

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

**CONDENSED CONSOLIDATED INTERIM FINANCIAL  
INFORMATION  
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020  
AND REPORT ON REVIEW OF INTERIM FINANCIAL  
INFORMATION**

**MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER  
(A Saudi Joint Stock Company)  
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION  
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020**

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## Report on review of Condensed Consolidated Interim Financial Information

To the shareholders of Middle East Company for Manufacturing and Producing Paper  
(A Saudi Joint Stock Company)

### Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Middle East Company for Manufacturing and Producing Paper (the "Company") and its subsidiaries (collectively referred to as the "Group") as of March 31, 2020 and the related condensed consolidated statement of comprehensive income, changes in equity and cash flows for the three-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed consolidated interim financial information 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 interim financial information 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 information is not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

### PricewaterhouseCoopers

Mufaddal A. Ali  
License Number 447

May 5, 2020



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

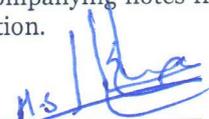
**Condensed consolidated interim statement of financial position**

**As at March 31, 2020**

(Expressed in Saudi Riyals unless otherwise stated)

	Note	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	1,131,022,503	1,056,884,444
Right-of-use assets	6	41,976,223	43,313,001
Intangible assets		1,627,466	2,018,137
<b>Total non-current assets</b>		<b>1,174,626,192</b>	<b>1,102,215,582</b>
<b>Current assets</b>			
Inventories		191,457,085	208,074,647
Trade receivables		181,099,411	159,881,870
Prepayments and other receivables		17,927,766	15,927,918
Other current assets		60,467,433	67,457,820
Financial asset at fair value through profit or loss		51,161	39,434
Cash and cash equivalents		23,134,041	23,213,483
<b>Total current assets</b>		<b>474,136,897</b>	<b>474,595,172</b>
<b>Total assets</b>		<b>1,648,763,089</b>	<b>1,576,810,754</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital		500,000,000	500,000,000
Statutory reserve		84,632,800	84,220,419
Treasury shares		(6,816,812)	(6,816,812)
Retained earnings		157,686,039	153,974,608
<b>Net equity</b>		<b>735,502,027</b>	<b>731,378,215</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long-term borrowings	7	295,208,075	342,918,084
Lease liabilities	8	37,574,084	37,896,894
Other financial liability	9	62,317,216	-
Derivative financial instruments		-	224,625
Employees' end of service benefits		44,281,818	43,932,711
<b>Total non-current liabilities</b>		<b>439,381,193</b>	<b>424,972,314</b>
<b>Current liabilities</b>			
Zakat payable	10	1,566,681	1,437,193
Current portion of long-term borrowings	7	168,247,393	141,617,251
Current portion of lease liabilities	8	5,167,906	5,456,196
Current portion of other financial liability	9	16,635,528	-
Derivative financial instruments		1,147,744	15,416
Short-term borrowings		169,887,883	171,700,857
Trade and other payables		102,505,275	97,374,542
Other current liabilities		8,721,459	2,858,770
<b>Total current liabilities</b>		<b>473,879,869</b>	<b>420,460,225</b>
<b>Total liabilities</b>		<b>913,261,062</b>	<b>845,432,539</b>
<b>Total equity and liabilities</b>		<b>1,648,763,089</b>	<b>1,576,810,754</b>

The accompanying notes from 1 to 16 form an integral part of this condensed consolidated interim financial information.

  
Chief Financial Officer

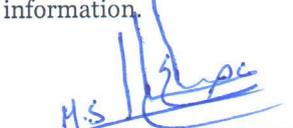
  
Chief Executive Officer

  
Chairman of the Board

**MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER**  
**(A Saudi Joint Stock Company)**  
**Condensed consolidated interim statement of comprehensive income**  
**For the three-month period ended March 31, 2020**  
(Expressed in Saudi Riyals unless otherwise stated)

