

SAUDI PAPER MANUFACTURING COMPANY
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS (Unaudited)**
**FOR THE THREE AND NINE MONTHS PERIODS ENDED
SEPTEMBER 30, 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 AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2022

INDEX	PAGE
Independent auditor's review report on the condensed consolidated interim financial statements	1
Condensed consolidated interim statement of financial position	2
Condensed consolidated interim statement of profit or loss and other comprehensive income	3
Condensed consolidated interim statement of changes in equity	4
Condensed consolidated interim statement of cash flows	5
Notes to the condensed consolidated interim financial statements	6 – 13

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

TO THE SHAREHOLDERS OF SAUDI PAPER MANUFACTURING COMPANY
(A SAUDI JOINT STOCK COMPANY)

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 September 30, 2022, the related condensed consolidated interim statement of profit or loss and other comprehensive income for the three and nine months periods then ended, the condensed consolidated interim statements of changes in equity and cash flows for the nine 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.

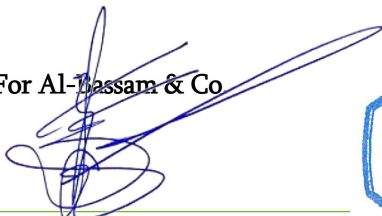
SCOPE OF REVIEW

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.

For Al-Bassam & Co



Ibrahim Ahmed Al Bassam
Certified Public Accountant
License No. 337

Khobar: 15 Rabi II 1444H
Corresponding to: 9 November 2022

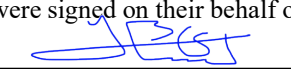


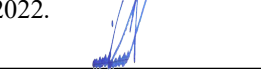
SAUDI PAPER MANUFACTURING COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2022

	Note	September 30, 2022 (Un-audited) SR	December 31, 2021 (Audited) SR
ASSETS			
Non-current assets			
Property, plant and equipment	4	515,724,452	551,064,863
Intangible assets		23,444,005	24,817,004
Investment in an associate		24,585,039	21,908,075
Total non-current assets		563,753,496	597,789,942
Current assets			
Inventories		99,407,610	85,312,232
Trade receivables	5	146,827,977	149,738,769
Advances, prepayments and other assets		77,919,657	67,794,189
Short term deposits		-	34,000,000
Cash and cash equivalents		77,790,201	43,068,386
Total current assets		401,945,445	379,913,576
TOTAL ASSETS		965,698,941	977,703,518
EQUITY AND LIABILITIES			
Equity			
Share capital	1	192,000,000	192,000,000
Statutory reserve	11	3,357,444	3,357,444
Translation reserve		(6,543,579)	(6,803,818)
Other reserves		(764,453)	(764,453)
Retained earnings		65,339,137	24,771,851
Equity attributable to the shareholders of the Company		253,388,549	212,561,024
Non-controlling interest		897,856	1,024,586
Total equity		254,286,405	213,585,610
LIABILITIES			
Non-current liabilities			
Medium and long term loans	6	279,839,140	329,222,803
Employees' end of service benefits		22,605,204	20,597,189
Lease liabilities – non current portion		8,510,963	11,557,463
Total non-current liabilities		310,955,307	361,377,455
Current liabilities			
Short-term loans	6	166,275,048	168,063,254
Medium and long term loans – current portion	6	91,354,665	93,154,258
Trade payables		67,937,288	71,660,168
Accrued expenses and other liabilities		56,011,754	49,675,462
Provision for zakat		14,761,330	16,210,122
Lease liabilities – current portion		4,117,144	3,977,189
Total current liabilities		400,457,229	402,740,453
Total liabilities		711,412,536	764,117,908
TOTAL EQUITY AND LIABILITIES		965,698,941	977,703,518

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 November 8, 2022.


Khalid Walid Abo Hana
Chief Financial Officer


Yousseri Abdel Hamid Abdel
Aziz El Bishry
Chief Executive Officer


Abdullah Abdul Rahman
Al-Kharashi
Chairman

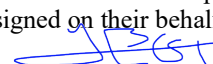
The accompanying notes form an integral part of these condensed consolidated interim financial statements.

