

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

**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

FOR THE YEAR ENDED 31 DECEMBER 2025

**MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER (A SAUDI JOINT STOCK COMPANY)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Middle East Company for Manufacturing and Producing Paper and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia, as applicable to audit of consolidated financial statement of public interest entities. We have fulfilled our other ethical responsibilities in accordance with that Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 12(b) to the consolidated financial statements, which describes the advance paid by the Group in prior years to acquire land through a public auction. As at 31 December 2025, while the legal ownership of the land is not under dispute, the administrative and procedural steps required to complete the transfer of the title deed into the Group's name remain ongoing. Our opinion has not been modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDERS OF MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER (A SAUDI JOINT STOCK COMPANY) (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
<p>Allowance for expected credit losses</p> <p>As at 31 December 2025, the gross trade receivables amounted to 370 million (2024: SR 366 million), against which an allowance for expected credit losses of SR 22 million (2024: SR 28 million) was maintained.</p> <p>The Group assesses at each reporting date whether trade receivables carried at amortized cost are credit impaired. The Group uses the simplified approach for expected credit losses (“ECL”) as required by International Financial Reporting Standard 9 (Financial Instruments) (‘IFRS 9’). Significant judgments, estimates and assumptions have been made by management in the calculation of ECL impact.</p> <p>We have considered this as a key audit matter as the determination of ECL involves significant management’s judgement and assumptions, including future macro-economic factors and the study of historical trends.</p> <p>Refer to note 3.9 to the consolidated financial statements for the accounting policy, note 2.7 for the significant accounting judgements and estimates and note 10.1 for the disclosure of movement in allowance for impairment of trade receivables.</p>	<p>Our audit procedures performed included, among others, the following:</p> <ul style="list-style-type: none"> ➤ Evaluated the Group’s accounting policy for the ECL allowance to ensure compliance with the requirements of IFRS 9. ➤ Obtained an understanding of management’s assessment regarding the impairment of trade receivables and the allowance for ECL ➤ Involved our internal specialists to assess the reasonableness of significant judgments, estimates, and assumptions made by management related to the Group’s assessment of the probability of default, the incorporation of forward-looking information, and the loss given default parameter used in the ECL model. ➤ Tested the accuracy of trade receivables ageing generated by the accounting system which is used in the preparation of ECL model as at 31 December 2025. ➤ Tested the arithmetical accuracy of the ECL model. ➤ Assessed the adequacy and appropriateness of the related disclosures in the accompanying consolidated financial statements.
<p>Allowance for slow moving inventories</p> <p>As at 31 December 2025, the gross inventories amounted to SR 246 million (2024: SR 221 million), against which an allowance for slow moving and obsolete inventories amounting to SR 30 million (2024: SR 34 million). These inventories comprise raw materials, work in progress, finished goods, consumable spare parts and goods-in-transit.</p>	<p>Our audit procedures performed included, among others, the following:</p> <ul style="list-style-type: none"> ➤ Evaluated the Group’s accounting policy for allowance for slow-moving and obsolete inventories.

INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDERS OF MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER (A SAUDI JOINT STOCK COMPANY) (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
<p>Allowance for slow moving inventories (continued)</p> <p>The Group adopted policy of providing allowance for inventories identified as obsolete or slow-moving which are not expected to be sold / used in the normal business cycle and when there is evidence of deterioration in the physical condition, technological changes and/or no movements in the specific period.</p> <p>We considered this as a key audit matter given the significant management judgement in respect of factors such as identifying slow moving, dormant and obsolete items, assessing their future use and assessment of the items that may not be recoverable as being damaged and obsolete. The gross inventories and related provision are material to the consolidated financial statements.</p> <p>Refer to note 3.6 to the consolidated financial statements for the accounting policy relating to the inventories, note 2.7 for the material accounting judgements and estimates and note 9.1 for the disclosure of movement in provision for slow moving and obsolete inventories.</p>	<ul style="list-style-type: none"> ➤ Assessed the reasonableness of the assumptions used in estimating the allowance for slow-moving and obsolete inventories. This included reviewing the accuracy and completeness of key inputs against the underlying supporting documents and verifying the accuracy of management's calculations. ➤ Reviewed recent inventory count results from a sample of the Group's locations to ensure that the year-end provision for damaged and obsolete inventories adequately reflected the level of inventory losses experienced during the year. ➤ Assessed the adequacy and reasonableness of the relevant disclosures included in the accompanying consolidated financial statements.

Other information included in the Group’s 2025 Annual Report

Other information consists of the information included in the Group’s 2025 annual report, other than the consolidated financial statements and our auditor’s report thereon. Management is responsible for the other information in its annual report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER (A SAUDI JOINT STOCK COMPANY) (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the applicable provisions of Regulation of Companies and Parent Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance i.e., the Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER (A SAUDI JOINT STOCK COMPANY) (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

for Ernst & Young Professional Services

Ahmed Ibrahim Reda
Certified Public Accountant
License No. (356)

Jeddah: 20 Shawwal 1447H
8 April 2026G




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

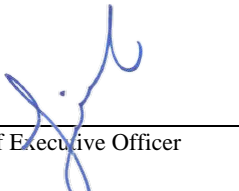
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

Expressed in Saudi Riyals unless otherwise stated

	<i>Notes</i>	<i>2025</i>	<i>2024</i>
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	1,431,865,458	1,268,700,865
Intangible assets	8	17,056,251	21,146,421
TOTAL NON-CURRENT ASSETS		1,448,921,709	1,289,847,286
CURRENT ASSETS			
Inventories	9	215,492,407	186,367,314
Trade receivables	10	347,694,427	338,341,685
Prepayments and other receivables	11	11,503,557	9,211,564
Other current assets	12	149,290,684	124,149,293
Cash and short-term deposits	13	495,352,589	610,683,119
TOTAL CURRENT ASSETS		1,219,333,664	1,268,752,975
TOTAL ASSETS		2,668,255,373	2,558,600,261
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14	866,666,650	866,666,650
Share premium	14	419,999,979	419,999,979
Statutory reserve	15	-	135,278,852
Retained earnings		341,502,520	184,282,212
Equity attributable to equity holders of the parent		1,628,169,149	1,606,227,693
Non- controlling interests		(7,430,361)	(6,194,341)
TOTAL EQUITY		1,620,738,788	1,600,033,352
LIABILITIES			
NON-CURRENT LIABILITIES			
Interest-bearing long-term borrowings	17(a)	257,106,834	251,152,604
Lease liabilities	7(b)	20,651,883	10,208,662
Employee defined benefits liabilities	18	38,139,995	41,452,198
TOTAL NON-CURRENT LIABILITIES		315,898,712	302,813,464
CURRENT LIABILITIES			
Interest-bearing long-term borrowings – current portion	17(a)	120,009,417	129,759,552
Interest-bearing short-term borrowings	17(b)	337,301,909	310,231,050
Trade and other payables	20	251,545,855	191,982,075
Other current liabilities	21	9,220,823	3,870,539
Zakat payable	19.2	13,539,869	19,910,229
TOTAL CURRENT LIABILITIES		731,617,873	655,753,445
TOTAL LIABILITIES		1,047,516,585	958,566,909
TOTAL EQUITY AND LIABILITIES		2,668,255,373	2,558,600,261


Chief Financial Officer


Chief Executive Officer


Chairman of the Board

The accompanying notes from 1 to 35 form an integral part of these consolidated financial statements.

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

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME**


For the year ended 31 December 2025

(Expressed in Saudi Riyals unless otherwise stated)

	Notes	2025	2024
Revenue	4	1,060,527,264	1,065,255,961
Cost of revenue	22	(926,909,015)	(957,629,091)
GROSS PROFIT		133,618,249	107,626,870
Selling and distribution expenses	23	(17,023,930)	(21,831,983)
General and administrative expenses	24	(88,642,054)	(119,013,437)
Reversal/(impairment) losses on financial assets	10.1	4,095,504	(5,541,311)
Write-off for property, plant and equipment	5	-	(16,543,432)
Write-off for capital work in progress	6	-	(1,860,000)
Other operating income/(expenses) – net	25	12,919,390	4,630,622
OPERATING PROFIT / (LOSS)		44,967,159	(52,532,671)
Finance costs	26	(35,758,263)	(36,181,033)
Finance income	13	26,430,531	30,813,689
PROFIT / (LOSS) BEFORE ZAKAT		35,639,427	(57,900,015)
Zakat expense	19.2	(13,435,907)	(19,567,985)
PROFIT / (LOSS) FOR THE YEAR		22,203,520	(77,468,000)
Attributable to:			
Equity holders of the parent		23,410,074	(77,326,129)
Non-controlling interests		(1,206,554)	(141,871)
		22,203,520	(77,468,000)
OTHER COMPREHENSIVE INCOME / (LOSS):			
<i>Items that will not be reclassified to statement of profit or loss in subsequent period:</i>			
Re-measurement gain /(loss) on employee defined benefits obligations	18	(1,498,084)	(202,027)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		20,705,436	(77,670,027)
Attributable to:			
Equity holders of the parent		21,941,456	(77,563,090)
Non-controlling interests		(1,236,020)	(106,937)
		20,705,436	(77,670,027)
EARNINGS / (LOSS) PER SHARE:			
Basic and diluted, earnings/(loss) per share attributable to ordinary equity holders of the parent (SR)	27	0.27	(0.89)


Chief Financial Officer


Chief Executive Officer


Chairman of the Board

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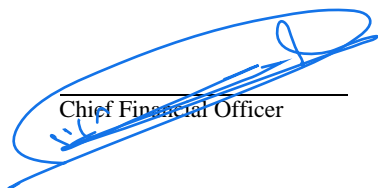
**MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER
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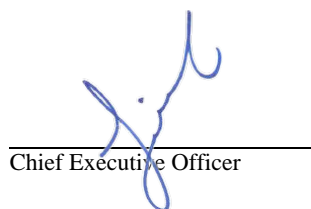
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

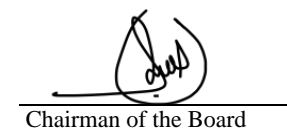
For the year ended 31 December 2025

(Expressed in Saudi Riyals unless otherwise stated)

	<i>Attributable to equity holders of the Parent</i>							
	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Share premium</i>	<i>Reserve for employees' share-based payments</i>	<i>Retained earnings</i>	<i>Total</i>	<i>Non-controlling interests</i>	<i>Total equity</i>
Balance as at 1 January 2025	866,666,650	135,278,852	419,999,979	-	184,282,212	1,606,227,693	(6,194,341)	1,600,033,352
Profit / (loss) for the year	-	-	-	-	23,410,074	23,410,074	(1,206,554)	22,203,520
Other comprehensive income / (loss) for the year	-	-	-	-	(1,468,618)	(1,468,618)	(29,466)	(1,498,084)
Total comprehensive income / (loss) for the year	-	-	-	-	21,941,456	21,941,456	(1,236,020)	20,705,436
Transfer of statutory reserve (note 15)	-	(135,278,852)	-	-	135,278,852	-	-	-
Balance as at 31 December 2025	866,666,650	-	419,999,979	-	341,502,520	1,628,169,149	(7,430,361)	1,620,738,788
Balance as at 1 January 2024	666,666,660	135,278,852	-	10,500,000	261,845,302	1,074,290,814	(6,087,404)	1,068,203,410
Loss for the year	-	-	-	-	(77,326,129)	(77,326,129)	(141,871)	(77,468,000)
Other comprehensive (loss) / income for the year	-	-	-	-	(236,961)	(236,961)	34,934	(202,027)
Total comprehensive loss for the year	-	-	-	-	(77,563,090)	(77,563,090)	(106,937)	(77,670,027)
Issue of share capital (note 14)	199,999,990	-	419,999,979	-	-	619,999,969	-	619,999,969
Settlement of share-based payments (note 16)	-	-	-	(10,500,000)	-	(10,500,000)	-	(10,500,000)
Balance as at 31 December 2024	866,666,650	135,278,852	419,999,979	-	184,282,212	1,606,227,693	(6,194,341)	1,600,033,352


Chief Financial Officer


Chief Executive Officer


Chairman of the Board

The accompanying notes from 1 to 35 form an integral part of these consolidated financial statements.

MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER
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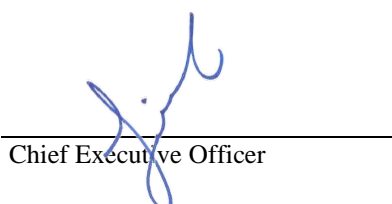
CONSOLIDATED STATEMENT OF CASH FLOWS

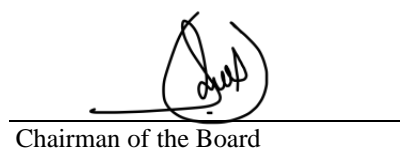
For the year ended 31 December 2025

(Expressed in Saudi Riyals unless otherwise stated)

	Notes	2025	2024
OPERATING ACTIVITIES			
Profit / (loss) before zakat		35,639,427	(57,900,015)
<i>Adjustment to reconcile profit / (loss) before zakat to net cash flows:</i>			
Depreciation of property, plant and equipment	5	107,913,628	105,178,033
Depreciation of right-of-use assets	7	9,013,907	7,927,036
Amortization of intangible assets	8	4,420,496	573,945
Gain on disposal of property, plant and equipment	25	(35,519)	(167,632)
Gain on termination of leases	25	(105,878)	-
Write-off for property, plant and equipment	5	-	16,543,432
Write-off for capital work in progress	6	-	1,860,000
(Reversal) / charge of allowance for impairment of trade receivables	10.1	(4,095,504)	5,541,311
Charge of allowance for slow moving and obsolete inventories	9.1	2,651,185	34,158,259
Provision against advances to suppliers	12(c)	-	176,013
Provision for employee benefits	18	7,609,916	8,054,270
Provision of legal cases	20	-	10,000,000
Settlement of Emaar KAEC land	25	(6,000,000)	-
Finance costs	26	35,758,263	36,181,033
Finance income	13	(26,430,531)	(30,813,689)
		166,339,390	137,311,996
<i>Working capital changes:</i>			
Increase in inventories		(31,776,278)	(41,976,578)
Increase in trade receivables		(5,257,238)	(77,546,316)
Decrease / (increase) in prepayments and other receivables		(800,058)	(349,379)
Increase in other current assets		(24,741,391)	(43,551,037)
Increase / (decrease) in trade and other payables		62,798,586	(20,297,021)
Increase / (decrease) in other current liabilities		5,350,284	(11,544,798)
Cash flows from / (used in) operations		171,913,295	(57,953,133)
Finance costs paid		(41,146,339)	(36,694,207)
Finance income received		24,538,596	30,140,658
Share-based payments paid		-	(10,500,000)
Zakat paid	19.2	(19,806,267)	(9,386,336)
Employee benefits paid	18	(12,420,203)	(15,612,216)
Net cash flows from / (used in) operating activities		123,079,082	(100,005,234)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(16,181,782)	(24,618,042)
Proceeds from disposal of property, plant and equipment		40,869	167,649
Purchase of intangible assets	8	(330,326)	(1,395,518)
Additions to capital work in progress	6	(225,473,643)	(64,200,324)
Net cash flows used in investing activities		(241,944,882)	(90,046,235)


 Chief Financial Officer


 Chief Executive Officer


 Chairman of the Board

The accompanying notes from 1 to 35 form an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December 2025

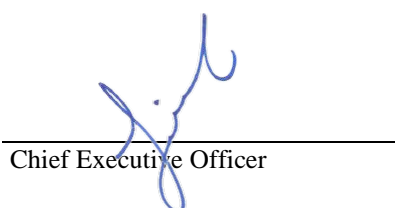
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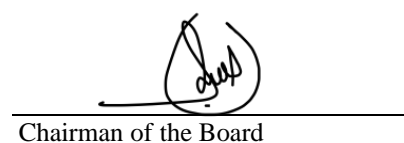
	<i>Notes</i>	2025	2024
FINANCING ACTIVITIES			
Proceeds from issue of shares	14	-	629,999,969
Net change in short-term borrowings		27,013,944	204,969,375
Proceeds from long-term borrowings	17	120,672,927	30,000,000
Repayments of long-term borrowings	17	(129,135,961)	(113,493,069)
Payment of principal portion of lease liabilities	7	(15,015,640)	(7,291,080)
Net cash flows from financing activities		3,535,270	744,185,195
Net (decrease) / increase in cash and short-term deposits		(115,330,530)	554,133,726
Cash and short-term deposits at the beginning of year		610,683,119	56,549,393
CASH AND SHORT-TERM DEPOSITS AT THE END OF YEAR	13	495,352,589	610,683,119

SUPPLEMENTARY NON-CASH INFORMATION

Interest capitalized in capital work in progress	6	10,112,088	3,291,129
Amortization of deferred finance charges	17	2,204,751	284,301
Transfers of capital work in progress to property, plant and equipment	6	6,829,726	206,393,141
Transfer to intangible assets	8	-	20,000,000
Interest income receivable	11	1,891,935	673,031
Non-cash addition in right to use assets and lease liabilities	7	28,450,790	324,057
Termination of lease contracts	7	120,825	152,445
Transfer of Provision against advances to suppliers	12(c)	400,000	-
Reclassification of Capital Work in Progress to Inventory	6	-	2,851,617
Transaction costs related to issue of share capital (note 14)		-	10,000,000


 Chief Financial Officer


 Chief Executive Officer


 Chairman of the Board

The accompanying notes from 1 to 35 form an integral part of these consolidated financial statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

(Expressed in Saudi Riyals unless otherwise stated)

1. CORPORATE INFORMATION

Middle East Company for Manufacturing and Producing Paper (“MEPCO” or the “Company” or the “Parent Company”) and its subsidiaries (collectively “the Group”) are engaged in the production and sale of container board, industrial paper and tissue paper. MEPCO is a Saudi Joint Stock Company incorporated and operating in the Kingdom of Saudi Arabia. The Company also uses the name Middle East Paper Company in its business operations, agreements and trademarks including places such as Saudi Stock Exchange.

The Company obtained its Unified Identification No. 7001404602 and Commercial Registration No. 4030131516 on 3 Rajab 1421H, corresponding to 30 September 2000. During the year 2012, the legal status of the Company converted from a limited liability company into a Saudi Closed Joint Stock Company. The Ministry of Commerce approved the conversion of the Company to a Saudi Closed Joint Stock Company by Ministerial Decision No. 44 dated 14 Safar 1433H (corresponding to 8 January 2012). The Company was converted to Saudi Joint Stock Company on 14 Rajab 1436H (3 May 2015).

The Company’s office is located at the following address:

Jeddah, Andalus district, 3109

P.O. Box 22523

Kingdom of Saudi Arabia

The Company have investments in the following subsidiaries (collectively referred to as “the Group”):

<i>Subsidiary name</i>	<i>Unified Identification No.</i>	<i>Commercial Registration No.</i>	<i>Country of incorporation</i>	<i>Principal business activity</i>	2025	2024
					<i>Effective ownership interest</i>	
Direct holdings						
Waste Collection and Recycling Company Limited (“WASCO”)	7001464002	4030148944	Saudi Arabia	Whole and retail sales of paper, carton and plastic waste	100%	100%
Juthor Paper Manufacturing Company Limited (“Juthor”)	7021283937	4627100075	Saudi Arabia	Production and sales of tissue paper rolls.	100%	100%
Al-Tadweer Al-Akhdar Industrial Company (“Al-Tadweer”)	7039584003	4030559839	Saudi Arabia	Production of cardboards, corrugated paper and other papers	100%	100%
Indirect holdings						
Estidama Environmental Services Company LLC (“Estidama”) (refer note 2.7)	7025433355	4030425769	Saudi Arabia	Whole sales of wastes, scrap, and other unclassified product and waste management and treatment services	50%	50%
Saudi- Jordanian Waste Collection and Recycling Company (“Saudi- Jordanian WASCO”) (see note a)	200091340	15293	Jordan	Recycle and collect carton waste, manufacture, import and export carton. Retail trade in paper and carton.	100%	100%

- a) During the year 2025, management decided to dispose of Saudi Jordanian WASCO as no longer deemed sustainable or strategically beneficial. On 15 April 2025, management signed sales and purchase agreement with third-party to sell Saudi Jordanian WASCO with cash consideration amounted to SR 211,500 subject to Board approval, receiving of full consideration and completion of relevant formalities and legal requirements. On 22 May 2025 the Board approved the sale of Saudi Jordanian WASCO however the cash consideration is not received in full and legal and compliance formalities are still in process, Management is expecting the sale to be completed in 2026. As at 31 December 2025, Saudi Jordanian WASCO had net liabilities of SR 190,122 (31 December 2024: SR 201,234) and had net profit of SR 11,112 (31 December 2024: net losses of SR 370,396). Saudi Jordanian WASCO has not been considered as a separate significant operation or geographical area for the Group. Accordingly, the criteria for discontinued operations under IFRS 5 have not been met and the disclosure has not been accounted for under IFRS 5.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2025

(Expressed in Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”) (collectively referred to as “IFRSs as endorsed in KSA”).

2.2 Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis.

The Group has prepared the consolidated financial statements on the basis that it will continue to operate as a going concern.

2.3 Functional and presentation currency

These consolidated financial statements of the Group are presented in Saudi Riyals (“SR”) which is the functional and presentation currency of the Group.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries “the Group” as at 31 December 2025 as detailed in note 1.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Group, using consistent accounting policies of the Group.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through exercising its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has control over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group’s voting rights and potential voting rights

The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill, if any), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Transactions eliminated on consolidation

Inter-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated.

Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2025

(Expressed in Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION (continued)

2.5 New standards, interpretation and amendments standard applied

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2025 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Lack of exchangeability – Amendments to IAS 21

For annual reporting periods beginning on or after 1 January 2025, *Lack of Exchangeability - Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates* to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

2.6 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards. IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The Group is currently working to identify all impacts the amendments will have on the primary consolidated financial statements and notes to the consolidated financial statements.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards.

IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

As the Group's equity instruments are publicly traded, it is not eligible to elect to apply for IFRS 19.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2025

(Expressed in Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION (continued)

2.6 Standards issued but not yet effective (continued)

Annual Improvements to IFRS Accounting Standards - Volume 11

In July 2024, the IASB issued nine narrow scope amendments as part of its periodic maintenance of IFRS accounting standards. The amendments include clarifications, simplifications, corrections or changes to improve consistency in IFRS 1 First-time Adoption of International Financial Reporting Standards,

IFRS 7 Financial instruments: Disclosure and its accompanying Guidance on implementing IFRS 7,

IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements and IAS 7 Statements of Cash Flows.

The amendments will be effective for reporting periods beginning on or after 1 January 2026. Earlier application is permitted and must be disclosed.

The amendments are not expected to have a material impact on the Group's financial statements.

Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7

In May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments). The Amendments include:

- A clarification that a financial liability is derecognised on the 'settlement date' and the introduction of an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed
- Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI)

The Amendments are effective for annual periods starting on or after 1 January 2026 with early adoption permitted for classification of financial assets and related disclosures only. The Group does not anticipate that the amendments will have a material effect on the Group's financial statements.

Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7

In December 2024, the IASB issued Amendments to IFRS 9 and IFRS 7 - *Contracts Referencing Nature-dependent Electricity*. The amendments apply only to contracts that reference nature-dependent electricity, the amendments:

- Clarify the application of the 'own-use' requirements for in-scope contracts
- Amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts
- Add new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows

The amendments will take effect for annual reporting periods starting on or after 1 January 2026. Early adoption is allowed, but it must be disclosed. The amendments concerning the own-use exception are to be applied retrospectively, while the hedge accounting amendments should be applied prospectively to new hedging relationships designated from the initial application date. Additionally, the IFRS 7 disclosure amendments must be implemented alongside the IFRS 9 amendments. If an entity does not restate comparative information, it cannot present comparative disclosures.

The Group does not expect that the amendments will have a material impact on its financial statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2025

(Expressed in Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION (continued)

2.7 Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and accompanying disclosures and disclosure of contingent liabilities. 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.

Other disclosure relating to the Group's exposure to risks and uncertainties includes:

- Capital management (note 33)
- Financial risk management (note 31)
- Sensitivity analyses disclosures (note 18)

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has lease contract that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

Going concern

The Group exercises judgement in assessing its ability to continue as a going concern. The management has assessed the ability of the Group to continue as a going concern based on its existing liquidity position and cash flow projections, and is not aware of any material uncertainties that may cast significant doubt and the management is satisfied that the Group has the resources to continue and meet its obligations as they fall due in the ordinary course of business in the foreseeable future. Therefore, the consolidated financial statements of the Group continue to be prepared on the going concern basis.

Zakat

The determination for zakat provision involves material management judgement that involves calculation of the zakat base and zakatable profits in accordance with the zakat and income tax regulations enforced in the Kingdom of Saudi Arabia, which may be subject to different interpretations. The final assessment amount could be significantly different from the declarations and appeals filed by the Company. In determining the amount payable to Zakat, Tax and Customs Authority ("ZATCA"), the Group has applied their judgement and interpretation of the ZATCA requirements for calculating Zakat.