	Note	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
Revenue		173,865,625	181,843,811
Cost of revenue		<u>(138,252,446)</u>	<u>(142,518,975)</u>
<b>Gross profit</b>		<b>35,613,179</b>	<b>39,324,836</b>
Selling and distribution expenses		(11,703,084)	(11,817,898)
General and administrative expenses		(13,802,964)	(14,333,405)
Impairment losses on financial assets		481,778	(332,672)
Fair value loss on derivative financial instruments		(907,703)	(798,396)
Other income, net		<u>31,254</u>	<u>270,128</u>
<b>Operating profit</b>		<b>9,712,460</b>	<b>12,312,593</b>
Finance costs		<u>(5,459,160)</u>	<u>(6,365,986)</u>
<b>Profit before zakat</b>		<b>4,253,300</b>	<b>5,946,607</b>
Zakat expense	10	<u>(129,488)</u>	<u>(163,037)</u>
<b>Profit for the period</b>		<b>4,123,812</b>	<b>5,783,570</b>
<i>Other comprehensive income items that will not be reclassified to profit or loss:</i>			
Actuarial gain on re-measurement of employee benefit obligations		-	-
<b>Total comprehensive income for the period</b>		<u><b>4,123,812</b></u>	<u><b>5,783,570</b></u>
<b>Earnings per share</b>			
Basic and diluted earnings per share	11	<u><b>0.08</b></u>	<u><b>0.12</b></u>

The accompanying notes from 1 to 16 form an integral part of this condensed consolidated interim financial information.

  
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Chief Financial Officer

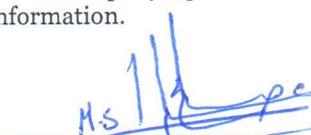
  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Chairman of the Board

**MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER**  
**A Saudi Joint Stock Company)**  
**Condensed consolidated interim statement of changes in equity**  
**For the three-month period ended March 31, 2020**  
(Expressed in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Treasury shares	Retained earnings	Total
<b>Balance as at January 1, 2020 (Audited)</b>	<b>500,000,000</b>	<b>84,220,419</b>	<b>(6,816,812)</b>	<b>153,974,608</b>	<b>731,378,215</b>
Profit for the period	-	-	-	4,123,812	4,123,812
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	4,123,812	4,123,812
Transfer to statutory reserve	-	412,381	-	(412,381)	-
<b>Balance as at March 31, 2020 (Unaudited)</b>	<b>500,000,000</b>	<b>84,632,800</b>	<b>(6,816,812)</b>	<b>157,686,039</b>	<b>735,502,027</b>
<b>Balance as at January 1, 2019 (Audited)</b>	<b>500,000,000</b>	<b>83,607,622</b>	<b>(6,816,812)</b>	<b>174,522,254</b>	<b>751,313,064</b>
Profit for the period	-	-	-	5,783,570	5,783,570
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	5,783,570	5,783,570
Transfer to statutory reserve	-	578,357	-	(578,357)	-
Dividends paid	-	-	-	(25,000,000)	(25,000,000)
<b>Balance as at March 31, 2019 (Unaudited)</b>	<b>500,000,000</b>	<b>84,185,979</b>	<b>(6,816,812)</b>	<b>154,727,467</b>	<b>732,096,634</b>

The accompanying notes from 1 to 16 form an integral part of this condensed consolidated interim financial information.

  
Chief Financial Officer

  
Chief Executive Officer

  
Chairman of the Board

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

**Condensed consolidated interim statement of cash flows**

**For the three-month period ended March 31, 2020**

(Expressed in Saudi Riyals unless otherwise stated)