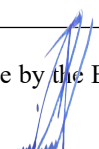
SAUDI PAPER MANUFACTURING COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2022

	Note	From July 1 to September 30		From January 1 to September 30	
		2022	2021	2022	2021
		(Un-audited) SR	(Un-audited) SR	(Un-audited) SR	(Un-audited) SR
Revenue	8	161,634,522	141,861,701	502,618,306	441,610,864
Cost of revenue		(122,955,317)	(110,231,380)	(374,339,571)	(321,451,780)
Gross profit		38,679,205	31,630,321	128,278,735	120,159,084
General and administrative expenses		(11,588,177)	(11,050,020)	(39,888,534)	(32,480,687)
Selling and distribution expenses		(12,441,687)	(12,781,969)	(44,742,482)	(40,424,101)
Allowance for impairment of trade receivables	5	(1,833,075)	(1,565,548)	(5,326,445)	(728,274)
Share in profit of an associate		1,122,964	836,301	2,676,964	2,508,903
Other income		801,643	694,420	21,329,290	1,862,910
Other expenses		(874,110)	(357,613)	(998,386)	(2,538,243)
Profit before finance charges and zakat		13,866,763	7,405,892	61,329,142	48,359,592
Finance charges	6,8	(7,311,001)	(6,499,669)	(19,292,011)	(16,320,159)
Profit before zakat		6,555,762	906,223	42,037,131	32,039,433
Zakat		(382,398)	(663,123)	(1,397,194)	(2,323,814)
Net profit for the period		6,173,364	243,100	40,639,937	29,715,619
<u>Other comprehensive income (loss)</u>					
<i>Items that will not be reclassified to profit or loss</i>					
Change in equity investments through other comprehensive income		-	267,216	-	1,484,520
<i>Item that may be reclassified to profit or loss</i>					
Exchange differences on translation of foreign operations		977,530	(255,829)	360,925	(496,122)
Other comprehensive income for the period		977,530	11,387	360,925	988,398
Total comprehensive income for the period		7,150,894	254,487	41,000,862	30,704,017
Net profit attributable to:					
Shareholders of the Company		6,207,451	149,228	40,567,286	29,346,790
Non-controlling interest		(34,087)	93,872	72,651	368,829
Net profit for the period		6,173,364	243,100	40,639,937	29,715,619
Total comprehensive income attributable to:					
Shareholders of the Company		7,098,567	161,948	40,827,525	30,337,619
Non-controlling interest		52,327	92,539	173,337	366,398
Total comprehensive income for the period		7,150,894	254,487	41,000,862	30,704,017
Earnings per share (SR) attributable to shareholders of the company					
Basic and diluted earnings per share	9	0.32	0.01	2.11	1.54

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 November 8, 2022.


Khalid Wajid Abu 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.

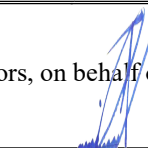
SAUDI PAPER MANUFACTURING COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022

	Equity attributable to the shareholders of the Company						Non-controlling interest SR	Total equity SR
	Share capital SR	Statutory reserve SR	Translation reserve SR	Other reserves SR	Retained earnings SR	Total 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	-	-	-	-	29,346,790	29,346,790	368,829	29,715,619
Other comprehensive (loss) income for the period	-	-	(493,691)	1,484,520	-	990,829	(2,431)	988,398
Total comprehensive (loss) income for the period	-	-	(493,691)	1,484,520	29,346,790	30,337,619	366,398	30,704,017
Transaction with shareholders in the capacity as owners								
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	-	-	-	-	-	-	(802,032)	(802,032)
As at September 30, 2021 (un-audited)	192,000,000	329,858	(6,710,488)	1,564,825	26,870,367	214,054,562	1,007,538	215,062,100
As at January 1, 2022 - (audited)	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	-	-	-	-	40,567,286	40,567,286	72,651	40,639,937
Other comprehensive income for the period	-	-	260,239	-	-	260,239	100,686	360,925
Total comprehensive income for the period	-	-	260,239	-	40,567,286	40,827,525	173,337	41,000,862
Dividend paid	-	-	-	-	-	-	(300,067)	(300,067)
As at September 30, 2022 (un-audited)	192,000,000	3,357,444	(6,543,579)	(764,453)	65,339,137	253,388,549	897,856	254,286,405

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 November 8, 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.

