

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

**CONDENSED CONSOLIDATED INTERIM FINANCIAL**  
**STATEMENTS (Unaudited)**  
**FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2022**  
**WITH INDEPENDENT AUDITOR'S REVIEW REPORT**

**SAUDI PAPER MANUFACTURING COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)**  
**FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2022**

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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 March 31, 2022, the related condensed consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three 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.

**Al-Bassam & Co.**

P.O. Box 4636  
Al Khobar 31952  
Kingdom of Saudi Arabia



**Ibrahim Ahmed Al Bassam**  
Certified Public Accountant  
License No.337  
Al Khobar



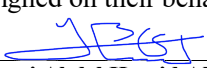
April 25, 2022  
24 Ramadan 1443H


**SAUDI PAPER MANUFACTURING COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS OF MARCH 31, 2022**

	Note	March 31, 2022 (Un-audited) SR	December 31, 2021 (Audited) SR
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	542,569,787	551,064,863
Intangible assets		24,334,507	24,817,004
Investment in an associate		22,685,075	21,908,075
<b>Total non-current assets</b>		<b>589,589,369</b>	<b>597,789,942</b>
<b>Current assets</b>			
Inventories		52,368,281	85,312,232
Trade receivables	5	176,700,485	149,738,769
Advances, prepayments and other assets		41,618,415	67,794,189
Short term deposits		-	34,000,000
Cash and cash equivalents		97,163,584	43,068,386
<b>Total current assets</b>		<b>367,850,765</b>	<b>379,913,576</b>
<b>TOTAL ASSETS</b>		<b>957,440,134</b>	<b>977,703,518</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	1	192,000,000	192,000,000
Statutory reserve	11	3,357,444	3,357,444
Translation reserve		(7,004,378)	(6,803,818)
Other reserves		(764,453)	(764,453)
Retained earnings		38,069,540	24,771,851
<b>Equity attributable to the shareholders of the Company</b>		<b>225,658,153</b>	<b>212,561,024</b>
Non-controlling interest		1,091,977	1,024,586
<b>Total equity</b>		<b>226,750,130</b>	<b>213,585,610</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Medium and long term loans	6	317,169,342	329,222,803
Employees' end of service benefits		20,889,442	20,597,189
Lease liabilities – non current portion		10,042,700	11,557,463
<b>Total non-current liabilities</b>		<b>348,101,484</b>	<b>361,377,455</b>
<b>Current liabilities</b>			
Short-term loans	6	127,396,568	168,063,254
Medium and long term loans – current portion	6	93,029,590	93,154,258
Trade payables		76,865,447	71,660,168
Accrued expenses and other liabilities		64,483,404	49,675,462
Provision for zakat		16,842,520	16,210,122
Lease liabilities – current portion		3,970,991	3,977,189
<b>Total current liabilities</b>		<b>382,588,520</b>	<b>402,740,453</b>
<b>Total liabilities</b>		<b>730,690,004</b>	<b>764,117,908</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>957,440,134</b>	<b>977,703,518</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 April 24, 2022.

  
**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 PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**  
**FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2022**

	Note	Three months period ended	
		March 31, 2022 (Un-audited) SR	March 31, 2021 (Un-audited) SR
Revenue	8	194,695,752	158,488,463
Cost of revenue		(146,196,987)	(113,366,031)
<b>Gross profit</b>		<b>48,498,765</b>	<b>45,122,432</b>
General and administrative expenses		(13,637,884)	(10,645,765)
Selling and distribution expenses		(16,045,416)	(14,372,775)
Allowance for impairment of trade receivables	5	(318,034)	(623,633)
Share in profit of an associate		777,000	836,301
Other income		720,577	689,223
Other expenses		(29,185)	(764,648)
<b>Profit before finance charges and zakat</b>		<b>19,965,823</b>	<b>20,241,135</b>
Finance charges	6, 8	(6,000,382)	(5,012,851)
<b>Profit before zakat</b>		<b>13,965,441</b>	<b>15,228,284</b>
Zakat		(632,398)	(997,568)
<b>Net profit for the period</b>		<b>13,333,043</b>	<b>14,230,716</b>
<b><u>Other comprehensive loss</u></b>			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		(168,523)	(89,009)
<b>Other comprehensive loss for the period</b>		<b>(168,523)</b>	<b>(89,009)</b>
<b>Total comprehensive income for the period</b>		<b>13,164,520</b>	<b>14,141,707</b>
<b>Net profit attributable to:</b>			
Shareholders of the Company		13,297,689	14,056,060
Non-controlling interest		35,354	174,656
<b>Net profit for the period</b>		<b>13,333,043</b>	<b>14,230,716</b>
<b>Total comprehensive income attributable to:</b>			
Shareholders of the Company		13,097,129	13,970,532
Non-controlling interest		67,391	171,175
<b>Total comprehensive income for the period</b>		<b>13,164,520</b>	<b>14,141,707</b>
<b>Earnings per share (SR) attributable to shareholders of the company</b>			
Basic and diluted earnings per share	9	<b>0.69</b>	0.75

