SAUDI PAPER MANUFACTURING COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
AND INDEPENDENT AUDITORS' REPORT

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(A Saudi Joint Stock Company)
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FOR THE YEAR ENDED DECEMBER 31, 2014

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INDEPENDENT AUDITORS' REPORT

March 12, 2015

To the shareholders of Saudi Paper Manufacturing Company:
(A Saudi Joint Stock Company)

Scope of audit

We have audited the accompanying consolidated balance sheet of Saudi Paper Manufacturing Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2014 and the consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended, and the notes from 1 to 25 which form an integral part of the consolidated financial statements. These consolidated financial statements, which were prepared by the Company to comply with Article 123 of the Regulations for Companies and presented to us with all information and explanations which we required, are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified opinion

In our opinion such consolidated financial statements taken as a whole:

- Present fairly, in all material respects, the financial position of the Group as of December 31, 2014 and the results of its operations and its cash flows for the year then ended in conformity with accounting standards generally accepted in Saudi Arabia appropriate to the circumstances of the Group; and

- Comply, in all material respects, with the requirements of the Regulations for Companies and the Company's By-laws with respect to the preparation and presentation of consolidated financial statements.

Emphasis of matter

We draw attention to Note 23 to the accompanying consolidated financial statements which outlines the impact of the restatements of the retained earnings at January 1, 2013 and comparatives as at and for the year ended December 31, 2013 as a result of errors in the recording of certain costs and expenses, financial charges, advances to suppliers and short-term borrowings in prior years. This note contains details of the impact of these restatements on the retained earnings as of January 1, 2013, net income for the year ended December 31, 2013 and on the other related balances as of December 31, 2013.

PricewaterhouseCoopers

برايس وترهاوس كوبرز
محاسبون قانونيون
ترخيص رقم ٢/٢٥/١١/٣٢٣
PRICEWATERHOUSECOOPERS
CERTIFIED PUBLIC ACCOUNTANTS
LIC. NO. 2/25/11/323

By: ______________________
Yaseen A. Abu Alkheer
License Number 375

SAUDI PAPER MANUFACTURING COMPANY
(A Saudi Joint Stock Company)
Consolidated balance sheet
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at December 31, 2014	2013 (Restated)
Assets			
Current assets			
Cash and cash equivalents	5	24,070,573	34,926,329
Accounts receivable	6	295,391,043	289,078,492
Inventories	7	182,016,781	221,910,765
Available-for-sale investments		3,259,865	13,272,388
Prepayments and other receivable	8	151,888,843	227,140,324
		656,627,105	786,328,298
Non-current assets			
Investment in an associate	9	13,544,050	10,400,000
Property, plant and equipment	10	1,016,462,271	931,171,531
Intangible assets	11	22,657,073	22,739,446
		1,052,663,394	964,310,977
Total assets		1,709,290,499	1,750,639,275
Liabilities			
Current liabilities			
Short-term borrowings	12	362,663,121	485,924,176
Liabilities against letter of credit refinancing facilities	12	66,145,107	105,935,511
Current maturity of long-term borrowings	13	82,529,434	125,473,435
Accounts payable		79,614,085	111,621,404
Accrued and other liabilities	14	48,742,058	22,088,692
Zakat payable	15	5,929,637	5,987,270
		645,623,442	857,030,488
Non-current liabilities			
Long-term borrowings	13	356,842,340	230,875,256
Employee termination benefits	16	23,855,272	23,685,961
Other non-current liabilities		19,952,303	-
		400,649,915	254,561,217
Total liabilities		1,046,273,357	1,111,591,705
Equity			
Equity attributable to shareholders of the Company:			
Share capital	17	450,000,000	375,000,000
Statutory reserve	18	66,248,858	63,742,136
Retained earnings	23	142,998,396	195,437,907
Currency translation differences		(799,572)	(338,596)
Total shareholders' equity		658,447,682	633,841,447
Non-controlling interest		4,569,460	5,206,123
Total equity		663,017,142	639,047,570
Total liabilities and equity		1,709,290,499	1,750,639,275
Contingencies and commitments	25		

The accompanying notes from 1 to 25 form an integral part of these consolidated financial statements.

