,962,530,188
Accumulated depreciation	-	(70,076,991)	(878,409,429)	(18,672,896)	(26,324,278)	(993,483,594)
Net book value (Audited)	169,328,401	120,915,068	659,145,324	12,230,298	7,427,503	969,046,594
Three-month period ended 31 March 2022						
Opening net book value	169,328,401	120,915,068	659,145,324	12,230,298	7,427,503	969,046,594
Additions		32,400	4,154,774	421,053	279,800	4,888,027
Transfers						
- Cost (refer note 6)	-	521,628	6,387,720	875,886	-	7,785,234
Disposals						
- Cost	-	(2,292,649)	-	(369,750)	-	(2,662,399)
- Accumulated depreciation	-	554,435	-	99,587	-	654,022
Depreciation charge	-	(1,654,440)	(19,637,158)	(894,585)	(508,235)	(22,694,418)
Net book value as at 31 March 2022	**169,328,401**	**118,076,442**	**650,050,660**	**12,362,489**	**7,199,068**	**957,017,060**
At 31 March 2022						
Cost	169,328,401	189,253,438	1,548,097,247	31,830,383	34,031,581	1,972,541,050
Accumulated depreciation	-	(71,176,996)	(898,046,587)	(19,467,894)	(26,832,513)	(1,015,523,990)
Net book value (Unaudited)	**169,328,401**	**118,076,442**	**650,050,660**	**12,362,489**	**7,199,068**	**957,017,060**

5.1 During the three-month period ended 31 March 2022, finance costs amounting to SR 0.4 million were capitalized as part of property, plant and equipment (year ended 31 December 2021: SR 1.6 million).

5.2 All land, buildings and mobile cabinets, machinery and equipment, furniture and office equipment relating to the Company are pledged as collateral to Saudi Industrial Development Fund (SIDF) as a first-degree pledge (note 8).

(Expressed in Saudi Riyals unless otherwise stated)

6 CAPITAL WORK-IN-PROGRESS

	31 March 2022 (Unaudited)	*31 December 2021 (Audited)*
Opening net book value	**94,546,859**	103,007,179
Additions	**29,700,255**	41,529,066
Transfers to property, plant and equipment (refer note 5)	**(7,785,234)**	(49,964,613)
Reclass to intangible assets	**-**	(24,773)
	116,461,880	94,546,859

Capital work-in-progress as at 31 March 2022 includes costs incurred related to the ongoing projects for plant and machinery, as well as construction of a tissue mill factory in King Abdullah Economic City, Rabigh under the wholly own subsidiary Juthor. The projects are expected to complete during the second quarter of 2022 and the tissue mill project is expected to be completed during first quarter 2023. Refer to note 14 for capital commitments.

7 RIGHT OF USE ASSETS

	Leased Land	*Buildings*	*Total*
At 1 January 2022			
Cost	48,028,022	7,069,133	55,097,155
Accumulated depreciation	(17,037,513)	(3,901,030)	(20,938,543)
Net book value (Audited)	30,990,509	3,168,103	34,158,612
Three-month period ended 31 March 2022			
Opening net book value	30,990,509	3,168,103	34,158,612
Additions	-	542,782	542,782
Depreciation charge	(1,232,832)	(407,155)	(1,639,987)
Closing net book value as at 31 March 2022	**29,757,677**	**3,303,730**	**33,061,407**
At 31 March 2022			
Cost	48,028,022	7,611,915	55,639,937
Accumulated depreciation	(18,270,345)	(4,308,185)	(22,578,530)
Net book value (Unaudited)	**29,757,677**	**3,303,730**	**33,061,407**

8 LONG-TERM BORROWINGS

	31 March 2022 (Unaudited)	*31 December 2021 (Audited)*
Saudi Industrial Development Fund (“SIDF”)	**39,969,319**	64,784,467
Islamic banking facilities (“Tawarruq”)	**395,344,708**	496,976,198
Long-term borrowings	**435,314,027**	561,760,665
Less: current portion shown under current liabilities	**(77,935,839)**	(149,894,087)
Long term borrowings shown under non-current liabilities	**357,378,188**	411,866,578

(Expressed in Saudi Riyals unless otherwise stated)

8 LONG-TERM BORROWINGS (continued)

(a) The Company signed a loan agreement with SIDF amounting to SR 124.7 million in 2013 to finance the construction of manufacturing facilities. This loan was fully utilized as at 31 December 2017. The loan is repayable in unequal semi-annual instalments up to March 2022.