Note	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
<b>Cash flows from operating activities</b>		
	4,253,300	5,946,607
Profit before zakat		
Adjustments for:		
Depreciation and amortization	26,045,561	23,895,178
Finance costs	5,459,160	6,365,986
(Reversal)/ allowance for impairment of trade receivables	(481,778)	332,672
Allowance for slow moving inventories	900,000	900,000
Employees' end of service benefits provision	1,479,168	1,556,587
Fair value loss on derivative financial instruments	907,703	798,396
Gain on disposal of financial assets at fair value through profit or loss	(171,535)	-
Fair value gain on financial asset at fair value through profit or loss	(11,727)	(299)
Changes in operating assets and liabilities:		
Inventories	15,717,562	4,661,176
Trade receivables	(20,735,763)	(59,202,874)
Prepayments and other receivables	(1,999,848)	(587,404)
Other current assets	6,990,387	(2,972,857)
Trade and other payables	5,087,389	3,583,542
Other current liabilities	5,862,689	1,600,734
Cash utilized in from operations	49,302,268	(13,122,556)
Finance costs paid	(5,143,711)	(6,907,721)
Employees' end of service benefit paid	(1,130,061)	(884,603)
<b>Net cash inflow / (outflow) from operating activities</b>	<b>43,028,496</b>	<b>(20,914,880)</b>
<b>Cash flows from investing activities</b>		
Acquisition of property and equipment	(18,344,581)	(23,760,450)
Acquisition of investment at fair value through profit or loss	(2,404,300)	-
Proceeds from sale of investments at fair value through profit or loss	2,575,835	500,000
<b>Net cash outflow from investing activities</b>	<b>(18,173,046)</b>	<b>(23,260,450)</b>
<b>Cash flows from financing activities</b>		
Net change in short-term borrowings	(2,253,707)	91,596,125
Repayments of long-term borrowings	(21,482,143)	(12,404,763)
Principal elements of lease payments	(1,199,042)	(2,387,600)
Dividends paid	-	(25,000,000)
<b>Net cash (outflow) / inflow from financing activities</b>	<b>(24,934,892)</b>	<b>51,803,762</b>
<b>Net change in cash and cash equivalents</b>	<b>(79,442)</b>	<b>7,628,432</b>
Cash and cash equivalents at beginning of period	23,213,483	28,842,546
<b>Cash and cash equivalents at end of period</b>	<b>23,134,041</b>	<b>36,470,978</b>

The accompanying notes from 1 to 16 form an integral part of this condensed consolidated interim financial information.

  
 Chief Financial Officer

  
 Chief Executive Officer

  
 Chairman of the Board

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

**Notes to the condensed consolidated interim financial information**

**For the three-month period ended March 31, 2020**

(Expressed in Saudi Riyals unless otherwise stated)

**1 General information**

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

The Company obtained its Commercial Registration No. 4030131516 on Rajab 3, 1421H, (September 30, 2000). During the year 2012, the legal status of the Company converted from a limited liability company into a Saudi Closed Joint Stock Company. The Ministry of Commerce approved the conversion of the Company to a Saudi Closed Joint Stock Company by Ministerial Decision No. 44 dated Safar 14, 1433H (January 8, 2012). The Company’s application for its initial public offering was accepted by the Capital Market Authority (CMA) on Jumad-ul-Awal 25, 1436H (March 16, 2015). The Company was converted to Saudi Joint Stock Company on Rajab 14, 1436H (May 3, 2015).

At March 31, 2020 the Company had investments in the following subsidiaries (collectively referred to as “Group”).

<b>Subsidiary name</b>	<b>Country of incorporation</b>	<b>Principal business activity</b>	<b>Ownership interest</b>
Waste Collection and Recycling Company Limited	Saudi Arabia	Whole and retail sales of paper, carton and plastic waste	100%
Special Achievements Company Limited	Saudi Arabia	Whole and retail sales of used papers, carton and plastic products	97% Directly 3% indirectly Effectively 100%

During 2018, the Company had started the process to transfer the 3% shareholding of WASCO and SACO in each other to the Company. The transfer of SACO’s 3% shareholding in WASCO to the Company was completed during 2018. However, the legal formalities for the transfer of WASCO’s 3% shareholding in SACO to the Company are under process as of the date of the issuance of the condensed consolidated interim financial information.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the globe including Saudi Arabia. During March 2020, the Saudi Arabian government took many initiatives to contain the spread of virus which included restrictions on travel, gathering of people and enactment of curfew timings. This resulted in many non-essential businesses to close until further notice. The industry of packaging material is considered as an essential industry by the regulatory authorities and accordingly, they permitted the Group to operate under the normal course of business and its employees to attend the offices after taking precautionary measures. Considering these factors, the Group did not have significant adverse impact on its operations and businesses due to COVID-19.

