

**SAUDI PAPER MANUFACTURING COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL**  
**STATEMENTS (Unaudited)**  
**FOR THE THREE AND SIX MONTHS PERIODS ENDED**  
**JUNE 30, 2021**  
**WITH INDEPENDENT AUDITOR'S REVIEW REPORT**

**SAUDI PAPER MANUFACTURING COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)**  
**FOR THE THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2021**

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

To the shareholders of  
Saudi Paper Manufacturing Company  
(A Saudi Joint Stock Company)  
Dammam - Kingdom of Saudi Arabia

**Introduction**

We have reviewed the accompanying condensed consolidated interim statement of financial position of Saudi Paper Manufacturing Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as of June 30, 2021, the related condensed consolidated interim statement of profit or loss and other comprehensive income for the three and six months periods then ended, the condensed consolidated interim statements of changes in equity and cash flows for the six months period then ended and notes including a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard No. 34, "Interim Financial Reporting" ("IAS-34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

**Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as endorsed in the Kingdom of Saudi Arabia. A review of condensed consolidated 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 as 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 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with "IAS 34" as endorsed in the Kingdom of Saudi Arabia.

**Emphasis of Matter**

We draw attention to Note 4 of these condensed consolidated interim financial statements which states that the management engaged a third party consultant for the review of impairment assessment of its property, plant and equipment as at December 31, 2020 based on which 0.95 million impairment loss was recognised during the year ended December 31, 2020 (December 31, 2019: nil). The assessment includes assumptions related to future sales volume, prices, annual growth rates, terminal growth rates, net realizable value, discount rates and other related factors. The outcome of these assumptions is highly dependent on the success of future operations and market conditions as estimated by management and achieving its plans in future. Management is confident of its ability to meet its future business plan and believes that the carrying value of property, plant and equipment as of June 30, 2021 will not exceed their recoverable amounts.

**Al-Bassam & Co.**

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Certified Public Accountant

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July 28, 2021

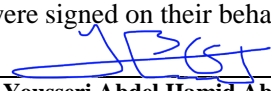
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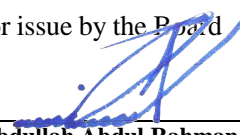
**SAUDI PAPER MANUFACTURING COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2021**

	Note	June 30, 2021 (Un-audited) SR	December 31, 2020 (Audited) SR
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	547,848,008	567,042,496
Intangible assets		24,206,631	25,150,103
Investment in an associate		20,305,190	22,272,588
<b>Total non-current assets</b>		<b>592,359,829</b>	614,465,187
<b>Current assets</b>			
Inventories		99,353,758	108,051,709
Trade receivables	5	144,476,132	118,609,453
Advances, prepayments and other assets		45,345,287	20,018,833
Cash and cash equivalents		47,497,912	15,722,940
<b>Total current assets</b>		<b>336,673,089</b>	262,402,935
<b>TOTAL ASSETS</b>		<b>929,032,918</b>	876,868,122
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	1	192,000,000	92,000,000
Statutory reserve	11	329,858	329,858
Other reserves		(5,158,383)	(6,136,492)
Retained earnings		26,721,139	2,968,719
<b>Equity attributable to the shareholders of the Company</b>		<b>213,892,614</b>	89,162,085
Non-controlling interest		967,991	1,443,172
<b>Total equity</b>		<b>214,860,605</b>	90,605,257
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Medium and long term loans	6	339,163,841	366,241,351
Employees' end of service benefits		18,596,825	18,017,806
Lease liabilities – non current portion		6,858,842	7,078,768
<b>Total non-current liabilities</b>		<b>364,619,508</b>	391,337,925
<b>Current liabilities</b>			
Short-term loans	6	87,777,172	119,176,284
Medium and long term loans – current portion	6	138,904,565	151,284,922
Trade payables		66,973,015	67,896,961
Accrued expenses and other liabilities		39,495,439	40,887,231
Provision for zakat		14,883,876	14,226,861
Lease liabilities – current portion		1,518,738	1,452,681
<b>Total current liabilities</b>		<b>349,552,805</b>	394,924,940
<b>Total liabilities</b>		<b>714,172,313</b>	786,262,865
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>929,032,918</b>	876,868,122

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors, on behalf of shareholders and were signed on their behalf on July 28, 2021.