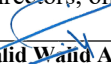
SAUDI PAPER MANUFACTURING COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022

	September 30, 2022 (Un-audited) SR	September 30, 2021 (Un-audited) SR
Cash flow from operating activities		
Net profit for the period	40,639,937	29,715,619
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	39,763,078	38,453,155
Gain on disposal of property, plant and equipment	(18,967,515)	-
Finance charges	19,292,011	16,320,159
Allowance for impairment of trade receivables	5,326,445	728,274
Provision for employees' end of service benefits	3,926,262	2,533,710
Share in profit of an associate	(2,676,964)	(2,508,903)
Zakat expense	1,397,194	2,323,814
Amortization of intangible assets	1,532,954	1,413,839
Allowance /(reversal) for slow moving inventories	45,320	(4,582,640)
Loss on investment	-	1,484,520
	90,278,722	85,881,547
<i>Changes in operating assets and liabilities:</i>		
Trade receivables	(2,415,653)	(28,248,708)
Inventories	(14,140,698)	15,676,092
Advances, prepayments and other assets	(10,125,468)	(25,487,070)
Short term deposits	34,000,000	-
Trade payables	(3,722,880)	(2,581,628)
Accrued expenses and other liabilities	6,336,292	(1,334,965)
Cash generated from operations	100,210,315	43,905,268
Finance charges paid	(16,245,322)	(12,862,588)
Zakat paid	(2,845,986)	(987,862)
Employees' end of service benefits paid	(1,918,247)	(2,516,484)
Net cash generated from operating activities	79,200,760	27,538,334
Cash flow from investing activities		
Additions to property, plant and equipment	(9,984,976)	(8,800,475)
Proceeds from disposal of property, plant and equipment	24,762,375	-
Additions to intangible assets	(159,955)	(186,000)
Dividend received from an associate	-	3,640,000
Net cash generated from (used in) investing activities	14,617,444	(5,346,475)
Cash flow from financing activities		
Repayment of medium and long term loans	(53,955,849)	(68,502,159)
Change in short term loans, net	(1,549,511)	1,450,210
Lease payments	(3,728,477)	(1,277,489)
Proceeds from increase in share capital	-	95,738,445
Receipt of medium and long term loans	-	3,221,241
Dividend paid to non controlling interest	(300,067)	(802,032)
Net cash (used in) generated from financing activities	(59,533,904)	29,828,216
Net change in cash and cash equivalents	34,284,300	52,020,075
Cash and cash equivalents at the beginning of the period	43,068,386	15,722,940
Effect of exchange rate fluctuations	437,515	(418,856)
Cash and cash equivalents at the end of the period	77,790,201	67,324,159

Cash flow supplemental information

10

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 November 8, 2022.


Khalid W. 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 NINE MONTHS PERIODS ENDED SEPTEMBER 30, 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 31, 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. On September 15, 2022 the Company received approval from Capital Market Authority (CMA) for the increase in share capital through right issue. On October 17, 2022 the shareholders of the Company approved to increase share capital of Company by SR 145 million.

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	
		September 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 and nine months periods ended September 30, 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 AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 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 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 property, plant and equipment in nine months period ended September 30, 2022 amounting to SR 10.3 million including SR 0.3 million for right of use assets. (period ended September 30, 2021: SR 8.8 million).

During the period ended September 30, 2022, the Group sold a piece of land and building with value of SR 24.7 million and recognized a gain on disposal by SR 18.9 million. The carrying value of land and building on date of disposal was SR 5.8 million.