**2 Basis of preparation**

**2.1 Statement of compliance**

The condensed consolidated interim financial information of the Company has been prepared in compliance with International Accounting Standard 34 - Interim Financial Reporting (IAS 34) as endorsed by Saudi Organization for Certified Public Accountants (SOCPA) in the Kingdom of Saudi Arabia as well as other standards and pronouncements issued by SOCPA.

The condensed consolidated interim financial information does not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the annual financial statements for the year ended December 31, 2019. IAS 34 states that the condensed interim financial information is intended to provide an update on the latest complete set of annual financial statements. Hence, IAS 34 requires less disclosure in interim financial information than IFRS requires in annual financial statements.

**MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER  
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**Notes to the condensed consolidated interim financial information**

**For the three-month period ended March 31, 2020**

(Expressed in Saudi Riyals unless otherwise stated)

**2 Basis of preparation (continued)**

**2.2 Accounting convention / basis of measurement**

The condensed consolidated interim financial information has been prepared on a historical cost basis except for derivative financial instruments and investment at fair value through profit or loss which are measured at fair value, and the defined benefit obligation which is recognised at the present value of future obligations using the Projected Unit Credit Method. This condensed consolidated interim financial information is presented in Saudi Arabian Riyals (Saudi Riyals).

**2.3 Use of judgments and estimates**

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period. The Group based its assumptions and estimates on parameters available when the condensed consolidated interim financial information was prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

**3 Significant accounting policies**

The accounting policies adopted by the Group for the preparation of the condensed consolidated interim financial information are consistent with those followed in preparation of the Group's annual consolidated financial statements for the year ended December 31, 2019.

***New standards, amended to standards and interpretations***

There are no new standards issued, however, there are a number of amendments to standards which are effective from 1 January 2020. They have been explained in Group annual consolidated financial statements for the year ended December 31, 2019 and they do not have a material effect on the Group's condensed consolidated interim financial information.

**4 Operating segments**

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

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

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

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

**Notes to the condensed consolidated interim financial information**

**For the three-month period ended March 31, 2020**

(Expressed in Saudi Riyals unless otherwise stated)

**4 Operating segments**

Information regarding the results of each reportable segment is included below. Performance is measured based on segment revenues and profit (loss) before zakat, as included in the internal management reports that are reviewed by the top management. The following table presents segment information for the three months period ended March 31, 2020:

	<b>Manufacturing</b>	<b>Trading</b>	<b>Elimination</b>	<b>Total</b>
<b>Results for the three-month period ended March 31, 2020 (Unaudited)</b>				
Revenues	170,433,098	42,636,183	(39,203,656)	<b>173,865,625</b>
External revenues	170,433,098	3,432,527	-	<b>173,865,625</b>
Segment profit/ (loss) before zakat	4,253,300	(3,963,871)	3,963,871	<b>4,253,300</b>
Finance costs	5,191,124	268,036	-	<b>5,459,160</b>
Depreciation and amortization	23,175,386	2,870,175	-	<b>26,045,561</b>
<b>Results for the three-month period ended March 31, 2019 (Unaudited)</b>				
Revenues	176,270,724	70,971,416	(65,398,329)	181,843,811
External revenues	176,270,724	5,573,087	-	181,843,811
Segment profit before zakat	5,824,991	4,901,692	(4,780,076)	5,946,607
Finance costs	6,197,951	168,035	-	6,365,986
Depreciation and amortization	20,010,914	3,884,264	-	23,895,178
<b>As of March 31, 2020 (Unaudited)</b>				
Total assets	1,558,976,621	149,090,783	(59,304,315)	<b>1,648,763,089</b>
Total liabilities	823,474,594	97,787,522	(8,001,054)	<b>913,261,062</b>
<b>As of December 31, 2019 (Audited)</b>				
Total assets	1,491,338,540	152,386,456	(66,914,242)	1,576,810,754
Total liabilities	759,960,325	97,119,324	(11,647,110)	845,432,539

The Group makes sales in local and foreign markets in Middle East, Africa, Asia and Europe. Export sales during the three-month period ended March 31, 2020 amounted to Saudi Riyals 73.03 million (three-month period ended March 31, 2019: Saudi Riyals 81.58 million). Local external sales in Saudi Arabia, during the three-month period ended March 31, 2020 amounted to Saudi Riyals 100.83 million (three-month period ended March 31, 2019: Saudi Riyals 100.27 million).