  
Khalid Wafiq Abo Hana  
Chief Financial Officer

  
Youssef Abdel Hamid Abdel  
Aziz El Bishry  
Chief Executive Officer

  
Abdullah Abdul Rahman  
Al-Kharashi  
Chairman

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

**SAUDI PAPER MANUFACTURING COMPANY**

(A SAUDI JOINT STOCK COMPANY)

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME  
FOR THE THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2021**

	Note	From April 1 to June 30		From January 1 to June 30	
		2021 (Un-audited) SR	2020 (Un-audited) SR	2021 (Un-audited) SR	2020 (Un-audited) SR
Revenue	8	141,260,700	142,673,236	299,749,163	288,547,339
Cost of revenue		(97,854,369)	(102,990,166)	(211,220,400)	(207,100,722)
<b>Gross profit</b>		<b>43,406,331</b>	39,683,070	<b>88,528,763</b>	81,446,617
General and administrative expenses		(10,784,902)	(10,582,469)	(21,430,667)	(20,695,667)
Selling and distribution expenses		(13,269,357)	(12,856,227)	(27,642,132)	(27,694,975)
Reversal / (allowance) for impairment of trade receivables	5	1,460,907	1,329,969	837,274	(522,191)
<b>Operating profit</b>		<b>20,812,979</b>	17,574,343	<b>40,293,238</b>	32,533,784
Finance charges	6,8	(4,807,639)	(8,425,370)	(9,820,490)	(17,493,835)
Share in profit of an associate		836,301	810,000	1,672,602	1,649,818
Other expenses, net		(936,715)	(3,172,395)	(1,012,140)	(6,189,541)
<b>Net profit before zakat</b>		<b>15,904,926</b>	6,786,578	<b>31,133,210</b>	10,500,226
Zakat		(663,123)	(2,868,958)	(1,660,691)	(5,366,025)
<b>Net profit for the period</b>		<b>15,241,803</b>	3,917,620	<b>29,472,519</b>	5,134,201
<b><u>Other comprehensive income (loss)</u></b>					
<i>Items that will not be reclassified to profit or loss</i>					
Change in equity investments through other comprehensive income		1,217,304	-	1,217,304	-
<i>Item that may be reclassified to profit or loss</i>					
Exchange differences on translation of foreign operations and others		(151,284)	(236,015)	(240,293)	(596,445)
<b>Other comprehensive income (loss) for the period</b>		<b>1,066,020</b>	(236,015)	<b>977,011</b>	(596,445)
<b>Total comprehensive income for the period</b>		<b>16,307,823</b>	3,681,605	<b>30,449,530</b>	4,537,756
<b>Net profit attributable to:</b>					
Shareholders of the Company		15,141,502	3,828,204	29,197,562	4,884,189
Non-controlling interest		100,301	89,416	274,957	250,012
<b>Net profit for the period</b>		<b>15,241,803</b>	3,917,620	<b>29,472,519</b>	5,134,201
<b>Total comprehensive income attributable to:</b>					
Shareholders of the Company		16,205,139	3,578,406	30,175,671	4,344,447
Non-controlling interest		102,684	103,199	273,859	193,309
<b>Total comprehensive income for the period</b>		<b>16,307,823</b>	3,681,605	<b>30,449,530</b>	4,537,756
<b>Earnings per share (SR) attributable to shareholders of the company</b>					
Basic and diluted earnings per share	9	0.79	0.23	1.53	0.30

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors, on behalf of shareholders and were signed on their behalf on July 28, 2021.