SAUDI PAPER MANUFACTURING COMPANY
(A Saudi Joint Stock Company)
Consolidated income statement
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31, 2014	2013 (Restated)
Sales	4	757,716,372	819,744,431
Cost of sales		(578,454,817)	(649,688,215)
Gross profit		179,261,555	170,056,216
Operating expenses			
Selling and marketing	19	(68,792,461)	(62,721,740)
General and administrative	20	(55,569,273)	(48,571,651)
Income from operations		54,899,821	58,762,825
Other (expenses) income, net			
Financial charges, net	12,13	(32,709,526)	(26,679,844)
Share in net income of an associate	9	3,144,050	-
Other income		2,763,010	2,823,777
Income before zakat and non-controlling interest		28,097,355	34,906,758
Zakat	15	(2,400,000)	(2,979,734)
Income before non-controlling interest		25,697,355	31,927,024
Non-controlling interest		(630,144)	(476,318)
Net income for the year		25,067,211	31,450,706
Earnings per share (Saudi Riyals):	24		
• Operating income		1.22	1.31
• Net income for the year		0.56	0.69

The accompanying notes from 1 to 25 form an integral part of these consolidated financial statements.

SAUDI PAPER MANUFACTURING COMPANY
(A Saudi Joint Stock Company)
Consolidated cash flow statement
(All amounts in Saudi Riyals unless otherwise stated)

		Year ended December 31,	
	Note	**2014**	**2013 (Restated)**
Cash flow from operating activities			
Net income for the year		**25,067,211**	31,450,706
Adjustments for non-cash items:			
Provision for doubtful receivable	6	**5,356,477**	3,467,786
Depreciation, amortization and impairment	10,11	**50,004,466**	50,278,149
Share in net income of an associate	9	**(3,144,050)**	-
Gain on disposal of property, plant and equipment	10	**(1,447,240)**	(499,360)
Income applicable to non-controlling interest		**630,144**	476,318
Changes in working capital			
Accounts receivable		**(12,130,004)**	(8,266,479)
Inventories		**39,893,984**	19,012,302
Prepayments and other receivable		**8,551,481**	(64,007,664)
Accounts payable		**(32,007,319)**	21,761,035
Accrued and other liabilities		**26,653,366**	19,018,299
Zakat payable		**(57,633)**	491,288
Other non-current liabilities		**19,952,303**	-
Employee termination benefits		**169,311**	3,685,597
Net cash generated from operating activities		**127,492,497**	76,867,977
Cash flow from investing activities			
Proceeds from sale of investment		**10,012,523**	-
Purchase of property, plant and equipment		**(65,489,742)**	(6,825,949)
Proceed from sale of property, plant and equipment		**1,699,386**	499,376
Additions to intangible assets		**(813,895)**	(2,895,941)
Net cash utilized in investing activities		**(54,591,728)**	(9,222,514)
Cash flow from financing activities			
Changes in short-term borrowings		**(123,261,055)**	(74,691,525)
Liabilities against letter of credit refinancing facilities		**(39,790,404)**	60,334,077
Changes in long-term borrowings		**80,561,741**	(84,753,943)
Dividends paid	21	**-**	(56,250,000)
Dividends paid by subsidiaries to non-controlling interests		**(1,266,807)**	-
Net cash utilized in financing activities		**(83,756,525)**	(155,361,391)
Net decrease in cash and cash equivalents		**(10,855,756)**	(87,715,928)
Cash and cash equivalents at beginning of the year		**34,926,329**	122,642,257
Cash and cash equivalents at end of the year	5	**24,070,573**	34,926,329
Supplemental non-cash financial information			
Non-cash investing activity -			
Purchase of land against settlement of receivable balances	8	**66,700,000**	-

The accompanying notes from 1 to 25 form an integral part of these consolidated financial statements.

SAUDI PAPER MANUFACTURING COMPANY
(A Saudi Joint Stock Company)
Consolidated statement of changes in shareholders' equity
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Share capital	Statutory reserve	Retained earnings	Currency translation differences	Total
January 1, 2014 - as restated		375,000,000	63,742,137	195,437,906	(338,596)	**633,841,447**
Increase in share capital	17	75,000,000	-	(75,000,000)	-	-
Net income for the year		-	-	25,067,211	-	**25,067,211**
Transfer to statutory reserve	18	-	2,506,721	(2,506,721)	-	-
Currency translation adjustments		-	-	-	(460,976)	**(460,976)**
December 31, 2014		**450,000,000**	**66,248,858**	**142,998,396**	**(799,572)**	**658,447,682**
January 1, 2013 - as previously reported		375,000,000	64,849,342	261,652,754	(522,757)	700,979,339
Adjustments	23	-	(4,252,276)	(38,270,483)	-	(42,522,759)
January 1, 2013 - as restated		375,000,000	60,597,066	223,382,271	(522,757)	658,456,580
Net income for the year - restated	23	-	-	31,450,706	-	31,450,706
Transfer to statutory reserve - restated	18, 23	-	3,145,071	(3,145,071)	-	-
Dividends	21	-	-	(56,250,000)	-	(56,250,000)
Currency translation adjustments		-	-	-	184,161	184,161
December 31, 2013 - as restated		375,000,000	63,742,137	195,437,906	(338,596)	633,841,447