During 2020, the Company has obtained new facility from SIDF amounting Saudi Riyals 35.3 million to finance the construction of manufacturing facilities. The loan is repayable in unequal semi-annual instalments up to February 2025.

During 2021, the Company has obtained new facility from SIDF for the tissue paper factory amounting Saudi Riyals 150 million to finance the construction of manufacturing facilities. There are no utilizations of this facility so far.

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

(b) The Company has also obtained long-term credit facilities from commercial banks. These loans bear financial charges based on prevailing market rates in Kingdom of Saudi Arabia (“SIBOR”) and United Kingdom (“LIBOR”).

Upfront fees were deducted at the time of receipt of loans from commercial banks, which are amortised over the period of the respective loans. These loans are repayable up to the year 2026.

As part of the Group’s plan to optimize its debt-equity structure and consolidate its loan facilities the Group has utilized loan proceeds received on 29 December 2021 to early settle existing long-term loans from other commercial banks.

The above loans and facilities include certain covenants which require the Company to maintain certain levels of current and leverage ratios and certain restriction on dividend distribution and also notify the bank any breach or probable breach immediately. The Company is in compliance with all its related covenants as of 31 March 2022.

9 LEASE LIABILITIES

Movement in lease liabilities is summarized as follows:

	31 March 2022 (Unaudited)	*31 December 2021 (Audited)*
At the beginning of the period / year	**33,005,882**	39,989,886
Additions	**542,782**	2,495,122
Remeasurement		68,173
Accretion of interest	**307,079**	1,385,591
Payments	**(1,375,174)**	(10,932,890)
At the end of the period / year	**32,480,569**	33,005,882

The scheduled maturities of the lease liabilities as at period ended 31 March 2022 are as follows:

	Principal amount	***Interest***	***Net lease liabilities***
Current portion	**6,762,032**	**(1,130,151)**	**5,631,881**
Non-current portion	**29,645,849**	**(2,797,161)**	**26,848,688**
	36,407,881	**(3,927,312)**	**32,480,569**

(Expressed in Saudi Riyals unless otherwise stated)

10 ZAKAT

10.1 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.

10.2 Provision for zakat

	31 March 2022 (Unaudited)	*31 December 2021 (Audited)*
At the beginning of the period/year	**6,752,605**	4,693,350
Provisions		
- Provision for the current period / year	**4,800,386**	6,752,605
- Adjustment related to prior years	**-**	204,870
Payments	**(357,686)**	(4,898,220)
At the end of the period / year	**11,195,305**	6,752,605

10.3 Status of assessments

The zakat assessments of the Group are finalized for the years through 31 December 2008.

During 2016, the Company received additional zakat assessments amounting to SR 16.54 million for the years 2009 to 2012. The Company has settled an amount of SR 0.04 million on the non-objected items and submitted an objection against the remaining balance amount.

During 2019, the Zakat, Tax and Customs Authority ("ZATCA") has issued a revised assessment reducing the additional assessment amount to SR 6.83 million. The Company has settled SR 1.2 million and submitted the objection against the remaining revised assessment. The matter is currently escalated to the General Secretariat for Tax Committees ("GSTC") to be heard at the Tax Violation and Disputes Resolution Committee ("TVDRC").

During July 2020, the ZATCA has issued an assessment for the year 2014, without any additional claim on zakat. During December 2020, the ZATCA issued an assessment for the years ended 31 December 2015 to 2018 claiming SR 30 million in additional Zakat. The Company duly submitted its objection during February 2021. The ZATCA has rejected the objection and the Company has escalated the dispute to the General Secretariat for Tax Committees ("GSTC") to be heard at the Tax Violation and Disputes Resolution Committee ("TVDRC").

However, management based on ZATCA regulation interpretations and supporting documents submitted along with objections, believes that the ultimate outcome of pending assessments will not result in any material additional liability to the Company. The zakat declarations of the Company for the years 2013 to 2020 are filed with the ZATCA and unrestricted zakat certificates have been obtained till 30 April 2022.

During July 2021, WASCO received an assessment for the year ended 31 December 2016 and 2017 claiming additional Zakat amounting to SR 1.39 million and SR 169K, respectively, which were objected against the claim by WASCO. The ZATCA has rejected the objection and WASCO has escalated the dispute to the General Secretariat for Tax Committees ("GSTC") to be heard at the Tax Violation and Disputes Resolution Committee ("TVDRC").