Khalid Walid Abo Hana  
Chief Financial Officer

Yousseri Abdel Hamid Abdel  
Aziz El Bishry  
Chief Executive Officer

Abdullah Abdul Rahman  
Al-Kharashi  
Chairman

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

**SAUDI PAPER MANUFACTURING COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2021**

	Equity attributable to the shareholders of the Company				Total SR	Non- controlling interest SR	Total equity SR
	Share capital SR	Statutory reserve SR	Other reserves SR	(Accumulated losses)/retained earnings SR			
<b>As at January 1, 2020 - (audited)</b>	92,000,000	-	(7,475,688)	(11,801,606)	72,722,706	1,222,385	73,945,091
Net profit for the period	-	-	-	4,884,189	4,884,189	250,012	5,134,201
Other comprehensive loss for the period	-	-	(539,742)	-	(539,742)	(56,703)	(596,445)
Total comprehensive (loss) income for the period	-	-	(539,742)	4,884,189	4,344,447	193,309	4,537,756
Dividend paid	-	-	-	-	-	(166,015)	(166,015)
<b>As at June 30, 2020 - (un-audited)</b>	<b>92,000,000</b>	<b>-</b>	<b>(8,015,430)</b>	<b>(6,917,417)</b>	<b>77,067,153</b>	<b>1,249,679</b>	<b>78,316,832</b>
<b>As at January 1, 2021 - (audited)</b>	92,000,000	329,858	(6,136,492)	2,968,719	89,162,085	1,443,172	90,605,257
Net profit for the period	-	-	-	29,197,562	29,197,562	274,957	29,472,519
Other comprehensive income (loss) for the period	-	-	978,109	-	978,109	(1,098)	977,011
Total comprehensive income for the period	-	-	978,109	29,197,562	30,175,671	273,859	30,449,530
<b>Transaction with shareholders in the capacity as owners</b>							
Increase in share capital (note 1)	100,000,000	-	-	-	100,000,000	-	100,000,000
Cost of increase in share capital	-	-	-	(5,445,142)	(5,445,142)	-	(5,445,142)
Dividend paid	-	-	-	-	-	(749,040)	(749,040)
<b>As at June 30, 2021 - (un-audited)</b>	<b>192,000,000</b>	<b>329,858</b>	<b>(5,158,383)</b>	<b>26,721,139</b>	<b>213,892,614</b>	<b>967,991</b>	<b>214,860,605</b>

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors, on behalf of shareholders and were signed on their behalf on July 28, 2021.

  
Khalid Walid Abo Hana  
Chief Financial Officer

  
Yousseri Abdel Hamid Abdel  
Aziz El Bishry  
Chief Executive Officer

  
Abdullah Abdul Rahman  
Al-Kharashi  
Chairman

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

**SAUDI PAPER MANUFACTURING COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2021**


	June 30, 2021 (Un-audited) SR	June 30, 2020 (Un-audited) SR
<b>Cash flow from operating activities</b>		
Net profit for the period	29,472,519	5,134,201
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	25,646,780	24,577,135
Finance charges	9,820,490	17,493,835
(Reversal) /allowance for impairment of trade receivables	(837,274)	522,191
Zakat expense	1,660,691	5,366,025
Amortization of intangible assets	943,472	737,745
Share in profit of an associate	(1,672,602)	(1,649,818)
Provision against other receivables	-	7,000,000
Loss on investment	1,217,304	-
Provision for employees' end of service benefits	1,672,854	2,095,095
	<b>67,924,234</b>	<b>61,276,409</b>
<i>Changes in operating assets and liabilities:</i>		
Trade receivables	(25,029,405)	1,243,875
Inventories	8,063,288	4,824,065
Advances, prepayments and other assets	(26,510,041)	(14,858,769)
Trade payables	(923,946)	2,312,087
Accrued expenses and other liabilities	(390,723)	5,463,075
Cash generated from operations	<b>23,133,407</b>	<b>60,260,742</b>
Finance cost paid	(8,946,410)	(15,199,669)
Zakat paid	(987,862)	(1,070,860)
Employees' end of service benefits paid	(1,093,835)	(1,046,820)
<b>Net cash generated from operating activities</b>	<b>12,105,300</b>	<b>42,943,393</b>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(5,860,706)	(4,580,680)
Dividend received from an associate	3,640,000	2,600,000
Purchase of intangible assets	-	(242,779)
<b>Net cash used in investing activities</b>	<b>(2,220,706)</b>	<b>(2,223,459)</b>
<b>Cash flow from financing activities</b>		
Proceeds from increase in share capital	95,738,445	-
Receipt of medium and long term loans	3,221,241	-
Repayment of medium and long term loans	(43,112,223)	(27,191,231)
Change in short term loans, net	(31,973,631)	(1,180,296)
Dividend paid to non controlling interest	(749,040)	(166,015)
Lease payments	(1,037,198)	(903,200)
<b>Net cash generated from (used in) financing activities</b>	<b>22,087,594</b>	<b>(29,440,742)</b>
<b>Net change in cash and cash equivalents</b>	<b>31,972,188</b>	<b>11,279,192</b>
Cash and cash equivalents at the beginning of the period	15,722,940	11,959,334
Effect of exchange rate fluctuations	(197,216)	(432,393)
<b>Cash and cash equivalents at the end of the period</b>	<b>47,497,912</b>	<b>22,806,133</b>