The accompanying notes from 1 to 25 form an integral part of these consolidated financial statements.

(All amounts in Saudi Riyals unless otherwise stated)

1 General information

Saudi Paper Manufacturing Company (the "Company") and its subsidiaries (collectively the "Group") consist of the Company and its various Saudi Arabian and foreign subsidiaries. The Group is principally engaged in manufacturing of tissue paper rolls, converting tissue paper rolls into facial, kitchen and toilet tissue papers and collecting, sorting, transporting and pressing waste papers.

The Company is a joint stock company, registered in the Kingdom of Saudi Arabia and operating under commercial registration No. 2050028141 issued in Dammam on 10 Muharram 1415 H (June 20, 1994). The registered address of the Company is P.O. Box 2598, Unit number 2, Dammam 34326-7169, the Kingdom of Saudi Arabia.

Following is the list of subsidiaries included in the Group:

Subsidiary	Country of incorporation	Ownership percentage at December 31,	
		2014	**2013**
Saudi Recycling Company	Saudi Arabia	**100%**	100%
Saudi Paper Converting Company	Saudi Arabia	**100%**	100%
Saudi Investment & Industrial Development Company	Saudi Arabia	**100%**	100%
Al Madar Paper Trading (Al Madar)	United Arab Emirates	**100%**	100%
Morocco Paper Converting Company	Morocco	**100%**	100%
Al Madar Paper Trading	Morocco	**100%**	100%
Al Madar Paper Recycling	Bahrain	**100%**	100%
Al Madar Paper Trading	Jordon	**100%**	100%
Al Madar Paper	Algeria	**100%**	100%
Al - Juthoor Paper Tissue Manufacturing Plant (Al - Juthoor)	Kuwait	**85%**	85%
Premier Paper Converting Company	Turkey	**100%**	100%

The Company's shareholders in their extra ordinary general meeting held on May 4, 2014, resolved to increase the share capital of the Company to Saudi Riyals 450.0 million through issuance of 7,500,000 bonus shares by a transfer of Saudi Riyals 75.0 million from the retained earnings. Legal formalities related to such increase in share capital have been completed in 2014.

The accompanying consolidated financial statements were authorized for issuance by the Company's Board of Directors on March 12, 2015.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented.

2.1 Basis of preparation

The accompanying consolidated financial statements have been prepared under the historical cost convention on the accrual basis of accounting and in compliance with accounting standards promulgated by Saudi Organization for Certified Public Accountants.

2.2 Critical accounting estimates and judgments

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of sales and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

2.3 Investments

(a) Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies to obtain economic benefit generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up or liabilities incurred or assumed at the date of acquisition, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill arising from acquisition of subsidiaries is reported under "Intangible assets" in the balance sheet. Goodwill is tested annually for impairment and carried at cost, net of impairment losses, if any.

Inter-company transactions, balances and unrealized gains and losses on transactions between Group companies are eliminated.

(b) Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost.

(c) Other investments

Other investments are initially recognized at cost and subsequently measured at the fair value, where applicable.

(d) Available-for-sale investments

Available-for-sale investments principally consist of less than 20% equity investments in certain quoted / unquoted investments. These investments are included in non-current assets unless management intends to sell such investments within twelve months from the consolidated balance sheet date.

Available-for-sale investments are initially recognized at cost and are subsequently re-measured at fair value at each reporting date as follows:

(i) Fair values of quoted securities are based on available market prices at the reporting date adjusted for any restriction on the transfer or sale of such investments;
(ii) Fair values of unquoted securities are based on a reasonable estimate determined by reference to the current market value of other similar quoted investment securities or is based on the expected discounted cash flows; and
(iii) Fair value of unquoted securities for which there are no other indices through which the market value could be reliably determined, cost is considered the most appropriate subjective and reliable alternative for the fair value determination of such investments.