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 April 24, 2022.

  
Khalid Walid 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 CHANGES IN EQUITY**  
**FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2022**

	Equity attributable to the shareholders of the Company							Total equity SR
	Share capital SR	Statutory reserve SR	Translation reserve SR	Other reserves SR	Retained earnings SR	Total SR	Non-controlling interest SR	
As at January 1, 2021 (audited)	92,000,000	329,858	(6,216,797)	80,305	2,968,719	89,162,085	1,443,172	90,605,257
Net profit for the period	-	-	-	-	14,056,060	14,056,060	174,656	14,230,716
Other comprehensive loss for the period	-	-	(85,528)	-	-	(85,528)	(3,481)	(89,009)
Total comprehensive (loss) income for the period	-	-	(85,528)	-	14,056,060	13,970,532	171,175	14,141,707
<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	-	-	-	-	-	-	(40,830)	(40,830)
As at March 31, 2021 (un-audited)	192,000,000	329,858	(6,302,325)	80,305	11,579,637	197,687,475	1,573,517	199,260,992
<b>As at January 1, 2022 - (audited)</b>	192,000,000	3,357,444	(6,803,818)	(764,453)	24,771,851	212,561,024	1,024,586	213,585,610
Net profit for the period	-	-	-	-	13,297,689	13,297,689	35,354	13,333,043
Other comprehensive (loss) income for the period	-	-	(200,560)	-	-	(200,560)	32,037	(168,523)
Total comprehensive (loss) income for the period	-	-	(200,560)	-	13,297,689	13,097,129	67,391	13,164,520
<b>As at March 31, 2022 (un-audited)</b>	192,000,000	3,357,444	(7,004,378)	(764,453)	38,069,540	225,658,153	1,091,977	226,750,130

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 April 24, 2022.

  
Khalid Wafid 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 THREE MONTHS PERIOD ENDED MARCH 31, 2022**

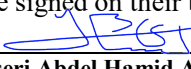
	<b>Three months periods ended</b>	
	<b>March 31, 2022</b> <b>(Un-audited)</b> <b>SR</b>	<b>March 31, 2021</b> <b>(Un-audited)</b> <b>SR</b>
<b>Cash flow from operating activities</b>		
Net profit for the period	13,333,043	14,230,716
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	13,122,604	12,837,979
Finance charges	6,000,382	5,012,851
Allowance for impairment of trade receivables	318,034	623,633
Zakat expense	632,398	997,568
Amortization of intangible assets	482,497	473,104
Share in profit of an associate	(777,000)	(836,301)
Provision for employees' end of service benefits	1,173,627	797,385
	<b>34,285,585</b>	<b>34,136,935</b>
<i>Changes in operating assets and liabilities:</i>		
Trade receivables	(27,279,750)	(21,203,121)
Inventories	32,943,951	16,229,500
Advances, prepayments and other assets	26,175,774	(21,009,900)
Short term deposits	34,000,000	-
Trade payables	5,205,279	(5,551)
Accrued expenses and other liabilities	15,041,350	763,448
Cash generated from operations	<b>120,372,189</b>	<b>8,911,311</b>
Finance charges paid	(4,554,638)	(1,310,767)
Employees' end of service benefits paid	(881,374)	(488,100)
<b>Net cash generated from operating activities</b>	<b>114,936,177</b>	<b>7,112,444</b>
<b>Cash flow from investing activities</b>		
Additions to property, plant and equipment	(4,414,961)	(4,063,378)
Dividend received from an associate	-	3,640,000
<b>Net cash used in investing activities</b>	<b>(4,414,961)</b>	<b>(423,378)</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	(13,531,029)	(16,263,480)
Change in short term loans, net	(40,759,530)	(12,810,717)
Dividend paid to non controlling interest	-	(40,830)
Lease payments	(1,754,369)	-
<b>Net cash (used in) generated from financing activities</b>	<b>(56,044,928)</b>	<b>69,844,659</b>
<b>Net change in cash and cash equivalents</b>	<b>54,476,288</b>	<b>76,533,725</b>
Cash and cash equivalents at the beginning of the period	43,068,386	15,722,940
Effect of exchange rate fluctuations	(381,090)	(62,495)
<b>Cash and cash equivalents at the end of the period</b>	<b>97,163,584</b>	<b>92,194,170</b>