Consolidation of entities in which the Group does not hold the majority of voting rights (50% ownership interest)

The Group considers that it controls Estidama even though it owns 50% of the voting rights. This is because the Group exercises the control and power over Estidama through directing the operation and its performance, rights given by shareholders agreement and article of association and the exposure, or right, to variable returns from involvement with Estidama. The above control and power indications have been exercised due to that the Group is managing its activities, day-to-day operation, key strategic, commercial and cash management decisions. In addition, the evaluation of Estidama performance evaluation is being managed by the Group's Board of Directors and its committees. Furthermore, the majority of Group's key management personnel also hold position in Estidama including Chief Executive Officer.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2025

(Expressed in Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION (continued)

2.7 Significant accounting judgments, estimates and assumptions (continued)

Estimates and assumptions

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

Information about the assumptions and estimation uncertainties is included in the following areas:

Useful lives and residual value of property and equipment and intangibles assets

The Group's management determines the estimated useful lives and residual value of its property and equipment and intangibles assets for calculating depreciation and amortization. These estimates are determined after considering the expected usage of the assets and their physical wear and tear and technical obsolescence. The management reviews the residual value and useful lives annually and future depreciation/amortization charges are adjusted where management believes the useful lives differ from previous estimates.

Allowance for slow moving and obsolete inventories

The Group recognizes an allowance for inventory losses due to factors such as obsolescence, physical damage based upon historical experience, current condition, and current and future expectations with respect to sales or use. The estimate of the Group's allowance for slow moving and obsolete inventory could change from period to period, which could be due to differing remaining useful life, change in technology, possible change in usage, their expiry, sales expectation and other qualitative factors of the portfolio of inventory from year to year.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. To determine a recoverable amount, management uses fair value less cost to sale using market approach and value in use approach.

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a Discounted Cash Flow (DCF) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognized by the Group.

**MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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(Expressed in Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION (continued)

2.7 Significant accounting judgments, estimates and assumptions (continued)

Estimates and assumptions (continued)

Impairment for expected credit losses (ECL) in trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECLs on the Group trade receivables is disclosed in note 10.

Employee defined benefits plans

The cost of the employee defined benefit plan, and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and employees' turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period.

The calculation most sensitive parameter to change is discount rate and future salary increases. In determining the appropriate discount rate, the management considers the market yield on high quality government bonds. Future salary increases are based on expected future inflation rates, seniority, promotion, demand and supply in the employment market.

The mortality rate is based on publicly available mortality tables for the country. Those mortality tables tend to change only at intervals in response to demographic changes.

Further details about employee benefits obligations are provided in note 18.

Leases as lessee - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2025

(Expressed in Saudi Riyals unless otherwise stated)

3. MATERIAL ACCOUNTING POLICY INFORMATION

The following are the material accounting policies applied by the Group consistently in preparing its consolidated financial statements except for the new and amended standards and interpretations as disclosed in note 2.5.

3.1 Current versus non-current classification

Assets

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting year; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting year.

All other assets are classified as non-current.

Liabilities

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting year; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting year.

The Group classifies all other liabilities as non-current.

3.2 Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment is stated at cost net of accumulated depreciation and accumulated impairment losses, if any.

Such cost includes purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

When significant parts of an item of property, plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the statement of profit or loss and other comprehensive income.

(b) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

**MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2025

(Expressed in Saudi Riyals unless otherwise stated)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Property, plant and equipment (continued)

(c) Depreciation

Depreciation represents the systematic allocation of the depreciable amount of an asset over its estimated useful life. Depreciable amount represents cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land and capital work in progress are not depreciated.

The estimated useful lives for the current and comparative years are as follows:

	<u>Years</u>
▪ Buildings and mobile cabinets	6 – 33
▪ Machinery and equipment	2 – 30
▪ Furniture and office equipment	5 – 20
▪ Motor vehicles	4 – 5

* *Leasehold building and improvements are depreciated over the shorter of the shorter of useful life or related lease term.*

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if applicable.

Refer note 3.10 for impairment assessment of property, plant and equipment.

(d) Derecognition

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in consolidated statement of comprehensive income.

(e) Capital work in progress

Capital work in progress is stated at cost, net of accumulated impairment losses, if any. Assets in the course of construction are capitalised in the capital work-in-progress account. The asset under construction is transferred to the appropriate category in property, plant and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work-in-progress comprises its cost of material, direct labour, construction / development cost and any other directly attributable to the construction or acquisition of an item intended by management.

Borrowing costs related to qualifying assets are capitalised as part of the cost of the qualified assets until the commencement of commercial production.

(f) Capital Spare Parts

The Group classifies spare parts into strategic spare parts and general spare parts using the below guidance:

- A strategic spare part is one that is on “stand-by”, i.e. probable to be a major item/part critical to be kept on hand to ensure uninterrupted operation of production. They would normally be used only due to breakdown and are not generally expected to be used on a routine basis. Depreciation on these spare parts commences immediately on the date being available for use.
- General spare parts are other major spare parts which bought in advance due to planned replacement schedules (in line with prescribed maintenance program) to replace existing major spare parts. Such items are considered to be “available for use” only at a future date, and hence depreciation commences when it is installed as a replacement part. The depreciation period for such general spare parts is over the lower of its useful life, and the remaining expected useful life of the equipment to which it is associated.

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3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.3 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.4 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- | | |
|-------------|--------------|
| ▪ Lands | 15-20 years |
| ▪ Buildings | 2 – 15 years |

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

The right-of-use assets are presented within property, plant and equipment in the consolidated statement of financial position.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs).

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The unwinding component of finance cost is included in the consolidated statement of profit or loss.

The lease liabilities are presented as a separate line in the consolidated statement of financial position.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

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3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in consolidated statement of comprehensive income in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognized in the consolidated statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets under development consists of costs incurred in relation to development of software which will be eventually transferred to intangible assets. Intangible assets with indefinite useful lives (goodwill) are not amortized, but are tested for impairment annually, or earlier if there is an indication of impairment either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of profit or loss when the asset is derecognized.

Intangible assets represent computer software and right of use contract which have finite useful lives. The estimated rates of amortization of intangible assets are as follows:

▪ Software	4 years
▪ Contractual right	5 years

3.6 Inventories

Inventories are valued at the lower of cost and net realizable value.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost on a weighted average costs basis
- Finished goods and work in progress: cost of direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs.
- Spare parts: purchase cost on a first-in/first-out basis.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Spare parts other than capital spare parts which doesn't meet the criteria of property, plant and equipment are included as consumable spare parts in inventory and are classified as current assets.

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3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.7 Cash and short-term deposits

Cash and short-term deposits comprise of cash at banks, cash on hand and short-term highly liquid deposits with original maturities of three months or less that are held for the purpose of meeting short-term cash commitments and are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

3.8 Foreign currency

The Group's consolidated financial statements are presented in Saudi Riyals ("SR"), which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange ruling at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in the consolidated statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency, if any, are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of a gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

3.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables, the Group initially measures a financial asset at its fair value and in the case of a financial asset not carried at fair value through profit or loss, fair value plus transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price and for other trade receivables, that contain a significant financing component, the Group adjusts the transaction price in respect to the significant financing component.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.9 Financial instruments (continued)

(i) Financial assets (continued)

Initial recognition and measurement (continued)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in following categories:

- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to consolidated statement of profit or loss.

Currently, the Group does not have any debt instruments designated at fair value through OCI.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognized as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

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3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.9 Financial instruments (continued)

(i) Financial assets (continued)

De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired
Or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment

The Group applies the expected credit loss (ECL) model for measurement and recognition of impairment loss on the financial assets that are debt instruments, and are measured at amortized cost (e.g. deposits, trade and other receivables and bank balances). The Group follows 'simplified approach' for recognition of impairment loss allowance on trade receivables, if they do not contain a significant financing component.

The application of a simplified approach does not require the Group to track changes in credit risk. Rather, it recognizes impairment loss allowance based on lifetime ECL at each reporting date, right from its initial recognition. Lifetime ECL is the expected credit loss resulting from all possible default events over the expected life of a financial instrument.

The Group uses a provision matrix in the calculation of the ECL on trade receivables to estimate the lifetime expected credit losses, applying certain provision rates to respective contractual past due ageing buckets. The provision matrix was developed considering probability of default and loss given default which were derived from historical data of the Group and are adjusted to reflect the expected future outcome.

ECL impairment loss allowance or reversal recognized during the year is recognized as income/ expense in profit or loss.

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3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.9 Financial instruments (continued)

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade payables, due to related parties and lease liabilities.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortized cost (loans and borrowings)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortized cost (loans and borrowings)

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortisation process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of profit or loss.

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3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.10 Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). The impairment loss is allocated to reduce the carrying amount of the assets of the cash generating unit (group of units) in pro rata on the basis of the carrying amount of each asset in the unit (group of units). These reductions in carrying amounts shall be treated as impairment losses on individual assets and recognized. Non-current assets other than goodwill that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the consolidated statement of comprehensive income. Impairment losses recognized on goodwill are not reversible.

3.11 Employee defined benefits plans

The Group operates a single post-employment benefit scheme of defined benefit plan, driven by the Labor Laws and Workman Laws of the Kingdom of Saudi Arabia, which is based on most recent salary and number of service years. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the Labor Law of Saudi Arabia.

The Group's obligation under employee end of service benefit plan is accounted for as an unfunded defined benefit plan and is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. Re-measurements of the defined benefit liability, which comprise actuarial gains and losses are recognized immediately in consolidated statement of other comprehensive income. The Group determines the interest expense on the defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then defined benefit liability, taking into account any changes in the defined benefit liability during the period as a result of benefit payments. Interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

3.12 Zakat and taxes

The Group (entities registered in Kingdom of Saudi Arabia only) is subject to the Regulations of the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia. Zakat is provided for in accordance with the Regulations of the Zakat, Tax and Customs Authority (ZATCA) in the Kingdom of Saudi Arabia and on accruals basis. The zakat charge is computed on the zakat base of the unified zakat return for the Parent Company and its wholly owned subsidiaries except for the indirect subsidiary Estidama which is computed separately. Zakat is charged to consolidated statement of comprehensive income. Any shortfall / excess on finalization of an assessment is accounted for in the year in which assessment is finalized.

Withholding tax

The Group withholds taxes on transactions with non-resident parties in accordance with ZATCA regulations, which is not recognized as an expense being the obligation of the counter party on whose behalf the amounts are withheld.

3.13 Value Added Tax ("VAT")

Revenues, expenses, and assets are recognized net of the amount of Value Added Tax ("VAT") except:

- Where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to the ZATCA is included as part of receivables or payables in the consolidated statement of financial position.

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3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.14 Selling and distribution expenses

These include any costs incurred to carry out or facilitate selling activities of the Group. These costs typically include salaries of the commercial staff, and marketing expenses.

3.15 General and administrative expenses

General and administrative expenses include direct and indirect costs not specifically part of cost of sales or the selling and distribution activity of the Group. Allocation of overhead between cost of sales, selling and distribution expenses and general and administrative expenses are made on a consistent basis, when required.

3.16 Revenue

The Group is in the business of the whole sale of container board, industrial paper, tissue paper, and recycling material of paper, carton and plastic. Revenue from contracts with customers is recognized when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group has generally concluded that it is the principal in its revenue arrangements, since it typically controls the goods before transferring them to the customer as the primary obligor in all arrangements, has the pricing latitude and is also exposed to inventory and credit risk.

Revenue from these sales is recognized based on the price specified in the contract. The Group doesn't offer volume discounts, rebates or any such discounts to its customers. Revenue from sale of goods is recognized at the point in time when control of the goods is transferred to the customer, when (or as) the Group satisfies the performance obligations as specified in the contract with the customer (buyer), when the Group has transferred to the customer control over the promised goods.

The Group recognizes revenue from the sale of the following goods directly to the customers:

- Sale of container board, industrial paper and tissue paper
- Whole and retail sales of paper, carton and plastic waste

The timing and measurement of revenue recognition for the above-mentioned main source of revenue is stated below:

Sale of goods directly to customers

- Local Sales: Local sales are recognized when goods are delivery and have been accepted by the customers as per the applicable delivery terms "mainly delivery at the customer's location", and accordingly, revenue is recognized at that point-in-time.
- Export sales: The Group sells a significant proportion of its goods which are exports on Cost and Freight Ocean transport ("CFR") and Cost, Insurance and Freight Ocean transport ("CIF") as per the International Commercial Terms ("Incoterms") and therefore, the Group is responsible for loading the promised goods on the vessel at the loading port. The physical loading of the approved promised goods on the vessel and initiation of voyage, satisfies the Group's performance obligation and triggers the recognition of revenue at a point in time as the control is transferred to the customer.