Cumulative adjustments arising from revaluation of these investments are reported as separate component of equity as fair value reserve until the investment is disposed. Losses of fair value reserve resulted from re-measured of available-for-sale investments are recognized in the consolidated income statement when management considered such losses as a permanent decline.

2.4 Segment reporting

(a) Business segment

A business segment is group of assets, operations or entities:

(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.

(b) Geographical segment

A geographical segment is group of assets, operations or entities engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments.

2.5 Foreign currencies

(a) Reporting currency

The consolidated financial statements of the Company are presented in Saudi Riyals which is the reporting currency of the Company.

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies other than Saudi Riyals are recognized in the income statement.

(c) Group companies

Cumulative adjustments resulting from the translations of the financial statements of the foreign subsidiaries into Saudi Riyals are reported as a separate component of shareholders' equity.

Dividends received from foreign subsidiaries are translated at the exchange rate in effect at the transaction date.

2.6 Cash and cash equivalents and short-term deposits

Cash and cash equivalents include cash in hand and with banks and other short-term highly liquid investments with maturities of three months or less from the purchase date.

2.7 Accounts receivable

Accounts receivable are carried at original invoice amount less provision for doubtful debts. A provision against doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Such provisions are charged to the income statement and reported under "Selling and marketing expenses". When account receivable is uncollectible, it is written-off against the provision for doubtful debts. Any subsequent recoveries of amounts previously written-off are credited to "Selling and marketing expenses" in the income statement.

2.8 Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using weighted average method. The cost of finished products include the cost of raw materials, labor and production overheads.

Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses

2.9 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation, except construction in progress which is stated at cost. Land is not depreciated. Depreciation is charged to the income statement, using the straight-line method, to allocate the cost of the related assets to their estimated useful lives.

	Number of years
• Buildings and land improvements	20 - 33
• Plant, machinery and equipment	10 - 25
• Furniture, fixtures and office equipment	5 - 15
• Vehicles	4 - 5

Land improvements are depreciated over shorter of useful life or lease term.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the consolidated income statement.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the income statement as and when incurred. Major renewals and improvements, if any, are capitalized and the assets so replaced are retired.

2.10 Intangible asset

Costs that are not of benefit beyond the current period are charged to the income statement, while costs that will benefit future periods are capitalized. Deferred charges, reported under "Intangible assets" in the balance sheet, include certain indirect construction costs and pre-operating expenses which are amortized over periods which do not exceed seven years.

2.11 Impairment of non-current assets

Non-current 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). 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 income statement. Impairment losses recognized on goodwill are not reversible.

2.12 Borrowings

Borrowings are recognized at the proceeds received net of transaction cost incurred and are subsequently carried at amortized cost. Any differences between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period using effective interest method. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of those assets until such time as the assets are ready for their intended use. Other borrowing costs are charged to the income statement.

2.13 Accounts payable and accruals

Liabilities are recognized for amounts to be paid for goods and services received, whether or not billed to the Group.

2.14 Zakat and taxes

The Company is subject to zakat in accordance with the regulations of the Department of Zakat and Income Tax (the "DZIT").

Provision for zakat for the Company and zakat related to the Saudi Arabian subsidiaries is charged to the income statement. Additional amounts payable, if any, at the finalization of assessments are accounted for when such amounts are determined.

The Company and its Saudi Arabian subsidiaries withhold taxes on certain transactions with non-resident parties as required under Saudi Arabian Income Tax Law.

Foreign subsidiaries are subject to income tax in their respective countries of domicile which are charged to the income statement.

Deferred income tax are recognized on all major temporary differences between financial income and taxable income during the period in which such differences arise, and are adjusted when related temporary differences are reversed. Deferred income tax are determined using tax rates which have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

2.15 Employee benefits

Employee termination benefits required by the Saudi Labor and Workman Law are accrued by the Company and its Saudi Arabian subsidiaries and charged to the income statement.

The foreign subsidiaries provide currently for employee termination and other benefits as required under the laws of their respective countries of domicile.

2.16 Sales

Sales are recognized upon delivery of products. Sales are shown net of discounts and rebates and after eliminating sales within the Group.

2.17 Selling, marketing and general and administrative expenses

Selling, marketing and general and administrative expenses include direct and indirect costs not specifically part of production costs as required under generally accepted accounting standards. Allocations between selling, marketing and general and administrative expenses and production costs, when required, are made on a consistent basis.