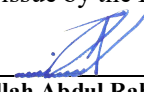
**Cash flow supplemental information**

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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 April 24, 2022.

  
**Khalid Waleed 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)**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2022**

**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 ended March 3, 2021, 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.

On October 18, 2021, the Company announced the Board recommendation to increase the share capital of the Company by SR 145 million by way of right issue to support the expansion activities and provide working capital to increase operational capacity and support the future activities.

**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	
		March 2022	December 2021
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	Morocco	100%	100%
Al Madar Paper Trading	Jordan	100%	100%
Saudi Paper Converting Company Jordan	Jordan	100%	100%
Al Madar Paper	Algeria	100%	100%
Morocco Paper Manufacturing Company	Morocco	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 months period ended March 31, 2022 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, 2021.



## **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 (IFRSs) 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, 2021.

The preparation of these condensed consolidated interim financial statements in conformity with IFRSs 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 MONTHS PERIOD ENDED MARCH 31, 2022****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, 2022 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**

The Group acquired fixed assets in three months period ended March 31, 2022 amounting to SR 4.4 million (period ended March 31, 2021: SR 4.06 million).

**5. TRADE RECEIVABLES**

		<b>March 31, 2022</b> <b>(Un-audited)</b>	December 31, 2021 (Audited)
	<b>Note</b>	<b>SR</b>	<b>SR</b>
Trade receivables		<b>230,285,402</b>	203,005,652
Allowance for impairment of trade receivables	5.1	<b>(53,584,917)</b>	(53,266,883)
		<b>176,700,485</b>	149,738,769

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

	<b>March 31, 2022</b> <b>(Un-audited)</b>	December 31, 2021 (Audited)
	<b>SR</b>	<b>SR</b>
Opening balance	<b>53,266,883</b>	100,835,002
Allowance for the period /year	<b>318,034</b>	966,906
Write offs during the period /year	<b>-</b>	(48,535,025)
	<b>53,584,917</b>	53,266,883

**SAUDI PAPER MANUFACTURING COMPANY**

(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)  
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2022****6. LOANS****a) Medium and long-term loans**

		<b>March 31, 2022</b> <b>(Un-audited)</b>	December 31, 2021 (Audited)
	<b>Note</b>	<b>SR</b>	<b>SR</b>
Saudi Industrial Development Fund ("SIDF") loans	6.1	<b>15,264,700</b>	15,135,700
Commercial bank loans	6.2	<b>394,934,231</b>	407,241,361
		<b>410,198,931</b>	422,377,061
Current maturity of long term loans		<b>(93,029,590)</b>	(93,154,258)
		<b>317,169,342</b>	329,222,803

The covenants of the loan agreements require the Company and its subsidiary to maintain certain levels of financial condition, place limitations on dividend distributions, on capital expenditures and rental estate investments.

The Group has not complied with the covenant requirements of maintaining certain financial ratios of some of its loan agreements. The 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 646.8 million (2021: SR 588.2 million).

**6.1 SIDF loans**

These represent loans obtained from SIDF by the Company. 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 March 31, 2022, based on their respective repayment schedules, are spread in 2022 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**

	<b>March 31, 2022</b> <b>(Un-audited)</b>	March 31, 2021 (Un-audited)
	<b>SR</b>	<b>SR</b>
Short-term employees benefits	<b>1,609,526</b>	1,549,478
BOD and related committees remuneration	<b>636,999</b>	682,773
Employees' end of service benefits	<b>71,542</b>	74,624

Payable balance to key management personnel as of period end amounted to SR 3.01 million (December 31, 2021 SR 3.25 million).