Invoices are usually payable within the credit period agreed with the customer which may vary from one customer to another. The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

A receivable is recognized by the Group upon transfer of control as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

It is the Group's policy to sell its products to its customers with a right of return with certain requirements. However, management concluded that the expected returns based on pattern of historical returns is deemed immaterial, accordingly management has not accounted for it.

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3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.17 Government Grant

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

3.18 Earnings per share

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the Group (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

3.19 Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its consolidated financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its consolidated financial statements, but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

3.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

An operating segment is group of assets and operations:

- (i) engaged in revenue producing activities;
- (ii) results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and
- (iii) financial information is separately available.

3.21 Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

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4. DISAGGREGATED REVENUE AND SEGMENT INFORMATION

4.1 Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers:

The entire Group's revenues have been recognized at a point in time.

Segment	For the year ended 31 December 2025		
	<i>Manufacturing</i>	<i>Trading</i>	<i>Total</i>
Type of goods or services			
Sale of container board, industrial	757,961,819	-	757,961,819
Sale of tissue paper	266,400,564	-	266,400,564
Sale of paper, carton and plastic waste	-	36,164,881	36,164,881
Total revenue from contracts with customers	1,024,362,383	36,164,881	1,060,527,264
Geographical markets (customers location)			
Saudi Arabia	766,737,381	36,164,881	802,902,262
Other GCC Countries	69,165,850	-	69,165,850
Asia	128,376,203	-	128,376,203
Africa	35,921,759	-	35,921,759
Europe	16,989,483	-	16,989,483
Americas	7,171,707	-	7,171,707
Total revenue from contracts with customers	1,024,362,383	36,164,881	1,060,527,264

Segment	For the year ended 31 December 2024		
	<i>Manufacturing</i>	<i>Trading</i>	<i>Total</i>
Type of goods or services			
Sale of container board, industrial and tissue papers	766,005,219	-	766,005,219
Sale of tissue paper	261,089,210	-	261,089,210
Sale of paper, carton and plastic waste	-	38,161,532	38,161,532
Total revenue from contracts with customers	1,027,094,429	38,161,532	1,065,255,961
Geographical markets (customers location)			
Saudi Arabia	756,110,747	38,161,532	794,272,279
Other GCC Countries	78,516,518	-	78,516,518
Asia	113,193,204	-	113,193,204
Africa	48,498,918	-	48,498,918
Europe	29,120,553	-	29,120,553
Americas	1,654,489	-	1,654,489
Total revenue from contracts with customers	1,027,094,429	38,161,532	1,065,255,961

4.2 Performance obligation

The Group has a single performance obligation, i.e., sale of industrial papers and waste materials in addition to a promise to transfer/deliver these products to fulfill this obligation.

The performance obligation is satisfied upon delivery of the distinct product as per the International Commercial Terms ("Incoterms") which specified in the contracts with customers and payment is generally due within 30 to 90 days from delivery. The Customer can only pay the transaction price equal to cash selling prices upon delivery. There are no variable considerations, material rights or significant finance components for revenue contracts.

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4. DISAGGREGATED REVENUE AND SEGMENT INFORMATION (continued)

4.3 Segment information

For management purposes, the Group is organized into business units based on its products, nature of production processes, business nature and strategies and has two reportable operating segments, as follows:

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

No operating segments have been aggregated to form the above reportable operating segments. The entire Group's business notes are located and operating in KSA.

The Strategic and Executives Committee is the Chief Operating Decision Maker ("CODM") and monitor the operation results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

The following table presents segment information:

	<i>Manufacturing</i>	<i>Trading</i>	<i>Elimination</i>	<i>Total</i>
Year ended 31 December 2025				
External customers	1,024,362,383	36,164,881	-	1,060,527,264
Inter-segment	-	237,664,640	(237,664,640)	-
Total revenues	<u>1,024,362,383</u>	<u>273,829,521</u>	<u>(237,664,640)</u>	<u>1,060,527,264</u>
Segment loss before zakat	<u>66,480,866</u>	<u>(18,000,199)</u>	<u>(12,841,240)</u>	<u>35,639,427</u>
Zakat expense	13,435,907	-	-	13,435,907
Finance costs	32,819,583	3,196,714	(258,034)	35,758,263
Additions to property, plant and equipment	275,263,658	4,954,645	-	280,218,303
Additions to intangible assets	288,368	41,958	-	330,326
Depreciation and amortization	104,606,001	16,742,030	-	121,348,031
Year ended 31 December 2024				
External customers	1,027,094,429	38,161,532	-	1,065,255,961
Inter-segment	-	243,292,274	(243,292,274)	-
Total revenues	<u>1,027,094,429</u>	<u>281,453,806</u>	<u>(243,292,274)</u>	<u>1,065,255,961</u>
Segment loss before zakat	<u>(44,909,449)</u>	<u>(34,477,712)</u>	<u>21,487,146</u>	<u>(57,900,015)</u>
Zakat expense	19,262,361	305,624	-	19,567,985
Finance costs	32,975,229	3,477,774	(271,970)	36,181,033
Additions to property, plant and equipment	86,480,933	5,666,916	(38,354)	92,109,495
Additions to intangible assets	1,395,518	20,000,000	-	21,395,518
Depreciation and amortization	99,796,990	13,882,024	-	113,679,014
As of 31 December 2025				
Total assets	3,293,194,372	116,601,554	(741,540,553)	2,668,255,373
Total liabilities	1,117,665,539	141,717,683	(211,866,637)	1,047,516,585
As of 31 December 2024				
Total assets	3,125,037,944	127,136,559	(693,574,242)	2,558,600,261
Total liabilities	1,004,639,191	135,123,687	(181,195,969)	958,566,909

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4. DISAGGREGATED REVENUE AND SEGMENT INFORMATION (continued)

4.3 Segment information (continued)

Adjustments and eliminations

Eliminations represent inter-group revenues, transactions and balances that are eliminated on consolidation.

Reconciliation of profit/(loss) before zakat

	2025	2024
Segment profit / (loss) before zakat	48,480,667	(79,387,161)
Inter-group revenues	(237,664,640)	(243,292,274)
Inter-group cost of sales	239,146,721	242,005,385
Share in investment in subsidiaries, consolidated subsidiaries	(13,855,201)	25,495,849
Other income, Inte-group transaction	(726,154)	(2,993,784)
Finance costs, intergroup loans and leases	258,034	271,970
Profit / (loss) before zakat	35,639,427	(57,900,015)

Reconciliation of assets

	2025	2024
Segment operating assets	3,409,795,926	3,252,174,503
Right-of-use assets	(8,328,991)	(8,884,345)
Investment in subsidiaries at equity method	(529,139,843)	(510,830,239)
Inventories, unrealized profit	1,186,153	172,192
Trade receivables, inter-group balance	(5,379,388)	(2,896,070)
Other current assets, inter-group loans	(199,878,484)	(171,135,780)
Total Assets	2,668,255,373	2,558,600,261

Reconciliation of Liability

	2025	2024
Segment operating Liabilities	1,259,383,222	1,139,762,878
Lease liabilities	(8,890,364)	(9,358,484)
Short-term borrowings, inter-group loans	(97,000,000)	(81,000,000)
Trade and other payables, inter-group balance	(77,543,695)	(90,837,485)
Other current liabilities, inter-group balance	(28,432,578)	-
Total Liabilities	1,047,516,585	958,566,909

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5. PROPERTY, PLANT AND EQUIPMENT

	<i>2025</i>			<i>2024</i>		
	<i>Property, plant and equipment – owned (refer note 5.1)</i>	<i>Property, plant and equipment – Leasehold (refer note 7)</i>	<i>Total</i>	<i>Property, plant and equipment – owned (refer note 5.1)</i>	<i>Property, plant and equipment – Leasehold (refer note 7)</i>	<i>Total</i>
Cost						
At 01 January	2,412,468,225	62,010,624	2,474,478,849	2,452,436,421	61,839,012	2,514,275,433
Additions	251,767,513	28,450,790	280,218,303	92,109,495	324,057	92,433,552
Disposals	(223,350)	(253,546)	(476,896)	(3,548,032)	(152,445)	(3,700,477)
Reclassification of capital work in progress	-	-	-	(2,851,617)	-	(2,851,617)
Write off	-	-	-	(125,678,042)	-	(125,678,042)
At 31 December	<u>2,664,012,388</u>	<u>90,207,868</u>	<u>2,754,220,256</u>	<u>2,412,468,225</u>	<u>62,010,624</u>	<u>2,474,478,849</u>
Depreciation						
At 01 January	(1,163,775,276)	(42,002,708)	(1,205,777,984)	(1,169,419,868)	(34,075,672)	(1,203,495,540)
Depreciation charge	(107,913,628)	(9,013,907)	(116,927,535)	(105,178,033)	(7,927,036)	(113,105,069)
Disposals	218,000	132,721	350,721	3,548,015	-	3,548,015
Write off	-	-	-	107,274,610	-	107,274,610
At 31 December	<u>(1,271,470,904)</u>	<u>(50,883,894)</u>	<u>(1,322,354,798)</u>	<u>(1,163,775,276)</u>	<u>(42,002,708)</u>	<u>(1,205,777,984)</u>
Net book value						
At 31 December	<u>1,392,541,484</u>	<u>39,323,974</u>	<u>1,431,865,458</u>	<u>1,248,692,949</u>	<u>20,007,916</u>	<u>1,268,700,865</u>

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5. PROPERTY, PLANT AND EQUIPMENT (continued)

5.1 Property, plant and equipment – Owned

	<i>Land</i>	<i>Buildings and mobile cabinets</i>	<i>Machinery and equipment</i>	<i>Furniture and office equipment</i>	<i>Motor vehicles</i>	<i>Capital work in progress (note 6)</i>	<i>Total</i>
Cost							
At 1 January 2025	137,398,877	288,273,283	1,895,152,898	28,758,910	35,263,233	27,621,024	2,412,468,225
Additions	-	571,914	11,965,133	1,294,632	2,350,103	235,585,731	251,767,513
Transfers from capital work-in-progress (note 6)	-	24,696	6,805,030	-	-	(6,829,726)	-
Disposals	-	-	-	-	(223,350)	-	(223,350)
31 December 2025	<u>137,398,877</u>	<u>288,869,893</u>	<u>1,913,923,061</u>	<u>30,053,542</u>	<u>37,389,986</u>	<u>256,377,029</u>	<u>2,664,012,388</u>
Depreciation							
At 1 January 2025	-	(92,287,899)	(1,025,244,962)	(18,301,900)	(27,940,515)	-	(1,163,775,276)
Depreciation charge	-	(11,265,701)	(91,431,583)	(2,758,662)	(2,457,682)	-	(107,913,628)
Disposals	-	-	-	-	218,000	-	218,000
31 December 2025	<u>-</u>	<u>(103,553,600)</u>	<u>(1,116,676,545)</u>	<u>(21,060,562)</u>	<u>(30,180,197)</u>	<u>-</u>	<u>(1,271,470,904)</u>
Net book value							
At 31 December 2025	<u>137,398,877</u>	<u>185,316,293</u>	<u>797,246,516</u>	<u>8,992,980</u>	<u>7,209,789</u>	<u>256,377,029</u>	<u>1,392,541,484</u>

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5. PROPERTY, PLANT AND EQUIPMENT (continued)

5.1 Property, plant and equipment – Owned (continued)

	<i>Land</i>	<i>Buildings and mobile cabinets</i>	<i>Machinery and equipment</i>	<i>Furniture and office equipment</i>	<i>Motor vehicles</i>	<i>Capital work in progress (note 6)</i>	<i>Total</i>
Cost							
At 1 January 2024	137,398,877	257,504,457	1,815,336,089	34,486,184	36,476,485	171,234,329	2,452,436,421
Additions	-	1,183,753	18,873,118	3,039,817	1,521,354	67,491,453	92,109,495
Transfers from capital work-in-progress (note 6)	-	34,694,969	171,237,414	460,758	-	(206,393,141)	-
Disposals	-	-	(3,306,941)	(3,825)	(237,266)	-	(3,548,032)
Reclassification of CWIP	-	-	-	-	-	(2,851,617)	(2,851,617)
Write off (refer note 5.2)	-	(5,109,896)	(106,986,782)	(9,224,024)	(2,497,340)	(1,860,000)	(125,678,042)
31 December 2024	<u>137,398,877</u>	<u>288,273,283</u>	<u>1,895,152,898</u>	<u>28,758,910</u>	<u>35,263,233</u>	<u>27,621,024</u>	<u>2,412,468,225</u>
Depreciation							
At 1 January 2024	-	(83,900,434)	(1,033,571,697)	(23,617,657)	(28,330,080)	-	(1,169,419,868)
Depreciation charge	-	(11,596,446)	(87,770,349)	(3,509,874)	(2,301,364)	-	(105,178,033)
Disposals	-	-	3,306,928	3,824	237,263	-	3,548,015
Write off (refer note 5.2)	-	3,208,981	92,790,156	8,821,807	2,453,666	-	107,274,610
31 December 2024	<u>-</u>	<u>(92,287,899)</u>	<u>(1,025,244,962)</u>	<u>(18,301,900)</u>	<u>(27,940,515)</u>	<u>-</u>	<u>(1,163,775,276)</u>
Net book value							
At 31 December 2024	<u>137,398,877</u>	<u>195,985,384</u>	<u>869,907,936</u>	<u>10,457,010</u>	<u>7,322,718</u>	<u>27,621,024</u>	<u>1,248,692,949</u>

5.2 During the year 2024, the Group conducted and completed a full property, plant and equipment tagging and physical verification which resulted on identify certain assets with net book value amounting to SR 18.4 million to be written off either due to scrapped items disposed, damage, or not in working condition “obsolete”. which were all due to wear and tears and normal maintenance requirements.