5. TRADE RECEIVABLES

		September 30, 2022	December 31, 2021
		(Un-audited)	(Audited)
	Note	SR	SR
Trade receivables		200,026,408	203,005,652
Allowance for impairment of trade receivables	5.1	(53,198,431)	(53,266,883)
		146,827,977	149,738,769

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

	September 30, 2022	December 31, 2021
	(Un-audited)	(Audited)
	SR	SR
Opening balance	53,266,883	100,835,002
Allowance for the period /year	5,326,445	966,906
Write offs during the period /year	(5,394,897)	(48,535,025)
	53,198,431	53,266,883

SAUDI PAPER MANUFACTURING COMPANY

(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2022****6. LOANS****a) Medium and long-term loans**

		September 30, 2022 (Un-audited)	December 31, 2021
	Note	SR	(Audited)
		<u>SR</u>	<u>SR</u>
Saudi Industrial Development Fund (“SIDF”) loans	6.1	8,776,365	15,135,700
Commercial bank loans	6.2	362,417,440	407,241,361
		371,193,805	422,377,061
Current maturity of long term loans		(91,354,665)	(93,154,258)
		279,839,140	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 640.94 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 September 30, 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

	September 30, 2022 (Un-audited)	September 30, 2021
	SR	(Un-audited)
	<u>SR</u>	<u>SR</u>
Short-term employees benefits	4,942,157	4,311,900
BOD and related committees remuneration	1,410,997	1,365,591
Employees’ end of service benefits	336,417	237,183

Payable balance to key management personnel as of period end amounted to SR 4.63 million (December 31, 2021 SR 3.25 million).

SAUDI PAPER MANUFACTURING COMPANY

(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2022**

7. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Other related parties transactions

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

Related party	Relationship	Nature of transaction	Amount SR	Balance SR
2022:				
East Gas Limited	Associate	Purchase of gas	4,751,512	1,850,062
2021:				
East Gas Limited	Associate	Purchase of gas	5,914,399	2,044,178
		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.

Reportable segments	Operations
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. Intra and 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.

Nine months period ended September 30, 2022 (Un-audited)	Reportable segments		Total SR
	Manufacturing SR	Trading and others SR	
Segment revenue	578,369,322	68,410,375	646,779,697
Intra /inter segment revenue	(127,618,456)	(16,542,935)	(144,161,391)
External revenue	450,750,866	51,867,440	502,618,306
Finance charges	18,240,426	1,051,585	19,292,011
Depreciation and amortization	40,067,623	1,228,409	41,296,032
Net profit before zakat	12,753,713	29,283,418	42,037,131
Segment assets	926,121,832	39,577,109	965,698,941
Segment liabilities	665,030,365	46,382,171	711,412,536

SAUDI PAPER MANUFACTURING COMPANY

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2022

8. OPERATING SEGMENTS (Continued)

Nine months period ended September 30, 2021 (Un-audited)	Reportable segments		Total SR
	Manufacturing SR	Trading and others SR	
Segment revenue	506,225,385	42,497,286	548,722,671
Intra /inter segment revenue	(96,274,624)	(10,837,183)	(107,111,807)
External revenue	409,950,761	31,660,103	441,610,864
Finance charges	15,279,718	1,040,441	16,320,159
Depreciation and amortization	38,559,911	1,307,083	39,866,994
Net profit before zakat	24,040,275	7,999,158	32,039,433

Three months period ended September 30, 2022 (Un-audited)	Reportable segments		Total SR
	Manufacturing SR	Trading and others SR	
Segment revenue	200,822,606	20,222,495	221,045,101
Intra /inter segment revenue	(51,373,940)	(8,036,639)	(59,410,579)
External revenue	149,448,666	12,185,856	161,634,522
Finance cost	6,947,399	363,602	7,311,001
Depreciation and amortization	13,650,215	415,637	14,065,852
Net profit before zakat	3,835,263	2,720,499	6,555,762