**Cash flow supplemental information**

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These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors, on behalf of shareholders and were signed on their behalf on July 28, 2021.

  
**Khalid Walid Abo Hana**  
**Chief Financial Officer**

  
**Yousseri Abdel Hamid Abdel**  
**Aziz El Bishry**  
**Chief Executive Officer**

  
**Abdullah Abdul Rahman**  
**Al-Kharashi**  
**Chairman**

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

**SAUDI PAPER MANUFACTURING COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2021**

**1. ORGANIZATION AND PRINCIPAL ACTIVITIES**

Saudi Paper Manufacturing Company (“the Company”) is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 2050028141 issued in Dammam on Muharram 10, 1415H (June 20, 1994). The Company’s share capital is SR 192 million divided into 19.2 million shares of SR 10 each.

The principal activities of the Company and its subsidiaries (the “Group”), each of which operates under individual commercial registration, are to manufacture tissue paper rolls, convert tissue paper rolls into facial, kitchen and toilet tissue papers and collect, sort, transport and press waste papers.

The Company’s registered office is P.O. Box 2598, Unit number 2, Dammam 34326-7169, the Kingdom of Saudi Arabia.

The shareholders in their extraordinary general meeting held on November 4, 2019 approved recommendation of the Board of Directors of the Company to reduce the share capital of the Company from SR 245,000,000 to SR 92,000,000 for the purpose of restructuring of the share capital of the Company to absorb the accumulated losses of the Company and support its future growth. As a result, total number of shares of the Company was reduced from 24,500,000 to 9,200,000 by way of cancellation of shares and the capital was accordingly reduced to SR 92 million. Following the capital reduction, the Board recommended to increase the share capital of the Company through right issue by SR 150 million in order to strengthen the financial position of the Group and to improve liquidity and working capital needs. On April 28, 2020, the Board of the Directors of the Company resolved to adjust their previous recommendation on increase in share capital, whereby it was agreed to increase the share capital by SR 100 million instead of SR 150 million by way of right issue. During the period, the Company increased its share capital through right issue by SR 100 million by offering 10 million shares which were fully subscribed. All the legal formalities related to increase of share capital has been completed.

**1.1 Structure of the group**

These condensed consolidated interim financial statements include the financial statements of the Company and its subsidiaries as listed below:

Subsidiary	Country of incorporation	Effective ownership	
		June 2021	December 2020
Saudi Recycling Company	Saudi Arabia	100%	100%
Saudi Paper Converting Company	Saudi Arabia	100%	100%
Saudi Investment and Industrial Development Company	Saudi Arabia	100%	100%
Al Madar Paper Trading (Al Madar)	UAE	100%	100%
Al Madar Paper Trading	Morocco	100%	100%
Al Madar Paper Trading	Jordan	100%	100%
Saudi Paper Converting Company Jordan	Jordan	100%	100%
Al Madar Paper	Algeria	100%	100%
Al - Juthoor Paper Tissue Manufacturing Plant	Kuwait	85%	85%

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

The condensed consolidated interim financial statements for the three and six months periods ended June 30, 2021 have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia. The accompanying condensed consolidated interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and hence should be read in conjunction with the Group’s annual consolidated financial statements for the year ended December 31, 2020.