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**Notes to the condensed consolidated interim financial information**

**For the three-month period ended March 31, 2020**

(Expressed in Saudi Riyals unless otherwise stated)

**5 Property, plant and equipment**

	Land	Buildings and mobile cabinets	Machinery and equipment	Furniture and fixtures	Motor vehicles	Capital work-in- progress	Total
<b>At January 1, 2020</b>							
Cost	98,020,400	180,737,745	1,453,215,142	30,568,762	47,538,278	106,808,744	1,916,889,071
Accumulated depreciation	-	(58,231,913)	(735,827,868)	(27,002,080)	(38,942,766)	-	(860,004,627)
<b>Net book value</b>	<b>98,020,400</b>	<b>122,505,832</b>	<b>717,387,274</b>	<b>3,566,682</b>	<b>8,595,512</b>	<b>106,808,744</b>	<b>1,056,884,444</b>
<b>Three-month period ended March 31, 2020</b>							
Opening net book value	98,020,400	122,505,832	717,387,274	3,566,682	8,595,512	106,808,744	1,056,884,444
Additions	79,952,744	18,349	4,178,535	627,697	590,500	12,780,150	98,147,975
Transfers	-	1,217,115	10,443,518	-	-	(11,660,633)	-
Depreciation charge	-	(1,464,750)	(21,636,084)	(365,358)	(543,724)	-	(24,009,916)
<b>Closing net book value</b>	<b>177,973,144</b>	<b>122,276,546</b>	<b>710,373,243</b>	<b>3,829,021</b>	<b>8,642,288</b>	<b>107,928,261</b>	<b>1,131,022,503</b>
<b>At March 31, 2020</b>							
Cost	177,973,144	181,973,209	1,467,837,195	31,196,459	48,128,778	107,928,261	1,936,084,302
Accumulated depreciation	-	(59,696,663)	(757,463,952)	(27,367,438)	(39,486,490)	-	(884,014,543)
<b>Net book value</b>	<b>177,973,144</b>	<b>122,276,546</b>	<b>710,373,243</b>	<b>3,829,021</b>	<b>8,642,288</b>	<b>107,928,261</b>	<b>1,131,022,503</b>

During the three-month period ended March 31, 2020, finance costs amounting to Saudi Riyals 0.85 million were capitalized as part of property, plant and equipment (Year ended December 31, 2019: Saudi Riyals 2.5 million).

During the three-month period ended March 31, 2020, the Company acquired a plot of land having cash value amounting to Saudi Riyals 78,952,744 under a deferred payments arrangement with a total purchase price of Saudi Riyal 83,177,640 over the payment term. The title of this plot of land would be transferred by the seller to the Company after payment of the last installment due on March 31, 2029. (see Note 9)

Capital work-in-progress as of March 31, 2020 includes costs incurred related to the ongoing projects for plant and machinery. The projects are expected to complete during first quarter of 2021. Also see Note 13 for capital commitments.

All land, buildings and mobile cabinets, machinery, equipment, furniture and fixtures relating to the Company are pledged as collateral to Saudi Industrial Development Fund (SIDF) as a first degree pledge (see Note 7).

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

**Notes to the condensed consolidated interim financial information**

**For the three-month period ended March 31, 2020**

(Expressed in Saudi Riyals unless otherwise stated)

**6 Right of use assets**

	<b>Leased Land</b>	<b>Buildings</b>	<b>Total</b>
<b>At January 1, 2020</b>			
Cost	47,168,541	3,157,027	50,325,568
Accumulated depreciation	(5,320,806)	(1,691,761)	(7,012,567)
<b>Net book value</b>	<b>41,847,735</b>	<b>1,465,266</b>	<b>43,313,001</b>
<b>Three-month period ended March 31, 2020</b>			
Opening net book value	41,847,735	1,465,266	43,313,001
Remeasurement	-	308,196	308,196
Depreciation charge	(1,271,209)	(373,765)	(1,644,974)
<b>Closing net book value</b>	<b>40,576,526</b>	<b>1,399,697</b>	<b>41,976,223</b>
<b>At March 31, 2020</b>			
Cost	47,168,541	3,465,223	50,633,764
Accumulated depreciation	(6,592,015)	(2,065,526)	(8,657,541)
<b>Net book value</b>	<b>40,576,526</b>	<b>1,399,697</b>	<b>41,976,223</b>