5.3 Certain buildings, mobile cabinets, machinery and equipment, furniture and office equipment relating to one of the Group subsidiaries “Juthor” are pledged as collateral to Saudi Industrial Development Fund (SIDF) as a first-degree pledge (refer note 17).

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5. PROPERTY, PLANT AND EQUIPMENT (continued)

5.4 Depreciation charge for property, plant and equipment – owned has been allocated as follows:

	2025	2024
Cost of revenue	103,747,276	100,379,077
Selling and distribution expenses	1,513,744	1,710,022
General and administrative expenses	2,652,608	3,088,934
	<u>107,913,628</u>	<u>105,178,033</u>

6. CAPITAL WORK IN PROGRESS

	<i>Paper Machine-5 (PM5) (note a below)</i>	<i>Tissue mill factory (TM6 and TM4) (note b below)</i>	<i>Plant and Machinery (note c below)</i>	<i>Total</i>
At 1 January 2025	19,516,738	-	8,104,286	27,621,024
Additions	133,631,458	95,703,589	6,250,684	235,585,731
Transfers to property, plant and equipment (refer note 5.1)	-	-	(6,829,726)	(6,829,726)
31 December 2025	<u>153,148,196</u>	<u>95,703,589</u>	<u>7,525,244</u>	<u>256,377,029</u>
At 1 January 2024	-	62,518,995	108,715,334	171,234,329
Additions	19,516,738	15,751,715	32,223,000	67,491,453
Transfers to property, plant and equipment (refer note 5.1)	-	(78,270,710)	(128,122,431)	(206,393,141)
Reclassification to consumable spare parts	-	-	(2,851,617)	(2,851,617)
Write off during the year	-	-	(1,860,000)	(1,860,000)
31 December 2024	<u>19,516,738</u>	<u>-</u>	<u>8,104,286</u>	<u>27,621,024</u>

(a) Paper Machine-5 (PM5)

During the year 2024, the Group started construction process of a new production line (“PM5”) with expected total value at completion of SR 1,760 million. As at 31 December 2025, PM5 related costs amounted to SR 153.2 million (31 December 2024: SR 19.5 million). PM5 is expected to be completed during 2027. During the year 2025, finance costs amounting to SR 6.6 million were capitalized as part of capital work-in-progress (31 December 2024: SR 6 million). The average capitalization rate used was 6.7% (31 December 2024: 6.7%).

PM5 is located in Modon, Jeddah under the wholly owned subsidiary Al-Tadweer.

(b) Tissue mill factory (TM4 and TM6)

During the year 2024, Tissue Mill factory (“TM4”) project amounted has fully completed and capitalized to property, plant and equipment with total cost amounting to SR 78 million.

During the year 2025, the Group started the construction process of the new tissue mill factory (“TM6”), as a new production line with total expected value at completion of SR 350 million. As at 31 December 2025, TM6 related costs amounted to 95.7 million. TM6 is expected to be completed during 2026. During the year 2025, finance costs amounting to 3.4 million were capitalized as part of capital work-in-progress, average capitalization rate used was 6.7%.

TM4 and TM6 are located in King Abdullah Economic City, Rabigh under the wholly owned subsidiary Juthor.

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6. CAPITAL WORK IN PROGRESS (continued)

(c) Plant and Machinery

Capital work in progress as at 31 December 2025 includes costs incurred related to the ongoing projects for plant and machinery related to MEPCO and WASCO amounting to SR 7.5 million (31 December SR 2024: SR 8.1 million). During the year, certain projects related to improvements and enhancements of the existing production lines amounting of SR 4 million (31 December 2024: SR 128 million) have been fully completed and started in their intended use. The remaining projects related to plant and machinery are expected to be fully completed during the year ending 31 December 2026. During the year 2025, there was no interest capitalized as part of capital work-in-progress (31 December 2024: SR 3.3 million). Average capitalization rates that were used range from 5.8%-6.5% for the year ended 31 December 2024.

7. LEASES

The Group has various leases contracts related to employees' accommodation, offices, and warehouses buildings which are shown under the category buildings and landfills sites for its subsidiaries shown under leased land. Rental contracts are typically made for fixed periods of 2 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The Group applies the 'short-term lease' recognition exemptions for the leases which have lease terms lower than or equal to one-year.

(a) Set out below are the carrying amounts of right-of-use assets recognized and the movements during the year:

	<i>Leasehold land – included within PP&E (Note 5)</i>	<i>Leasehold buildings – included within PP&E (Note 5)</i>	<i>Total</i>
As at 1 January 2025	18,726,954	1,280,962	20,007,916
Additions during the year	24,655,314	3,795,476	28,450,790
Lease termination	-	(120,825)	(120,825)
Depreciation expense	(7,235,141)	(1,778,766)	(9,013,907)
As at 31 December 2025	36,147,127	3,176,847	39,323,974
As at 1 January 2024	24,546,615	3,216,725	27,763,340
Additions during the year	-	324,057	324,057
Lease termination	-	(152,445)	(152,445)
Depreciation expense	(5,819,661)	(2,107,375)	(7,927,036)
As at 31 December 2024	18,726,954	1,280,962	20,007,916

(b) Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2025	2024
At the 1 January	17,786,093	24,905,561
Additions during the year	28,450,790	324,057
Accretion of interest during the year	2,354,159	939,213
Payments during the year	(17,369,799)	(8,230,293)
Lease termination	(226,703)	(152,445)
At the end of the year	30,994,540	17,786,093
Current – included within trade and other payables	10,342,657	7,577,431
Non-current	20,651,883	10,208,662

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7. LEASES (continued)

The additions during the year occurred in normal course of business and represents mainly Modon lease-hold lands related to the new production line under construction PM5.

The scheduled maturities of the lease liabilities are as follows:

As at 31 December 2025	<i>Principal amount</i>	<i>Interest</i>	<i>Net lease liabilities</i>
Current portion - <i>included within trade and other payables</i>	13,493,373	(3,150,716)	10,342,657
Non-current portion	34,059,071	(13,407,188)	20,651,883
	47,552,444	(16,557,904)	30,994,540
As at 31 December 2024	<i>Principal amount</i>	<i>Interest</i>	<i>Net lease liabilities</i>
Current portion - <i>included within trade and other payables</i>	8,144,465	(567,034)	7,577,431
Non-current portion	10,958,226	(749,564)	10,208,662
	19,102,691	(1,316,598)	17,786,093

(c) The following are the amounts recognized in the statement of profit or loss:

	2025	2024
Depreciation expense of right-of-use assets	9,013,907	7,927,036
Interest expense on lease liabilities (refer 26)	2,354,159	939,213
Expense relating to short-term leases (included in cost of revenue)	2,397,283	1,496,465
Total amount recognized in statement of profit or loss	13,765,349	10,362,714

Depreciation has been charged to cost of revenue and general and administrative expenses.

The Group had total cash outflows for leases of SR 17.3 million (2024: SR 8.2 million). The Group also had non-cash additions to right-of-use assets and lease liabilities of SR 28.5 million (2024: SR 0.3 million). The future cash outflows relating to leases are disclosed in note 31.5.

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8. INTANGIBLE ASSETS

	<i>Software</i>	<i>Contractual right</i>	<i>Total</i>
Cost:			
At 1 January 2024	9,053,173	-	9,053,173
Additions (refer note 8.2)	1,395,518	20,000,000	21,395,518
At 31 December 2024	10,448,691	20,000,000	30,448,691
Additions	330,326	-	330,326
At 31 December 2025	10,779,017	20,000,000	30,779,017
Accumulated amortization:			
At 1 January 2024	(8,728,325)	-	(8,728,325)
Amortization	(240,612)	(333,333)	(573,945)
At 31 December 2024	(8,968,937)	(333,333)	(9,302,270)
Amortization charge for the year	(420,496)	(4,000,000)	(4,420,496)
At 31 December 2025	(9,389,433)	(4,333,333)	(13,722,766)
<i>Net book value:</i>			
At 31 December 2024	1,479,754	19,666,667	21,146,421
At 31 December 2025	1,389,584	15,666,667	17,056,251

8.1 The amortization charge for the year has been charged to general and administrative expenses and cost of sales.

8.2 Additions during the year 2024 included an amount of SR 20 million paid by the Company's subsidiary "Estidama" to Jeddah Development and Urban Regeneration Company ("JDURC") under an arrangement for the procurement of raw materials ("Agreement"). During 2024, the Group entered into amendment to said agreement whereby the purpose of advances changed to right to receive all recyclable materials from the cleaning contractors contracting with the Municipality ("contractual right") for a period of 5 years starting from the date of effectiveness of the contract with cleaning contractors. The Group started to receive the material and benefit related to this contract on December 2024, which is considered as the effective data to start the contract and related amortization of the contract period.

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9. INVENTORIES

	<i>2025</i>	<i>2024</i>
Raw materials	100,950,504	95,668,168
Finished goods	28,029,709	29,768,274
Goods in transit	47,407,229	21,728,800
Consumable spare parts, not held for sale	69,095,514	73,634,162
	<hr/>	<hr/>
	245,482,956	220,799,404
Less: Allowance for slow moving and obsolete inventories (refer note 9.1)	(29,990,549)	(34,432,090)
	<hr/>	<hr/>
	215,492,407	186,367,314
	<hr/> <hr/>	<hr/> <hr/>

During 2025, SR 756 million (2024; SR 768 million) was recognized as an expense for inventories carried at net realizable value. This is recognized in cost of revenue.

9.1 Movement in allowance for slow moving and obsolete inventories is as follows:

	<i>2025</i>	<i>2024</i>
01 January	34,432,090	9,602,363
Allowance during the year (note a)	2,651,185	34,158,259
Write-offs	(7,092,726)	(9,328,532)
	<hr/>	<hr/>
31 December	29,990,549	34,432,090
	<hr/> <hr/>	<hr/> <hr/>

a) During the year 2024, management has undertaken a reassessment of inventory provision estimation process which resulted into change of estimates based on a comprehensive technical evaluation of spare parts, considering obsolescence, recoverability, and alignment with strategic plans. The assessment incorporated spare parts categorization, aging analysis, and future usability, factoring in technological advancements and upcoming production lines. The change of estimate of SR 34 million. This charge was recognized in the statement of profit and loss within cost of revenue.

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10. TRADE RECEIVABLES

	<i>2025</i>	<i>2024</i>
Trade receivables – Local	335,826,320	299,986,740
Trade receivables – Foreign	34,269,625	65,940,971
	370,095,945	365,927,711
Less: Allowance for impairment (refer note 10.1)	(22,401,518)	(27,586,026)
	347,694,427	338,341,685

10.1 Movement in allowance for impairment of trade receivables is as follows:

	<i>2025</i>	<i>2024</i>
1 January	27,586,026	22,441,070
(Reversal)/charge during the year	(4,095,504)	5,541,311
Write off during the year	(1,089,004)	(396,355)
31 December	22,401,518	27,586,026

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. The average credit period on sales of goods is less than one year and therefore are all classified as current and are mostly secured through trade insurance. Trade receivables are recognized at the amount of consideration that is unconditional. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method.

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Before accepting any new credit customer, the Group uses an internal credit review system to assess the potential customer's credit quality and defines credit limits by customer.

Trade receivables are non-interest bearing and are generally on terms of 30 – 90 days. The overdue amounts are constantly monitored by the management and a provision towards expected credit loss is made in the books if required.

The Group has applied IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and is adjusted for average historical recovery rates. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and is based on the ageing of the days the receivables are past due, and the rates as calculated in the provision matrix.