## **2. BASIS OF PREPARATION (Continued)**

### **2.2 Preparation of the condensed consolidated interim financial statements**

These condensed consolidated interim financial statements are prepared under the historical cost convention, except where International Financial Reporting Standards (IFRS) require other measurement basis. The principal accounting policies adopted in the preparation of these condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2020.

The preparation of these condensed consolidated interim financial statements in conformity with IFRS required management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts in the condensed consolidated interim financial statements. These critical accounting judgements and key sources of estimations were the same as those described in the last annual financial statements.

### **2.3 Functional and presentation currency**

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

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of significant accounting policies applied by the group.

### **3.1 Basis of consolidation**

These condensed consolidated interim financial statements incorporate the financial statements of the "Group" as detailed in note 1.1. Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses 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 listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

**SAUDI PAPER MANUFACTURING COMPANY**

(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)  
FOR THE THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2021****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.1 Basis of consolidation (Continued)**

Condensed consolidated interim statement of profit or loss and each component of other comprehensive income are attributed to the shareholders of the Company and non- controlling interest. Total comprehensive income of subsidiaries is wholly attributed to the shareholders of the Company except the comprehensive income of Al – Juthoor subsidiary.

When necessary, adjustments are made to the condensed consolidated interim financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

**3.2 Changes in significant accounting policies***New standards, Amendments to standards and Interpretations*

There are no new standards issued, however, there are number of amendments to standards which are effective from January 1, 2021 and has been explained in Group’s annual Consolidated Financial Statements, but they do not have a material effect on the Group’s Condensed Consolidated Interim Financial Statements.

**4 PROPERTY, PLANT AND EQUIPMENT**

- 4.1** The Group acquired property, plant and equipment in six months period ended June 30, 2021 amounting to SR 5.86 million (period ended June 30, 2020: SR 4.58 million).

**4.2 Impairment on working plant and machinery**

The management engaged a third party consultant for the review of impairment assessment of its property, plant and equipment as at December 31, 2020 based on which 0.95 million impairment loss was recognised during the year ended December 31, 2020 (December 31, 2019: nil). The assessment includes assumptions related to future sales volume, prices, annual growth rates, terminal growth rates, net realizable value, discount rates and other related factors. The outcome of these assumptions is highly dependent on the success of future operations and market conditions as estimated by management and achieving its plans in future. Management is confident of its ability to meet its future business plan and believes that the carrying value of property, plant and equipment as of June 30, 2021 will not exceed their recoverable amounts.

**5. TRADE RECEIVABLES**

	<b>Note</b>	<b>June 30, 2021 (Un-audited) SR</b>	<b>December 31, 2020 (Audited) SR</b>
Trade receivables		<b>196,078,969</b>	219,444,455
Allowance for impairment of trade receivables	5.1	<b>(51,602,837)</b>	(100,835,002)
		<b>144,476,132</b>	118,609,453

- 5.1** The movement in allowance for impairment of trade receivables is as follows:

	<b>June 30, 2021 (Un-audited) SR</b>	<b>December 31, 2020 (Audited) SR</b>
Opening balance	<b>100,835,002</b>	103,680,117
Reversals for the period / year	<b>(837,274)</b>	(2,845,115)
Write-offs	<b>(48,394,891)</b>	-
	<b>51,602,837</b>	100,835,002

**SAUDI PAPER MANUFACTURING COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2021**

**6. LOANS**

**a) Medium and long-term loans**

	Note	June 30, 2021 (Un-audited) SR	December 31, 2020 (Audited) SR
Saudi Industrial Development Fund (“SIDF”) loans	6.1	23,617,500	27,632,000
Commercial bank loans	6.2	454,450,906	489,894,273
		<b>478,068,406</b>	517,526,273
Current maturity of long term loans		<b>(138,904,565)</b>	(151,284,922)
		<b>339,163,841</b>	366,241,351

The Group has not complied with the covenant requirements of maintaining certain financial ratios of some of its loan agreements and was in default on repayment due for its loan by SR 4 million as of June 30, 2021 (December 31, 2020 SR 4 million). Management believes that the Group will be successful in restructuring of its loans and avail new ones as and when needed revolving its short term loans as per its past practice and resolving the breach in the near future.

These bank loans are secured against promissory notes amounting to SR 806.4 million (2020: SR 756.5 million).