**7 Long-term borrowings**

	<b>March 31, 2020</b>	<b>December 31, 2019</b>
Saudi Industrial Development Fund (SIDF)	<b>72,797,984</b>	72,251,125
Islamic banking facilities (Tawarruq)	<b>390,657,484</b>	412,284,210
Long-term borrowings	<b>463,455,468</b>	484,535,335
Less: current portion shown under current liabilities	<b>(168,247,393)</b>	(141,617,251)
Long term borrowings shown under non-current liabilities	<b>295,208,075</b>	342,918,084

(a) The Company signed a loan agreement with SIDF amounting to Saudi Riyals 255 million in 2012 to partially finance the construction of manufacturing lines within the Company's production facility. This loan was fully utilized as of December 31, 2015. The loan was fully repaid during 2018.

During the year 2013, the Company signed another loan agreement with SIDF amounting to Saudi Riyals 124.7 million to finance the construction of manufacturing facilities. This loan was also fully utilized as of December 31, 2017. The loan is repayable in unequal semi-annual instalments up to March 2022.

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

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

Upfront fees were deducted at the time of receipt of loans from commercial banks, which are amortised over the period of the respective loans. These loans are repayable up to the year 2024.

The above loans and facilities include certain financial covenants which require the Company to maintain certain levels of current and leverage ratios and certain restriction on dividend distribution and also notify the bank any breach or probable breach immediately. The Company is in compliance with these debt covenants at March 31, 2020.

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**8 Lease liabilities**

Movement in lease liabilities is summarized as follows:

	<b>March 31, 2020</b>	<b>December 31, 2019</b>
At January 1	<b>43,353,090</b>	<b>49,981,515</b>
Payments made	<b>(1,199,042)</b>	<b>(7,185,700)</b>
Remeasurement	<b>308,196</b>	<b>(150,000)</b>
Interest charged	<b>279,746</b>	<b>707,275</b>
At March 31	<b><u>42,741,990</u></b>	<b><u>43,353,090</u></b>

The scheduled maturities of the lease liabilities as of period ended March 31, 2020 are as follows:

	<b>Principal amount</b>	<b>Interest</b>	<b>Net lease liabilities</b>
Current portion	<b>6,846,049</b>	<b>(1,678,143)</b>	<b>5,167,906</b>
Non-current portion	<b>45,155,127</b>	<b>(7,581,043)</b>	<b>37,574,084</b>
	<b><u>52,001,176</u></b>	<b><u>(9,259,186)</u></b>	<b><u>42,741,990</u></b>

**9 Other financial liability**

During the three-month period ended March 31, 2020, the Company has signed an agreement with Emaar, the Economy City for purchase of a plot of land amounting to Saudi Riyals 83,177,640 under deferred payments arrangement for its future expansion projects. The Company is required to pay 20% of the liability in advance and remaining liability in unequal annual instalments ending on March 31, 2029.

The discounted liability related to land purchase arrangements is as follows:

	<b>March 31, 2020</b>
Total liability	<b>78,952,744</b>
Less: current portion shown under current liabilities	<b>(16,635,528)</b>
Long term liability shown under non-current liabilities	<b><u>62,317,216</u></b>

The scheduled maturities of the liability related to land purchase arrangements as of period ended March 31, 2020 are as follows:

	<b>Gross amount</b>	<b>Discounting impact</b>	<b>Net liability</b>
Current portion	<b>16,635,528</b>	<b>-</b>	<b>16,635,528</b>
Non-current portion	<b>66,542,112</b>	<b>(4,224,896)</b>	<b>62,317,216</b>
	<b><u>83,177,640</u></b>	<b><u>(4,224,896)</u></b>	<b><u>78,952,744</u></b>

**10 Zakat**

**10.1 Components of zakat base**

The Company and its subsidiaries file separate zakat declarations which are filed on an unconsolidated basis. The significant components of the zakat base of each company under zakat and income tax regulations are principally comprised of shareholder's equity, provisions at the beginning of the year, long-term borrowings and adjusted net income, less deductions for the adjusted net book value of property, plant and equipment and certain other items.