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10. TRADE RECEIVABLES (continued)

See below is the information about the credit risk exposure on the Group's trade receivables using provision matrix:

Ageing	Gross carrying amount	Expected credit loss range (%)	Loss allowance
As at 31 December 2025:			
Within the credit period	222,120,363	0% - 1%	22,864
1-90 days past due	116,184,364	0.2% - 2%	1,559,851
91-180 days past due	7,059,545	3% - 11%	524,937
181- 270 days past due	5,246,577	28% - 47%	1,490,687
271- 360 days past due	2,249,956	62% - 71%	1,568,039
More than 1 year past due	17,235,140	99% - 100%	17,235,140
Total	370,095,945		22,401,518
As at 31 December 2024:			
Within the credit period	247,634,151	0%-1%	288,662
1-90 days past due	77,394,290	0.3%-3%	1,417,002
91-180 days past due	12,390,002	10%-27%	1,979,789
181- 270 days past due	2,871,412	15%-39%	1,061,100
271- 360 days past due	1,419,929	50%-57%	785,463
More than 1 year past due	24,217,927	96%-100%	22,054,010
Total	365,927,711		27,586,026

Trade receivables are written off when there is no reasonable expectation of recovery. Impairment losses on trade receivables are presented as net impairment losses in statement of profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

11. PREPAYMENTS AND OTHER RECEIVABLES

	2025	2024
Prepaid expenses	5,577,866	6,360,125
Interest income receivable	1,891,935	673,031
Net Value Added Tax (VAT) recoverable	1,201,034	-
Refundable deposits	1,015,927	698,235
Others	1,816,795	1,880,173
Less: allowance against deposits with suppliers*	-	(400,000)
	11,503,557	9,211,564

* Movement in allowance against deposit with suppliers is as follows:

	2025	2024
01 January	400,000	400,000
Reversal during the year	(400,000)	-
31 December	-	400,000

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12. OTHER CURRENT ASSETS

	<i>Notes</i>	<i>2025</i>	<i>2024</i>
Advances to suppliers		16,956,739	18,438,436
Capital projects advances	(a)	97,560,384	71,680,123
Advance against land	(b)	32,330,000	32,330,000
Advances to employees		3,716,600	2,573,773
		150,563,723	125,022,332
Less: Allowance for impairment loss on advances	(c)	(1,273,039)	(873,039)
		149,290,684	124,149,293

(a) Capital project advances include advances related to the projects of the new production lines under construction i.e., PM5 and TM6. The material and services related to these projects are expected to be completed during 2026/2027.

(b) During 2017, the Group paid SR 32.3 million to acquire land through a public auction. The Court of Appeal of the Makkah Region subsequently issued a final judgment in 2018 confirming the Group as the legal owner of the land. In 2021, the Group was notified that, due to enforcement related restrictions imposed on the former landowner in connection with enforcement proceedings, the Group was unable to complete the procedural requirements to register the title deed in its name, notwithstanding the final court rulings in the Group's favour. These restrictions were subsequently addressed, and the related legal claims were dismissed with final, non-appealable rulings issued in favour of the Group. As at 31 December 2025, the legal ownership of the land is not under dispute; however, the administrative and procedural steps required to complete the registration of the title deed in the Group's name have not yet been finalized. Management, supported by its external legal counsel, expects that these procedures will be completed in the Group's favour.

(c) Movement in allowance of impairment loss on advances to suppliers is as follows:

	<i>2025</i>	<i>2024</i>
01 January	873,039	697,026
Charge during the year*	400,000	176,013
31 December	1,273,039	873,039

*Addition in allowance for impairment loss on advances is recognized as an expense under general and administrative expenses.

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13. CASH AND SHORT-TERM DEPOSITS

	2025	2024
Short-term deposits	451,719,643	310,629,751
Cash at bank	43,252,444	299,076,353
Cash on hand	380,502	977,015
	<u>495,352,589</u>	<u>610,683,119</u>

At 31 December 2025, the Group had short-term bank deposits with original maturities of less than three months. The Group earned SR 26.4 million (2024: SR 30.8) on the murabaha and term-deposits at rate of return ranging between 4.25% to 6.60% (2024: 5.60% to 6.15%).

At each reporting date, all bank balances are assessed to have low credit risk as they are held with reputable and high credit rating domestic and international banking institutions and there has been no history of default with any of the Group bank balance. Therefore, the probability of default based on forward looking factors and any loss given defaults are negligible.

14. SHARE CAPITAL AND SHARE PREMIUM

(a) Share capital

As at 31 December 2025, the Company's authorized and issued share capital is SR 866.67 million (2024: SR 866.67 million) divided into 86.67 million shares (2024: 86.67 million shares) with nominal value of SR 10 each (2024: SR 10 each).

In accordance with the share subscription agreement signed between MEPCO and Public Investment Fund (PIF) dated 31 July 2023, MEPCO increased its capital from SR 666,666,660 to SR 866,666,650 with the suspension of pre-emptive rights, by issuing 19,999,999 new ordinary shares (representing 30% of MEPCO's current capital), with a nominal value of SR 10 per share (the "New Shares") after approval of MEPCO's extra-ordinary general assembly on 28 December 2023.

On 04 January 2024, the new share capital was issued, and PIF paid to MEPCO a subscription amount of SR 31.50 per new share being a total subscription amount of SR 629,999,969. The transaction costs of SR 10 million are deducted upfront from the subscription proceeds and the Company received net amount of SR 619,999,969. After the full subscription of new shares by PIF, its ownership in MEPCO's share capital becomes 23.08% after the capital increased. Management has updated its commercial registration on 07 February 2024.

Ordinary shares issued and fully paid	2025		2024	
	Shares	SR	Shares	SR
Ordinary shares of SR 10 each	86,666,665	866,666,650	66,666,666	666,666,660
Issued on 2024 for PIF acquisition	-	-	19,999,999	199,999,990
	<u>86,666,665</u>	<u>866,666,650</u>	<u>86,666,665</u>	<u>866,666,650</u>

(b) Share premium

At 01 January 2024	-
Proceeds from PIF share subscription	629,999,969
Issuance of share capital	(199,999,990)
Transaction cost	(10,000,000)
	<u>419,999,979</u>
At 31 December 2024	419,999,979
At 31 December 2025	<u>419,999,979</u>

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15. STATUTORY RESERVE

In accordance with the previous Company's By-laws, the Group used to be required to maintain a statutory reserve equal to a maximum of 30% of its share capital. According to the latest update in the companies' law in KSA, the mandatory statutory reserve requirement had been abolished. On 15 Jumada Al-Alkhirah1445H (corresponding to 28 December 2023), the Company's General Assembly approved amending the Company's bylaws to comply with the new Companies' Law, to remove the article of the bylaws related to Company's statutory reserve. Based on that, the Board of Directors recommended the General Assembly to approve the transfer of the entire statutory reserve to retained earnings which amounted of SR 135,278,852 as at 31 December 2024. On 26 June 2025, the General Assembly approved the transfer of the entire statutory reserve to retained earnings.

16. RESERVE FOR EMPLOYEES' SHARE-BASED PAYMENTS

During 2022, the Company had recorded a share-based payments of the 300,000 equity shares which were granted to the former Group President and Chief Executive Officer (CEO) with service for 5 years. The exercise price of the shares was equal to the market price of the underlying shares on the date of exercise which was 31 December 2023. All the vesting conditions mentioned for the former Group President were met. During the year ended 31 December 2024, the Board had approved a cash settlement option by paying SR 10.5 million based on the settlement agreement and release of claims dated 13 March 2024. Accordingly, the reserve for employees' share-based payments has been settled with the full amount of SR 10.5 million.

A new employment agreement related to Group President or Chief Executive Officer (CEO) was started from 1 January 2024 in which the Company has granted another share-based option of the 300,000 equity shares to Group President with service for 5 years starting from 1 January 2024 and ending on 31 December 2028 subject to market based and non-market-based performance conditions. The former Group President has resigned from the Company effective from 12 June 2024. An independent consultant has determined the final settlement of the former Group President to be SR 7.8 million which is reviewed by Nomination and Remuneration Committee of the Board and approved by Board of Directors. The settlement includes end of service benefits, vacations benefits etc. which have been fully paid during 2024.

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17. LOANS AND BORROWINGS

(a) Interest-bearing long-term borrowings

	2025	2024
Saudi Industrial Development Fund (“SIDF”) loans - Principal	133,000,000	161,600,000
Accrued finance charges	810,636	1,058,467
Less: Deferred financial charges	(5,355,713)	(7,560,465)
	<u>128,454,923</u>	<u>155,098,002</u>
SIDF loans (i)		
Commercial banks - Islamic banking facilities (Tawarruq)	244,224,168	224,087,171
Accrued finance charges – Banks	4,437,160	1,726,983
	<u>248,661,328</u>	<u>225,814,154</u>
Islamic banking facilities (Tawarruq) (ii)		
Total Interest-bearing long-term borrowings	<u><u>377,116,251</u></u>	<u><u>380,912,156</u></u>
<i>Interest-bearing long-term borrowings shown under non-current liabilities (current portion):</i>		
Borrowings – gross	116,578,855	129,178,854
Accrued finance charges	5,247,796	2,785,450
Less: Deferred financial charges	(1,817,234)	(2,204,752)
	<u>120,009,417</u>	<u>129,759,552</u>
<i>Interest-bearing long-term borrowings shown under non-current liabilities (non-current portion):</i>		
	2025	2024
Borrowings – gross	260,645,313	256,508,317
Less: Deferred financial charges	(3,538,479)	(5,355,713)
	<u>257,106,834</u>	<u>251,152,604</u>
Reconciliation of cash movement of borrowings	2025	2024
Balance at beginning of year	380,912,156	464,761,416
Proceeds during the year	120,672,927	30,000,000
Repayment of principal instalments	(129,135,961)	(113,493,069)
Movement in accrued financial charges	2,462,378	(640,492)
Movement in deferred financial charges	2,204,751	284,301
	<u><u>377,116,251</u></u>	<u><u>380,912,156</u></u>

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17. LOANS AND BORROWINGS (continued)

(a) Interest-bearing long-term borrowings (continued)

- (i) During 2020, the Group had obtained facility from Saudi Industrial Development Fund (SIDF) amounting to 55 million to finance the construction of manufacturing facilities and the Group has fully withdrawn this facility. The loan is repayable in unequal semi-annual instalments up to August 2025. This loan has been completely settled during the period.

During 2021, the Group obtained a new facility from SIDF for the tissue paper factory amounting to 150 million to finance the construction of manufacturing facilities. The Group has utilized 150 million as of 31 December 2025 (31 December 2024: 150 million). The loan is repayable in unequal semi-annual instalments up to the year 2030.

Upfront fees were deducted at the time of receipt of the loans. These fees are amortized over the period 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 Group's property, plant and equipment are pledged as collateral to SIDF.

The commission is payable on the amount of the borrowing drawdowns and is mainly calculated at a market rate plus a margin.

- (ii) During 2022, the Group has also obtained long-term credit facilities (Islamic Finance Tawarruq) from commercial banks amounting to 572 million. The Group has utilized these facilities amounting to 148.6 million as of 31 December 2025 (31 December 2024: 224.1 million). These loans bear financial charges based on prevailing market rates in Kingdom of Saudi Arabia ("SIBOR"). These loans are repayable up to the year 2027.

During 2024 and 2025, the Group obtained long-term credit facilities (Islamic Finance Tawarruq) from commercial banks amounting to 1,380 million for the purpose of the initiation of new production lines i.e., PM5 and TM6. The Group has utilized these facilities, amounting to 124 million as of 31 December 2025. These loans bear financial charges based on prevailing market rates in Kingdom of Saudi Arabia ("SIBOR"). The Group has a re-payment grace period of 3 years; accordingly, these loans will be repayable starting from 2028.

Upfront fees were deducted at the time of receipt of loans from commercial banks, which are amortized over the period of the respective loans.

Long-term borrowings under Islamic banking facilities bears average interest rate of 6.86% (2024: 7.25%).

The above loans and facilities include certain covenants which require the Company to maintain certain levels of current and leverage ratios and certain restrictions on dividend distribution and also notify the bank of any breach or probable breach immediately.

All the above long-term loans are denominated in Saudi Riyals as at 31 December 2025 and 31 December 2024.