**6.1 SIDF loans**

These represent loans obtained from SIDF by the Company and one of its Saudi Arabian subsidiary. The covenants of the loan agreements require the Company and such subsidiary to maintain certain levels of financial condition, place limitations on dividends distributions and on annual capital and rental expenditures.

The loans do not bear financial charges, however, an upfront fee is charged on the loan and these are secured by mortgaged on property, plant and equipment of the Company equal to the carrying amount of the loan.

**6.2 Commercial bank loans**

The Group has obtained loan facilities from various commercial banks. These loans are mainly denominated in Saudi Riyals which generally bear financial charges based on prevailing market rates. The aggregate maturities of the loans outstanding at June 30, 2021, based on their respective repayment schedules, are spread in 2021 through 2027.

**b) Short term loans**

Short term loans are obtained from various commercial banks and bear financial charges at the prevailing market rates which are based on inter-bank offer rate.

**7. TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

The related parties consist of subsidiaries, affiliates and Board of Directors and key management personnel of the Group. In the ordinary course of business, the Group transacts with its related parties. Such transactions relate to services rendered and received and expenses incurred on behalf of related parties. The transactions are dealt with on mutually agreed terms and the terms and conditions on these transactions are approved by the Group’s management.

**Key management personnel compensation**

	June 30, 2021 (Un-audited) SR	June 30, 2020 (Un-audited) SR
Short-term employees benefits	2,858,055	2,093,420
BOD and related committees remuneration	619,182	1,036,998
Employees’ end of service benefits	165,349	111,544

Payable balance to key management personnel as of period end amounted to SR 3.32 million (December 31, 2020 SR 2.47 million).

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**7. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**

**Other related parties transactions**

During the period ended June 30, the Company had the following significant transactions with its related parties:

<b>Related party</b>	<b>Relationship</b>	<b>Nature of transaction</b>	<b>Amount SR</b>	<b>Balance SR</b>
<b>2021:</b>				
East Gas Limited	Associate	Purchase of gas	<b>4,136,854</b>	<b>2,374,786</b>
		Dividend received	<b>3,640,000</b>	
<b>2020:</b>				
East Gas Limited	Associate	Purchase of gas	3,389,134	1,031,096
		Dividend received	2,600,000	

**8. OPERATING SEGMENTS**

**a. Basis for segmentation**

The Group has the following strategic divisions, which are its reportable segments. These divisions offer different products and services and are managed separately because they require different technology and marketing strategies.

The following summary describes the operations of each reportable segment that met the quantitative thresholds for reportable segments in 2021 and 2020.

<b>Reportable segments</b>	<b>Operations</b>
Manufacturing	Buying, manufacturing and distributing pulp and paper
Trading and other	Collecting, sorting and pressing waste papers

The Group's Chief Executive Officer reviews the internal management reports of each division at least quarterly.

There are varying levels of integration between the both the segments. This integration includes transfers of recycled raw materials and shared distribution services, respectively. Inter-segment pricing is determined on an arm's length basis.

**b. Information about reportable segments**

Information related to each reportable segment is set out below. Segment profit before zakat is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

<b>Six months period ended June 30, 2021 (Un-audited)</b>	<b>Reportable segments</b>		<b>Total SR</b>
	<b>Manufacturing SR</b>	<b>Trading and others SR</b>	
Segment revenue	<b>342,271,115</b>	<b>29,547,260</b>	<b>371,818,375</b>
Intra /inter segment revenue	<b>(65,049,176)</b>	<b>(7,020,036)</b>	<b>(72,069,212)</b>
External revenue	<b>277,221,939</b>	<b>22,527,224</b>	<b>299,749,163</b>
Net profit before zakat	<b>25,675,255</b>	<b>5,457,955</b>	<b>31,133,210</b>
Finance cost	<b>9,127,076</b>	<b>693,414</b>	<b>9,820,490</b>
Depreciation and amortization	<b>25,716,203</b>	<b>874,049</b>	<b>26,590,252</b>
Segment assets	<b>884,785,150</b>	<b>44,247,768</b>	<b>929,032,918</b>
Segment liabilities	<b>668,735,044</b>	<b>45,437,269</b>	<b>714,172,313</b>