The zakat declarations of WASCO for the years 2009 to 2020 are currently under review by the ZATCA and unrestricted zakat certificates have been obtained till 30 April 2022. The zakat declarations of SACO for the years 2009 to 2020 are currently under review by the ZATCA and unrestricted zakat certificates have been obtained till 30 April 2022. Juthor and Estidama would be filing the zakat declaration first time in 2022.

(Expressed in Saudi Riyals unless otherwise stated)

11 EQUITY SETTLED EMPLOYEE SHARE-BASED PAYMENTS PLAN

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

12 EARNINGS PER SHARE

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

	Three-month period ended	
	31 March 2022 (Unaudited)	*31 March 2021 (Unaudited)*
Net profit attributable to owners of the Company	**92,385,929**	17,721,552
Weighted average number of shares	**49,985,556**	49,700,000
Basic and diluted earnings per share (SR per share)	**1.85**	0.36

13 FAIR VALUE OF ASSETS AND LIABILITIES

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

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

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

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

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

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

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

(Expressed in Saudi Riyals unless otherwise stated)

13 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

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

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

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

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

During the three-month period ended 31 March 2022 and year ended 31 December 2021, there were no movements between the levels.

14 CONTINGENCIES AND COMMITMENTS

(a) As at 31 March 2022, the Group had outstanding letters of credit amounting to SR 109.7 million (31 December 2021: SR 127.83 million) and letters of guarantee amounting to SR 1.56 million (31 December 2021: SR 1.86 million) that were issued in the normal course of the business.

(b) The capital expenditure contracted by the Group but not incurred till 31 March 2022 was approximately SR 131.3 million (31 December 2021: SR 166.6 million).

15 RELATED PARTY TRANSACTIONS AND BALANCES

15.1 Key management compensation

Compensation for key management is as follows:

	Three-month period ended	
	31 March 2022 (Unaudited)	*31 March 2021 (Unaudited)*
Short term benefits	**6,203,330**	3,071,345
Post-employment benefits	**71,551**	59,200
Termination benefits	**190,644**	128,914
	6,465,525	3,259,459

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

(Expressed in Saudi Riyals unless otherwise stated)

15 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

15.2 Related party transactions

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

Related party	*Description of transaction*	*Relationship*	*Three-month period ended 31 March 2022 (Unaudited)*	*31 March 2021 (Unaudited)*
Directors	Directors' remuneration	Directors	**746,400**	659,495
Arabian Maize Company for Industry (formerly "Al Masirah International Industrial Investments Company")	Purchase of materials	Company of chairman board of directors	**6,850,607**	4,464,886

15.3 Related party balances

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

	31 March 2022 (Unaudited)	*31 December 2021 (Audited)*
Jeddah Development and Urban Regeneration Company	**20,050,000**	20,050,000
Advances to key management personnel	**74,936**	151,940
Accrued directors' remuneration	**(1,073,686)**	(1,077,569)
Arabian Maize Company for Industry	**(6,636,494)**	(4,885,290)

16 IMPACT OF COVID- 19

The outbreak of novel coronavirus ("COVID-19") since early 2020 and its global spread caused disruptions to businesses and economic activities including the Kingdom of Saudi Arabia (KSA). The World Health Organization qualified COVID-19 as a pandemic, with governments issuing strict regulations and guidance for its populations and companies. It necessitated the Group to re-assess its judgments and the key sources of estimation.

During the period ended 31 March 2022, management has assessed the overall impact on the Company's operations and business aspects, and considered factors like effects on supply chain, impact of oil prices, operating rates of its plants, additional cost in supply chain and product demand. Based on this assessment, no significant adjustments were required in the financial statements for the period ended 31 March 2022. The situation surrounding COVID-19 is evolving including new variants and its impact on global economic conditions may continue to impact the Company's business, results of operations and financial condition during the entire year of 2022. The situation remains uncertain and therefore it is difficult to predict with certainty the length of time that COVID-19 will impact Company's business and overall potential impact of COVID-19 on Company's business, operations and financial condition.

17 COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform with the presentation in the current period. These changes have been made to improve the quality of information presented. Such reclassification changes do not affect previously reported profit or equity of the Group.

18 DIVIDENDS

During the period ended 31 March 2022, on 14 March 2022, the Board proposed a final dividend for the financial year ended 31 December 2021 amounting to SR 50 million (SR1.00 per share). The proposed dividend will be presented for approval of the shareholders during the next Annual General Assembly meeting.

19 AUTHORISATION OF FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were authorized for issue by the Company's Board of Directors on 26 Ramadhan 1443H (corresponding to 27 April 2022G).