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17. LOANS AND BORROWINGS (continued)

(a) Interest-bearing long-term borrowings (continued)

The scheduled maturities of the long-term borrowings outstanding are as follows:

Year ending 31 December 2025:	<i>Loan's principal</i>	<i>Deferred financial charges</i>	<i>Accrued financial charges</i>	<i>Net loan amount</i>
2026	194,998,430	(1,817,234)	5,247,796	198,428,992
2027	43,972,356	(1,490,407)	-	42,481,949
2028	27,000,000	(1,120,403)	-	25,879,597
2029	33,000,000	(702,725)	-	32,297,275
2030	78,253,382	(224,944)	-	78,028,438
	377,224,168	(5,355,713)	5,247,796	377,116,251
Year ending 31 December 2024:	<i>Loan's principal</i>	<i>Deferred financial charges</i>	<i>Accrued financial charges</i>	<i>Net loan amount</i>
2025	129,178,854	(2,204,752)	2,785,450	129,759,552
2026	116,535,962	(1,817,234)	-	114,718,728
2027	43,972,355	(1,490,407)	-	42,481,948
2028	27,000,000	(1,120,403)	-	25,879,597
2029	69,000,000	(927,669)	-	68,072,331
	385,687,171	(7,560,465)	2,785,450	380,912,156

(b) Interest-bearing short-term borrowings

	2025	2024
Islamic banking facilities (Tawarruq)	331,982,319	304,968,375
Accrued financial charges	5,319,590	5,262,675
	337,301,909	310,231,050

The Group has short-term credit facilities from commercial banks comprising of short-term loans, letters of credit and guarantees. These borrowings bear financing charges at the prevailing market rates. These facilities include certain financial covenants which require the Group to maintain certain levels of ratios. The Group has met all of debt covenants compliance requirements for banks as at 31 December 2025. All loans are denominated in SR as at 31 December 2025 and 31 December 2024.

Short-term borrowings under Islamic banking facilities bears average interest rate of 5.93% (2024: 5.94%).

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18. EMPLOYEE DEFINED BENEFIT LIABILITIES

Movement in provision for employee benefits is summarized as follows:

	2025	2024
At beginning of year	41,452,198	48,808,117
Current year charge:		
- Current service cost	6,386,884	7,860,105
- Curtailment gain	(879,763)	(348,409)
- Interest cost	2,102,795	542,574
	7,609,916	8,054,270
Re-measurement (gain) / losses:		
- Financial assumptions	2,052,888	1,743,126
- Experience adjustment	(421,830)	(1,675,695)
- Demographic assumptions	(132,974)	134,596
	1,498,084	202,027
Payments	(12,420,203)	(15,612,216)
At end of year	<u>38,139,995</u>	<u>41,452,198</u>

Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date:

	2025	2024
Discount rate	5.25%	5.60%
Future salary growth	5%	5%
Withdrawal rate	17%	13%
Employee turnover and retirement age	Moderate/65	Moderate/65
Duration	8.77 years	7.77 years

Sensitivity analysis

	31 December 2025		31 December 2024	
	Increase	Decrease	Increase	Decrease
Discount rate (1% change)	(2,797,703)	3,228,670	(2,859,050)	3,272,339
Future salary growth (1% change)	3,362,921	(2,969,777)	3,457,827	(3,075,488)
Withdrawal rate (10% change)	(433,793)	476,415	(264,754)	282,340

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

The expected maturity analysis of undiscounted employee benefits obligations is as follows:

	2025	2024
Less than a year	3,885,068	4,727,097
Between 1 – 5 years	14,626,876	18,351,461
Over 5 years	45,366,804	46,392,817

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19. ZAKAT

19.1 Components of zakat base

During the year, the Parent Company along with its wholly owned subsidiaries, i.e., Juthor, WASCO and Al-Tadweer have been requested and obtained an approval from ZATCA to file their zakat based on a unified zakat return as one zakat group. Starting from the year ended 31 December 2025 and onward, the Group zakat unified return will be based on special purpose financial statements prepared solely for zakat filing purpose.

19.2 Provision for zakat

	2025	2024
At the beginning of the year	19,910,229	9,728,580
Provision for current year	13,435,907	16,216,680
Provision related to zakat assessment	-	3,351,305
Payments	(19,806,267)	(9,386,336)
	<u>13,539,869</u>	<u>19,910,229</u>
At the end of the year	<u>13,539,869</u>	<u>19,910,229</u>

19.3 Status of assessments

Middle East Company for Manufacturing and Producing Paper (“MEPCO”)

The zakat assessments of the Parent (“MEPCO”) are finalized for the years through 31 December 2023.

Years 2015 to 2018:

During 2020, Zakat, Tax and Customs Authority (“ZATCA”) issued its assessment for those years, claiming additional Zakat of SR 30 million, which the Company objected to till reached the Appeal Committee.

During 2024, ZATCA approached the Company for a settlement offer with the Internal Settlement Committee (“ISC”). During the period, the Company received a final settlement with an additional zakat liability amounting of SR 3.3 million. The management decided to accept the ISC’s offer to clear those years with ZATCA. Subsequently on April 2025, the MEPCO settled this amount, therefore zakat position is finalized for those years.

Years 2019 to 2022:

Zakat position is finalized for those years.

Year 2023

The Company has received notice that an inspection for the year 2023 is currently in progress by ZATCA. An initial assessment has been issued by ZATCA in the amount of SR 841,235; however, there are high chances of eliminating the differences resulting from this preliminary assessment. The company submitted a request along with the zakat calculation based on the updated regulations, which was accepted by ZATCA. As a result, ZATCA issued the final assessment without any additional zakat liabilities. Accordingly, zakat assessment for the year 2023 has been finalized.

Year 2024

The Company filed its Zakat Returns until the year 2024 and obtained a Certificate valid till 30 April 2026. MEPCO is currently under inspection by ZATCA; however no assessment has been issued to date.

Waste Collection and Recycling Company Limited (“WASCO”)

During 2021, ZATCA issued its assessment for the years 2016 and 2017 claiming additional Zakat of 1.39 and 0.169 million respectively, which the Company has objected, and further escalated to the TVDRC and TVDAC, which issued their decisions in favor of ZATCA. However, the Company settled the Zakat dues for appeal case on May 13, 2024, therefore Zakat position is cleared for these years.

The Company filed its Zakat Returns until the year 2024 and obtained a Certificate valid till April 30, 2026.

Juthor Paper Manufacturing Company (“Juthor”) & Estidama Environmental Services Company LLC (“Estidama”) & Al Tadweer Al-Akhdar Industrial Company (“Al Tadweer”)

These companies filed their zakat declaration for the year 2024 and unrestricted zakat certificates have been obtained till 30 April 2026.

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20. TRADE AND OTHER PAYABLES

	<i>2025</i>	<i>2024</i>
Trade payables - third parties	216,825,637	143,267,674
Trade payables - related party (refer note 30.2)	5,075,987	1,381,208
Lease liabilities – current portion	10,342,657	7,577,431
Employees related accruals	10,624,873	21,114,766
Accrued legal and consultancy fees	390,447	382,000
Accrued transportation expenses	72,185	46,184
Provision of legal cases (refer note 29)	-	10,000,000
Net Value Added Tax (VAT) payables	-	1,316,353
Others	8,214,069	6,896,459
	<u>251,545,855</u>	<u>191,982,075</u>

21. OTHER CURRENT LIABILITIES

	<i>2025</i>	<i>2024</i>
Contract liabilities*	9,220,823	3,870,539

* During the current year, revenue recognized from advances to customers' balance as at 31 December 2024 was amounting to SR 3.8 million (31 December 2024: SR 8 million).

22. COST OF REVENUE

	<i>2025</i>	<i>2024</i>
Direct material costs	495,917,063	498,877,684
Depreciation and amortization	113,611,639	108,879,517
Energy and utilities costs (refer note 25.2)	105,139,650	95,721,241
Direct employees' costs	67,269,242	78,168,510
Shipping and delivery costs	49,153,433	44,840,667
Maintenance costs	39,716,955	37,911,744
Transportation costs	18,202,455	19,961,898
Property insurance	8,256,221	9,028,453
Short-term leases	3,919,837	2,046,028
Allowance for slow moving and obsolete inventories (refer note 9.1)	2,651,185	34,158,259
Other costs	23,071,335	28,035,090
	<u>926,909,015</u>	<u>957,629,091</u>

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23. SELLING AND DISTRIBUTION EXPENSES

	<i>2025</i>	<i>2024</i>
Salaries and related benefits	8,351,682	10,631,214
Sales service expenses	3,193,792	4,047,808
Depreciation of property, plant and equipment (refer note 5.4)	1,513,744	1,710,022
Sales commissions	1,215,405	1,716,055
Credit insurance	1,007,242	798,409
Others	1,742,065	2,928,475
	17,023,930	21,831,983

24. GENERAL AND ADMINISTRATIVE EXPENSES

	<i>2025</i>	<i>2024</i>
Salaries and related benefits	46,137,420	71,930,434
Consultation fee	12,535,093	12,783,527
Directors' remuneration (refer note 30.2)	5,394,026	5,532,261
Depreciation and amortization	5,265,325	3,094,374
IT expenses	4,066,471	2,565,763
Repairs and maintenance expenses	2,400,603	2,564,648
Communication expenses	1,455,533	1,123,786
Professional fee *	1,133,531	1,455,300
Government fee	1,050,368	969,730
Travel expenses	993,927	1,115,200
Bank charges	917,453	1,208,380
Insurance expenses	541,416	1,270,742
Penalties and legal claims	3,837,309	10,000,000
Provision against advances to suppliers	-	176,013
Others	2,913,579	3,223,279
	88,642,054	119,013,437

* Professional fees include audit fees amounted to SR 1.1 million (2024: SR 1.1 million).

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25. OTHER OPERATING INCOME / (EXPENSES)– NET

	<i>2025</i>	<i>2024</i>
KAEC Land recovery (refer note 25.1)	6,000,000	-
Government grant (refer note 25.2)	3,320,774	-
Scrap sales	3,752,254	3,344,587
Gain on termination of leases	105,878	-
Gain on disposal of property, plant and equipment	35,519	167,632
Insurance claim recovery	-	3,063,098
Foreign currency exchange loss	(889,101)	(2,076,130)
Others – net	594,066	131,435
	12,919,390	4,630,622

25.1 During the year, the Group reached a settlement with Emaar Economic City (“Emaar”) in respect of the violation of purchase and service agreement of King Abdullah Economic City (“KAEC”) land. The agreement stated that Emaar shall secure supplying Natural Gas or any alternative energy source before the commencement of Tissue Mill 4 production in 2024. This condition hasn’t been satisfied by Emaar which resulted into additional costs incurred by the Group to be able to commence their production as planned. During 2025, the management started the negotiation process with Emaar and successfully recovered amount of SR 6 million, which agreed to be settled against Emaar payable balances in the Group records.

25.2 The Group applied for the Initiatives Manufacturing Program (“Tanafusiya”) offered by Ministry of Industry and Mineral Resources (“MIM”) which provides financial support to optimize operation cost and enhance energy efficiency in the form of compensation against the consumption of Heavy Fuel Oil (“HFO”). During year ended 31 December 2025, the Group received cash compensation amounting to SR 7.5 million, from which amount of SR 3.3 million was against the HFO consumption for the year 2024, which has been recognized within other operating income. The remaining compensation amounting to SR 4.2 million is recognized as a reduction from energy costs within cost of revenue.

26. FINANCE COSTS

	<i>2025</i>	<i>2024</i>
Finance costs on long-term borrowings:		
- Tawarruq	11,737,592	17,324,350
- SIDF charges	2,895,309	3,298,195
- Amortisation of deferred financial charges	2,204,751	2,703,300
Finance costs on short-term borrowings:		
- Tawarruq	17,775,193	11,915,975
Interest on lease liabilities	1,145,418	939,213
	35,758,263	36,181,033

27. EARNINGS / (LOSS) PER SHARE

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

	<i>2025</i>	<i>2024</i>
Profit / (loss) for the year attributable to equity holders of the Parent Company	23,410,074	(77,326,129)
Weighted average number of shares *	86,666,666	86,502,282
Basic and diluted loss per share (SR per share)	0.27	(0.89)

*The weighted average number of ordinary shares issued and outstanding at year end 31 December 2024 have been adjusted for the new shares issued on 04 January 2024 (refer note 14).

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28. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Group holds various financial instruments in the ordinary course of its activities.

28.1 Financial instruments by category

(a) *Financial assets subsequently measured at amortized cost:*

	<i>Notes</i>	2025	2024
Trade receivables	10	347,694,427	338,341,685
Other current assets (Advances to employees)	12	3,716,600	2,573,773
Prepayments and other receivables (Interest income receivable and refundable deposits)	11	2,907,862	1,371,266
Cash and short-term deposits (excluding cash on hand)	13	494,972,087	609,706,104
		849,290,976	951,992,828

(b) *Financial liabilities at amortized cost:*

	<i>Notes</i>	2025	2024
Borrowings	17	714,418,160	691,143,206
Trade and other payables (excluding lease liabilities)	20	241,203,198	184,404,644
Lease liabilities	7(b)	30,994,540	17,786,093
		986,615,898	893,333,943

The carrying amount of financial assets and liabilities approximates their fair value. Financial assets are not considered to pose a significant credit risk. Trade receivables are due from customers who have been assessed for creditworthiness prior to entering into transactions with them.