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**10 Zakat (Continued)**

**10.2 Provision for zakat**

	<b>March 31, 2020</b>	<b>December 31, 2019</b>
At the beginning of the period / year	<b>1,437,193</b>	4,020,197
Provisions		
- Provision for the current period / year	<b>129,488</b>	1,437,193
- Adjustment related to prior years	-	527,404
Payments	-	3,492,793
At the end of the period / year	<b>1,566,681</b>	1,437,193

**10.3 Status of final assessments**

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

During 2016, the Company received additional zakat assessments amounting Saudi Riyals 16.54 million for the years 2009 to 2012. The Company has settled an amount of Saudi Riyals 0.04 million on the non-objected items and submitted an objection against the remaining balance amount. During 2019, the GAZT has issued a revised assessment reducing the additional assessment amount to Saudi Riyals 6.83 million. The Company has settled Saudi Riyals 1.2 million and submitted the objection against the remaining revised assessment. Management believes that the ultimate outcome of this matter will not result in any material additional liability to the Company. The zakat declarations of the Company for the years 2013 to 2018 are filed with the GAZT and unrestricted zakat certificates have been obtained till April 30, 2021.

The zakat declarations of WASCO and SACO for the years 2009 to 2018 are currently under review by the GAZT.

**11 Earnings per share**

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

	<b>March 31, 2020</b>	<b>March 31, 2019</b>
Profit for the three-month period ended	<b>4,123,812</b>	5,783,570
Weighted average number of shares	<b>49,700,000</b>	49,700,000
Basic and diluted earnings per share	<b>0.08</b>	0.12

**12 Fair value of assets and liabilities**

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

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

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

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**12 Fair value of assets and liabilities (Continued)**

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

The fair values under Level 2 were as follows:

	<b>March 31, 2020</b>	<b>December 31, 2019</b>
<b>Level 2</b>		
Derivative financial instruments – Negative fair value	<b>(1,147,744)</b>	(240,041)
Investment at fair value through profit or loss	<b>51,161</b>	39,434

During the three-month period ended March 31, 2020, there were no movements between the levels.

**13 Contingencies and commitments**

- i. At March 31, 2020, the Group had outstanding letters of credit amounting to Saudi Riyals 0.67 million (December 31, 2019: Saudi Riyals 2.77 million) and letters of guarantee amounting to Saudi Riyals 2.50 million (December 31, 2019: Saudi Riyals 2.71 million) that were issued in the normal course of the business.
- ii. The capital expenditure contracted by the Group but not incurred till March 31, 2019 was approximately Saudi Riyals 25.1 million (December 31, 2019: Saudi Riyals 33.8 million).

**14 Related party transactions**

**14.1 Transactions with key management personnel**

Key management personnel compensation comprised the following:

	<b>March 31, 2020</b>	<b>March 31, 2019</b>
Short term benefits	<b>2,769,606</b>	2,578,356
Post-employment benefits	<b>69,817</b>	72,897
Termination benefits	<b>158,237</b>	143,650
	<b>2,997,660</b>	2,794,903

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

**14.2 Related party transactions**

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

<b>Related party</b>	<b>Description of transaction</b>	<b>Relationship</b>	<b>March 31, 2020</b>	<b>March 31, 2019</b>
Directors	Directors' remuneration	Directors	<b>634,275</b>	772,233

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**14 Related party transactions (continued)**

**14.3 Related party balances**

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

	<b>March 31, 2020</b>	<b>December 31, 2019</b>
Accrued directors' remuneration	-	7,000
Advances to key management personnel	<b>546,452</b>	626,515

**15 Dividends**

During March 2019, the Company has distributed a dividend based on General Assembly authorization to the Board of Directors for the second half of the financial year ended December 31, 2018 of Saudi Riyals 0.50 per share aggregating to Saudi Riyals 25 million. No such dividend is declared in 2020.

**16 Authorization of financial information**

This condensed consolidated interim financial information was authorized for issue by the Company's Board of Directors on May 4, 2020.