Three months period ended September 30, 2021 (Un-audited)	Reportable segments		Total SR
	Manufacturing SR	Trading and others SR	
Segment revenue	163,954,270	12,950,026	176,904,296
Intra /inter segment revenue	(31,225,448)	(3,817,147)	(35,042,595)
External revenue	132,728,822	9,132,879	141,861,701
Finance cost	6,152,642	347,027	6,499,669
Depreciation and amortization	12,843,708	433,034	13,276,742
Net (loss) profit before zakat	(1,634,980)	2,541,203	906,223

Year ended December 31, 2021 (Audited)	Reportable segments		Total SR
	Manufacturing SR	Trading and others SR	
Segment assets	930,787,599	46,915,919	977,703,518
Segment liabilities	720,113,430	44,004,478	764,117,908

SAUDI PAPER MANUFACTURING COMPANY

(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2022**

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 nine months period ended	September 30, 2022 (Un-audited) SR	September 30, 2021 (Un-audited) SR
- Revenue		
Saudi Arabia	443,917,226	387,927,020
GCC countries	28,940,749	31,268,508
Other countries	29,760,331	22,415,336
Consolidated revenue	502,618,306	441,610,864

For the three months period ended	September 30, 2022 (Un-audited) SR	September 30, 2021 (Un-audited) SR
- Revenue		
Saudi Arabia	144,495,667	123,802,933
GCC countries	9,111,890	10,359,007
Other countries	8,026,965	7,699,761
Consolidated revenue	161,634,522	141,861,701

As of period / year ended	September 30, 2022 (Un-audited) SR	December 31, 2021 (Audited) SR
- Non-current assets		
Saudi Arabia	518,385,408	551,495,126
GCC countries	35,470,012	36,291,949
Other countries	9,898,076	10,002,867
Consolidated non-current assets	563,753,496	597,789,942

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:

	From July 1 to September 30		From January 1 to September 30	
	2022	2021	2022	2021
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
Net profit for the period (SR) attributable to shareholders of the Company	6,207,451	149,228	40,567,286	29,346,790
Weighted average number of outstanding shares	19,200,000	19,200,000	19,200,000	19,082,834
Basic/ diluted earnings per share (SR)	0.32	0.01	2.11	1.54

SAUDI PAPER MANUFACTURING COMPANY

(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2022****10. SUPPLEMENTAL CASHFLOW INFORMATION**

	September 30, 2022	September 30, 2021
	(Un-audited)	(Un-audited)
	SR	SR
Right of use assets	309,141	-
Spare parts capitalized	-	1,402,747
Advances related to right issue settled during the period	-	1,183,587

11. STATUTORY RESERVE

Statutory reserve is computed based on results of the whole year. Accordingly, no transfer to statutory reserves is made in the nine months period ended September 30, 2022.

12. CONTINGENCIES AND COMMITMENTS

- As of September 30, 2022, the Group was contingently liable for letter of credits and bank guarantees issued in the normal course of the business amounting to SR 56.28 million (December 31, 2021: SR 48.16 million) and SR 0.805 million (December 31, 2021: SR 0.698 million) respectively.
- As of September 30, 2022, the Group capital expenditure contracted amounted to SR 67.2 million, of which SR 38.8 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 36.1 million. In 2020, the Company had filed an objection related to 2014 assessment claim of SR 9.2 million which was settled by SR 0.48 million and accordingly, the company received the final assessment. For the assessments received related to years 2015 to 2018 amounting to SR 26.9 million, the Company has paid SR 1 million and filed an objection against the remaining amount of SR 25.9. During the year 2021, the objection was rejected by ZATCA, and the Company has appealed against these assessments in General Secretariat of Tax Committees (GSTC). During the period ended September 30, 2022, the appeal was rejected by GSTC. However, the Company is in process to re-appeal to GSTC against the decision. 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 last year. During the nine months period ended September 30, 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 November 8, 2022 corresponding to 14 Rabi II 1444H.