28.2 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).

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.

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29. COMMITMENT, CONTIGENCIES AND LITIGATION

- i. The Group had outstanding letters of guarantee, letter of credits and capital commitments “contracted but not incurred” that were in the normal course of the business and pertains mainly two the new production line PM5 and TM6. Below are the related outstanding contingencies and commitments as at 31 December:

2025:	Paper Machine 5 (PM5)	Tissue Mill 6 (TM6)	Other plant and machinery	Total
Letters of guarantee	-	-	15,000,000	15,000,000
Letters of credit	455,732,780	155,956,054	13,379,754	625,068,588
Capital commitments	828,273,186	157,558,207	2,834,566	988,665,959
	<u>1,284,005,966</u>	<u>313,514,261</u>	<u>31,214,320</u>	<u>1,628,734,547</u>
2024:	Paper Machine 5 (PM5)	Tissue Mill 6 (TM6)	Other plant and machinery	Total
Letters of guarantee	-	-	1,000,000	1,000,000
Letters of credit	690,000,000	-	24,032,818	714,032,818
Capital commitments	512,627,316	14,170,951	1,861,738	528,660,005
	<u>1,202,627,316</u>	<u>14,170,951</u>	<u>26,894,556</u>	<u>1,243,692,823</u>

- ii. During the year ended 31 December 2024, a labor case was filed against the Company by a former employee of the Company with an additional claim not exceeding SR 19 million. According to the opinion of the Company’s external legal counsel, the management was of the view that there is a high probability of winning the case, and it was reasonably expected that the ultimate outcome would not result in any cash outflow other than the amount already settled. Subsequently, the First Instance Court has dismissed the former employee’s request, and the ruling was in favor of the Group. Moreover, on 16 August 2025, the Appellate Court issued a final ruling by dismissing the First Instance Court ruling and obliging the Group to pay an amount of SR 3.1 million against the remaining end of service for the former employee. This claim has been fully paid, and the management intends to file an appeal to the Supreme Court against the appellate ruling issued.
- iii. One of the Group's subsidiaries (“WASCO”) was previously involved in a litigation with the General Authority for Competition, where the Administrative Court of Appeal ruled in the favor of WASCO. However, on 18 March 2025, a final decision issued by the Supreme Administrative Court overturned this appeal ruling and referred the case back to the Administrative Court of Appeal for reconsideration. Given this development and based on the management assessment and the external legal counsel's view, the management recorded the full exposure amounted to 10 million as an adjusting event for the year ended 31 December 2024, recognizing the ongoing legal uncertainty and in accordance with International Accounting Standards (“IAS”) 37 Provisions, Contingent Liabilities and Contingent Assets. On 11 August 2025, the Administrative Court of Appeal issued a ruling upholding the initial judgment that obligated WASCO to pay the full amount of SR 10 million. The management received the ruling on 26 August 2025. Subsequent to the period ended 30 September 2025, this fine was fully paid, and the management has filed an appeal to the Supreme Administrative Court through external legal counsel against the appellate ruling issued.
- iv. The Company signed a Share Purchase Agreement dated 27 Ramadan 1446H corresponding to 27 March 2025 (the “SPA”) of acquisition for the entire shareholding in Al-Medan Project Company For Corrugated Carton (“MPCCC”) amounting to 1,000 ordinary shares, representing 100% of MPCCC’s share capital, for a consideration consisting of a cash amount of SR 91 million to be paid by MEPCO, and the remaining consideration being paid through the issuance of new ordinary shares in MEPCO to the Sellers which will be calculated prior to completion. On 28 December 2025, MEPCO has announced that the SPA has terminated due to that the conditions precedent in the SPA have not fully satisfied by the Long Stop Date 27 December 2025.

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30. RELATED PARTIES TRANSACTIONS AND BALANCES

Related parties represent the partners, directors and key management personnel of the Group, affiliates (the Company and the entities are members of the same group), and entities controlled, jointly controlled, or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management. Following is the list of related party transactions and balances of the Group:

30.1 Related parties' transactions

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

<i>Related party</i>	<i>Description of transaction</i>	<i>Relationship</i>	<i>2025</i>	<i>2024</i>
Arabian Maize Company for Industry Company	Purchase of materials	Affiliate company	27,808,478	18,128,375
Directors	Directors' remuneration	Directors	5,394,026	5,532,261

30.2 Related parties' balances

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

<i>Related party</i>	<i>2025</i>	<i>2024</i>
Advances to key management personnel	1,226,250	148,750
Accrued directors' remuneration	-	1,425,603
Arabian Maize Company for Industry (note 20)	(5,075,987)	(1,381,208)

30.3 Transactions with key management personnel

Key management personnel compensation comprised the following:

	<i>2025</i>	<i>2024</i>
Short term benefits	16,094,731	13,496,317
Post-employment benefits	305,833	189,238
Termination benefits	869,938	625,729
	17,270,502	14,311,284

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

Related party balances are generally unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables.

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31. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risks and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group also uses derivative financial instruments to hedge certain risk exposures.

31.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is represented by interest rate risk, currency risk and other price risk.

31.2 Interest rate risk

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group manages the interest rate risk by regularly monitoring the interest rate profiles of its interest-bearing financial instruments and entering into interest rates swap arrangements.

At 31 December 2025, if interest rates had been 1% higher/lower with all other variables held constant, future interest on outstanding loans will increase/decrease by SR 3,771,813 (2024: SR 3,690,443).

31.3 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The Group did undertake significant transactions in currencies Saudi Riyals and US Dollars during the year ended 31 December 2025 and 2024. Since Saudi Riyal is pegged to the US Dollar, the Group is not exposed to significant foreign currency risk.

The Group also has significant exposure to Euro at the end of 2025 and 2024. The following tables demonstrate the sensitivity to a reasonably possible change in Euro and Saudi Riyals exchange rates, with all other variables held constant. The impact on the Group's (loss) before zakat is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

	<i>Change in rate Euros</i>	<i>Effect on (loss) / profit before zakat</i>
2025	+ 5%	4,876,993
	- 5%	(4,876,993)
2024	+ 5%	515,244
	- 5%	(515,244)

31.4 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The management continuously monitors the credit exposure towards the customers and makes allowances against those balances considered doubtful of recovery using the expected credit loss model. To mitigate the risk, the Group has developed a system of assigning credit limits to its customers based on an extensive evaluation based on customer profile and payment history. Outstanding customer receivables are regularly monitored. Most of the customers are secured, where possible, by way of inland letters of credit, cash security deposit, bank guarantees and insurance guarantees.

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31. FINANCIAL RISK MANAGEMENT (continued)

31.4 Credit risk (continued)

The Group's gross maximum exposure to credit risk at the reporting date is as follows:

	2025	2024
Financial assets		
Trade receivables	347,694,427	338,341,685
Other current assets (Advances to employees)	3,716,600	2,573,773
Prepayments and other receivables (Interest income receivable and refundable deposits)	2,907,862	1,371,266
Cash and short-term deposits (excluding cash on hand)	494,972,087	609,706,104
	<u>849,290,976</u>	<u>951,992,828</u>

Trade receivables are due from customers who have been assessed for credit worthiness prior to entering into transactions with them. Cash at bank and short-term investments are placed with reputable local banks. There were no past due or impaired receivables from related parties.

31.5 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments. The Group has no significant concentration of liquidity risk. For instance, concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowings or reliance on a particular market in which to realize liquid assets. The following is contractual undiscounted maturity analysis of the financial liabilities of the Group as at 31 December 2025. The Group does not hold financial assets for managing liquidity risk. Hence, these risks have not been considered for maturity analysis.

2025	<i>1 year or less</i>	<i>Above 1 year to 5 years</i>	<i>More than 5 years</i>	<i>Total</i>
<i>Non derivative financial liabilities</i>				
Interest-bearing borrowings	545,715,874	185,515,384	-	731,231,258
Trade and other payables	241,203,198	-	-	241,203,198
Lease liabilities	13,493,373	34,059,071	-	47,552,444
	<u>800,412,445</u>	<u>219,574,455</u>	<u>-</u>	<u>1,019,986,900</u>
2024	<i>1 year or less</i>	<i>Above 1 year to 5 years</i>	<i>More than 5 years</i>	<i>Total</i>
<i>Non derivative financial liabilities</i>				
Interest-bearing borrowings	458,443,278	267,965,702	-	726,408,980
Trade and other payables	184,404,644	-	-	184,404,644
Lease liabilities	8,144,465	10,958,226	-	19,102,691
	<u>650,992,387</u>	<u>278,923,928</u>	<u>-</u>	<u>929,916,315</u>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

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31. FINANCIAL RISK MANAGEMENT (continued)

31.6 Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities:

2025	1 January 2025	Cash flows	New leases	Others	31 December 2025
<i>Non derivative financial liabilities</i>					
Interest-bearing long-term borrowings	380,912,156	(8,463,034)	-	4,667,129	377,116,251
Short-term borrowings	310,231,050	27,013,944	-	56,915	337,301,909
Lease liabilities	17,786,093	(17,369,799)	28,450,790	2,127,456	30,994,540
	<u>708,929,299</u>	<u>1,181,111</u>	<u>28,450,790</u>	<u>6,851,500</u>	<u>745,412,700</u>
2024	1 January 2024	Cash flows	New leases	Others	31 December 2024
<i>Non derivative financial liabilities</i>					
Interest-bearing long-term borrowings	464,761,416	(83,493,069)	-	(356,191)	380,912,156
Short-term borrowings	102,127,529	204,969,375	-	3,134,146	310,231,050
Lease liabilities	24,905,561	(7,291,080)	324,057	(152,445)	17,786,093
	<u>591,794,506</u>	<u>114,185,226</u>	<u>324,057</u>	<u>2,625,510</u>	<u>708,929,299</u>

The 'Other' column includes the effect of accrued but not yet paid interest on interest-bearing loans and borrowings, lease modifications, and other adjustments. The Group classifies interest paid as cash flows from operating activities.

32. SUBSEQUENT EVENTS

Subsequent to the reporting date, geopolitical tensions in parts of the Middle East have increased. Public communications from government and regulatory authorities have continued to emphasise the resilience of the economy and the continuation of business operations across key sectors, supported by established business continuity and risk management frameworks.

These developments arose after the reporting period and have therefore been assessed as non-adjusting events in accordance with IAS 10 Events after the Reporting Period. Accordingly, no adjustments have been made to the amounts recognised in the financial statements as at 31 December 2025, which reflect conditions existing at that date.

The Group has assessed the potential implications of these events on its operations, financial position and performance. Based on information currently available, including the continuation of core business activities, it is not practicable to reliably estimate the full financial effect of these non-adjusting events on future periods. Management has also considered the impact of these events on the Group's ability to continue as a going concern and has concluded that the going concern basis of preparation remains appropriate.

Except for that, there have been no significant subsequent events since the year ended 31 December 2025, which would have a material impact on the financial position of the Group as reflected in these consolidated financial statements.

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33. CAPITAL MANAGEMENT

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

The Group manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares. The Group also monitors capital using a gearing ratio, which is net debt, interest bearing loans and borrowings including finance cost thereon, less cash and bank balances. Capital signifies equity as shown in the statement of financial position plus net debt.

The capital gearing ratio is as follows:

	2025	2024
Borrowings	714,418,160	691,143,206
Total debt	714,418,160	691,143,206
Cash and short-term deposits	(495,352,589)	(610,683,119)
Net debt	219,065,571	80,460,087
Share capital	866,666,650	866,666,650
Share premium	419,999,979	419,999,979
Statutory reserve	-	135,278,852
Retained earnings	341,502,520	184,282,212
Non-controlling interest	(7,430,361)	(6,194,341)
Net equity	1,620,738,788	1,600,033,352
TOTAL EQUITY AND NET DEBT	1,839,804,359	1,680,493,439
Capital gearing ratio - %	11.91%	4.79%

34. COMPARATIVE FIGURES

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

Reclassification in the consolidated statement of financial position as at 31 December 2024 is summarized below:

	<i>As previously reported</i>	<i>Impact of reclassification</i>	<i>As currently reported</i>
NON-CURRENT ASSETS			
Property, plant and equipment	1,221,071,925	47,628,940	1,268,700,865
Capital work in progress	27,621,024	(27,621,024)	-
Right-of-use assets	20,007,916	(20,007,916)	-
CURRENT LIABILITIES			
Lease liabilities – current portion	7,577,431	(7,577,431)	-
Trade and other payables	184,404,644	7,577,431	191,982,075

35. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorized for issue by the Company's Board of Directors on 11 Shawwal 1447H (corresponding to 30 March 2026G).