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**8. OPERATING SEGMENTS (Continued)**
**b. Information about reportable segments (Continued)**

<b>Six months period ended June 30, 2020 (Un-audited)</b>	<b>Reportable segments</b>		<b>Total SR</b>
	<b>Manufacturing SR</b>	<b>Trading and others SR</b>	
Segment revenue	340,452,934	18,103,269	358,556,203
Intra /inter segment revenue	(63,542,304)	(6,466,560)	(70,008,864)
External revenue	276,910,630	11,636,709	288,547,339
Net profit (loss) before zakat	17,805,206	(7,304,980)	10,500,226
Finance cost	16,823,531	670,304	17,493,835
Depreciation and amortization	24,701,221	613,659	25,314,880
Segment assets	880,688,675	45,568,382	926,257,057
Segment liabilities	803,966,042	43,974,183	847,940,225
<b>Three months period ended June 30, 2021 (Un-audited)</b>	<b>Reportable segments</b>		
	<b>Manufacturing SR</b>	<b>Trading and others SR</b>	<b>Total SR</b>
Segment revenue	164,352,136	14,585,900	178,938,036
Intra /inter segment revenue	(33,286,552)	(4,390,784)	(37,677,336)
External revenue	131,065,584	10,195,116	141,260,700
Net profit before zakat	13,316,570	2,588,356	15,904,926
Finance cost	4,460,406	347,233	4,807,639
Depreciation and amortization	12,838,974	440,195	13,279,169
<b>Three months period ended June 30, 2020 (Un-audited)</b>	<b>Reportable segments</b>		
	<b>Manufacturing SR</b>	<b>Trading and others SR</b>	<b>Total SR</b>
Segment revenue	164,061,722	9,776,317	173,838,039
Intra /inter segment revenue	(28,703,052)	(2,461,751)	(31,164,803)
External revenue	135,358,670	7,314,566	142,673,236
Net profit (loss) before zakat	10,418,940	(3,632,362)	6,786,578
Finance cost	8,091,026	334,344	8,425,370
Depreciation and amortization	12,364,986	304,737	12,669,723
<b>Year ended December 31, 2020 (Audited)</b>	<b>Reportable segments</b>		
	<b>Manufacturing SR</b>	<b>Trading and others SR</b>	<b>Total SR</b>
Segment assets	836,787,560	40,080,562	876,868,122
Segment liabilities	740,271,973	45,990,892	786,262,865

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**8. OPERATING SEGMENTS (Continued)**

**c. Geographic information**

The business of the Group is managed on a worldwide basis. However, the main operations are settled in Kingdom of Saudi Arabia, certain Gulf Cooperation Council (GCC) countries and certain other countries.

The geographic information analyses the Group's revenue and non-current assets by the Company's country of domicile and other countries.

**For the six months period ended**

	<b>June 30, 2021</b> <b>(Un-audited)</b> <b>SR</b>	June 30, 2020 (Un-audited) SR
- <b>Revenue</b>		
Saudi Arabia	<b>264,124,087</b>	263,667,020
GCC countries	<b>20,909,501</b>	17,719,406
Other countries	<b>14,715,575</b>	7,160,913
<b>Consolidated revenue</b>	<b>299,749,163</b>	<b>288,547,339</b>

**For the three months period ended**

	<b>June 30, 2021</b> <b>(Un-audited)</b> <b>SR</b>	June 30, 2020 (Un-audited) SR
- <b>Revenue</b>		
Saudi Arabia	<b>123,266,057</b>	131,623,193
GCC countries	<b>10,029,810</b>	7,669,572
Other countries	<b>7,964,833</b>	3,380,471
<b>Consolidated revenue</b>	<b>141,260,700</b>	<b>142,673,236</b>

**As of period / year ended**

	<b>June 30, 2021</b> <b>(Un-audited)</b> <b>SR</b>	December 31, 2020 (Audited) SR	June 30, 2020 (Un-audited) SR
- <b>Non-current assets</b>			
Saudi Arabia	<b>544,782,822</b>	567,425,239	590,122,762
GCC countries	<b>36,452,864</b>	35,429,985	36,175,288
Other countries	<b>11,124,143</b>	11,609,963	10,538,795
<b>Consolidated non-current assets</b>	<b>592,359,829</b>	<b>614,465,187</b>	<b>636,836,845</b>