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)  
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2022****7. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)****Other related parties transactions**

During the period ended March 31, 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>2022:</b>				
East Gas Limited	Associate	Purchase of gas	2,037,612	4,552,749
<b>2021:</b>				
East Gas Limited	Associate	Purchase of gas	2,077,988	3,253,601
		Dividend received	3,640,000	

**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 2022 and 2021.

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

Chief Executive Officer (CEO) of the Company is the Chief Operating Decision Maker (CODM) of the Group. CEO 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>Three months period ended March 31, 2022 (Un-audited)</b>	<b>Reportable segments</b>		<b>Total SR</b>
	<b>Manufacturing SR</b>	<b>Trading and others SR</b>	
Segment revenue	207,839,075	22,118,586	229,957,661
Intra /inter segment revenue	(32,444,802)	(2,817,107)	(35,261,909)
External revenue	175,394,273	19,301,479	194,695,752
Net profit before zakat	10,179,413	3,786,028	13,965,441
Finance charges	5,658,197	342,185	6,000,382
Depreciation and amortization	13,194,638	410,463	13,605,101
Segment assets	903,422,072	54,018,062	957,440,134
Segment liabilities	679,181,708	51,508,296	730,690,004

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)  
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2022**
**8. OPERATING SEGMENTS (Continued)**

Three months period ended March 31, 2021 (Un-audited)	Reportable segments		
	Manufacturing	Trading and others	Total
	SR	SR	SR
Segment revenue	177,918,979	14,961,360	192,880,339
Intra /inter segment revenue	(31,762,624)	(2,629,252)	(34,391,876)
External revenue	146,156,355	12,332,108	158,488,463
Net profit before zakat	12,358,685	2,869,599	15,228,284
Finance charges	4,666,670	346,181	5,012,851
Depreciation and amortization	12,877,229	433,854	13,311,083
Segment assets	924,631,700	40,806,035	965,437,735
Segment liabilities	721,326,863	44,849,880	766,176,743
<b>Year ended December 31, 2021 (Audited)</b>	<b>Reportable segments</b>		
	Manufacturing	Trading and others	Total
	SR	SR	SR
Segment assets	930,787,599	46,915,919	977,703,518
Segment liabilities	720,113,430	44,004,478	764,117,908

**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.

	March 31, 2022 (Un-audited) SR	March 31, 2021 (Un-audited) SR
<b>- Revenue</b>		
Saudi Arabia	174,637,544	140,858,030
GCC countries	10,043,363	10,879,691
Other countries	10,014,845	6,750,742
<b>Consolidated revenue</b>	<b>194,695,752</b>	<b>158,488,463</b>
<b>- Non-current assets</b>		
Saudi Arabia	543,506,669	574,403,139
GCC countries	36,320,861	36,378,744
Other countries	9,761,839	11,362,547
<b>Consolidated non-current assets</b>	<b>589,589,369</b>	<b>622,144,430</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:

	March 31, 2022 (Un-audited) SR	March 31, 2021 (Un-audited) SR
Net profit for the period (SAR)	13,297,689	14,056,060
Weighted average number of outstanding shares	19,200,000	18,844,595
Basic/ diluted earnings per share (SR) for the period	0.69	0.75

**SAUDI PAPER MANUFACTURING COMPANY**

(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)  
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2022****10. SUPPLEMENTAL CASHFLOW INFORMATION**

	<b>March 31, 2022</b>	March 31, 2021
	<b>(Un-audited)</b>	(Un-audited)
	<b>SR</b>	SR
Spare parts capitalized	-	479,275
Advances related to right issue settled during the period	-	1,183,584

**11. STATUTORY RESERVE**

Statutory reserve is computed based on results of the whole year. Accordingly, no transfer to statutory reserves is made in the three months period ended March 31, 2022.

**12. CONTINGENCIES AND COMMITMENTS**

- As of March 31, 2022, the Group was contingently liable for letter of credits and bank guarantees issued in the normal course of the business amounting to SR 86.7 million (December 31, 2021: SR 48.16 million) and SR 0.647 million (December 31, 2021: SR 0.698 million) respectively.
- As of March 31, 2022, the Group 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 Custom Authority (ZATCA) for the years 2014 to 2018 claiming additional liability amounting to SR 42.4 million. In 2020, 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. For the assessment related to 2015 to 2018 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. SIGNIFICANT EVENT**

During the year ended December 31, 2021, the Court of law has given ruling in favour of the Company to receive SR 17.3 million in respect of sale of the Company's land made in 2017. Accordingly, the Company has recorded receivable and related income. During the period ended March 31, 2022, the amount was collected in full.

**14. 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 April 24, 2022 corresponding to 23 Ramadan 1443H.