**9. EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing the net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Earnings per share are represented as follows:

	<b>From April 1 to June 30</b>		<b>From January 1 to June 30</b>	
	<b>2021</b>	2020	<b>2021</b>	2020
	<b>(Un-audited)</b>	(Un-audited)	<b>(Un-audited)</b>	(Un-audited)
Net profit for the period (SR)	<b>15,141,502</b>	3,828,204	<b>29,197,562</b>	4,884,189
Weighted average number of outstanding shares	<b>19,200,000</b>	16,292,143	<b>19,023,279</b>	16,292,143
Basic/ diluted earnings per share (SR)	<b>0.79</b>	0.23	<b>1.53</b>	0.30

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**10. SUPPLEMENTAL CASHFLOW INFORMATION**

	<b>June 30, 2021</b>	June 30, 2020
	<b>(Un-audited)</b>	(Un-audited)
	<b>SR</b>	SR
Spare parts capitalized	<b>634,663</b>	-
Advances related to right issue settled during the period	<b>1,183,584</b>	-

**11. STATUTORY RESERVE**

Statutory reserve is computed based on results of the whole year. Accordingly, no reserve is recorded in the period ended June 30, 2021.

**12. CONTINGENCIES AND COMMITMENTS**

- As of June 30, 2021, the Group was contingently liable for letter of credits and bank guarantees issued in the normal course of the business amounting to SR 37.32 million (December 31, 2020: SR 25.5 million) and SR 0.649 million (December 31, 2020: SR 0.697 million) respectively.
- As of June 30, 2021, capital expenditure contracted amounted to SR 67.2 million, of which SR 17.4 million has been paid as advance as of the reporting date.
- During the year ended December 31, 2020, the Company has received assessments from Zakat, Tax and Customs Authority (GAZT) for the years 2014 to 2018 claiming additional liability amounting to SR 42.4 million. The Company has settled the assessment claim of SR 15.5 million related to 2014 by SR 0.48 million and received the final assessment. The management has appointed a third party to review these assessments and has filed an appeal against the remaining assessments for the year 2015 to 2018 amounting to SR 26.9 million. The management believes that the provision recognised against aforementioned assessments is adequate and no further provision is required.

**13. SUBSEQUENT EVENTS**

The Company has signed a credit facility agreement compliant with Islamic sharia with a local bank to reschedule its existing financing facility with the bank amounting to SR 67.5 million. The Company has rescheduled the facility to meet its cash flow requirements and enhance working capital cycle.

**14. SIGNIFICANT EVENT**

- In March 2020, the Kingdom of Saudi Arabia announced a global pandemic due to the novel coronavirus (COVID-19). The impact of outbreak and long hours of curfew has caused a significant change in business activities and increase in economy uncertainty. The Group proactively took a range of operational preventive measures in response to the situation by modifying certain operations to comply with health and safety guidelines to protect employees, customers and suppliers, secure smooth supply chain process to avoid any business interruption benefiting from all supports announced by the Government for the private sectors.

Management believes that the Covid-19 pandemic had limited impact on the Group reported results for the period June 2021 due to the steps taken by the company and the diversification of its portfolio. The company will continue to assess this situation moving forward.

- On January 31, 2021, the Company announced on Tadawul that it has filed a lawsuit in the court of law against Ex-Board Member and the CEO for financial and administrative violations with an estimated value of SR 40.95 million. The allegations relate to sale of subsidiary in Morocco, cancellation of debt, extending large credit facilities to a small client and other financial and administrative violations.

The case has been rejected by the court of law based on certain reasons mentioned in the court's ruling. As of the date of approval of the condensed consolidated interim financial statements, the Company is considering to refile the case with the relevant authorities.

**15. APPROVAL OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

These condensed consolidated interim financial statements were approved by the Board of Directors of the Company and authorized for issue on July 28, 2021 corresponding to 18 Dhul Haj 1442H.