2.18 Dividends

Dividends are recorded in the financial statements in the period in which they are approved by shareholders of the Company.

2.19 Operating leases

Rental expense under operating leases is charged to the income statement over the period of the respective lease.

3 Financial instruments and risk management

Financial instruments carried on the balance sheet include cash and cash equivalents, accounts and other receivable, investments, short-term and long-term borrowings, accounts payable and accrued and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial asset and liability is offset and net amounts are reported in the financial statements, when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

Risk management is carried out by senior management. The most important types of risks are currency risk, fair value and cash flow interest rate risks and credit risk.

3.1 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's transactions are principally in Saudi Riyals, United States dollars and Euros.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The Group also has investments in foreign subsidiaries and associates whose net assets are exposed to currency translation risk. Currently, such exposures are mainly related to exchange rate movements between Saudi Riyals against other currencies and are recorded as a separate component of shareholders' equity in the accompanying consolidated financial statements. The Group's management monitors such exposures and considers the use of forward exchange contracts and to hedge the foreign currency exposures. However, there were no forward exchange contracts or other currency hedging instruments outstanding at December 31, 2014 and 2013.

3.2 Fair value and cash flow interest rate risks

Fair value and cash flow 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 positions and cash flows. The Group's interest rate risks arise mainly from the bank borrowings, which are at floating rate of interest and are subject to re-pricing on a regular basis. Management monitors the changes in interest rates and believes that fair value and cash flow interest rate risks to the Group are not significant.

(All amounts in Saudi Riyals unless otherwise stated)

3.3 Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group financial instruments are not exposed to price risk.

3.4 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 Group has no significant concentration of credit risk. Cash is placed with banks with sound credit ratings. Accounts receivable are carried net of provision for doubtful accounts.

3.5 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.

3.6 Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the Group financial instruments are compiled under the historical cost convention, differences can arise between the book values and fair value estimates. Management believes that the fair values of the Group's financial assets and liabilities are not materially different from their carrying values.

4 Segment information

The Group operates principally in the following business segments:

(i) Manufacturing; and
(ii) Trading, transporting and other.

Selected financial information as of December 31, 2014 and 2013 and for the years then ended, summarized by the above business segments, was as follows:

	Manufacturing	Trading, transporting and other	Total
2014			
Sales	**656,796,675**	**100,919,697**	**757,716,372**
Net income (loss)	**41,641,863**	**(16,574,652)**	**25,067,211**
Financial charges	**24,909,911**	**7,799,615**	**32,709,526**
Depreciation and amortization	**35,832,090**	**14,172,376**	**50,004,466**
Property, plant and equipment	**730,992,974**	**285,469,297**	**1,016,462,271**
Total assets	**1,521,165,648**	**188,124,851**	**1,709,290,499**
2013 (Restated)			
Sales	744,383,717	75,360,714	819,744,431
Net income (loss)	37,835,082	(6,384,376)	31,450,706
Financial charges	16,364,150	10,315,694	26,679,844
Depreciation and amortization	35,523,431	15,054,718	50,578,149
Property, plant and equipment	698,821,587	232,349,944	931,171,531
Total assets	1,585,157,914	165,481,361	1,750,639,275

(All amounts in Saudi Riyals unless otherwise stated)

The Group's operations are conducted in Saudi Arabia, other Gulf Cooperation Council (GCC) countries and certain other countries. Selected financial information as of December 31, 2014 and 2013 and for the year then ended, summarized by geographic area, and was as follows:

	Saudi Arabia	GCC countries	Other countries	Total
2014				
Sales	**689,940,836**	**55,172,385**	**12,603,151**	**757,716,372**
Non-current assets:				
Property, plant and equipment	**914,345,718**	**20,225,126**	**81,891,427**	**1,016,462,271**
Other non-current assets	**17,272,828**	**18,114,400**	**813,895**	**36,201,123**
2013 (Restated)				
Sales	744,383,718	60,439,616	14,921,097	819,744,431
Non-current assets:				
Property, plant and equipment	835,567,241	21,184,581	74,419,709	931,171,531
Other non-current assets	15,025,046	18,114,400	-	33,139,446

5 Cash and cash equivalents

	2014	2013
Cash in hand	**1,268,376**	688,390
Cash at bank	**22,802,197**	34,237,939
	24,070,573	34,926,329

6 Accounts receivable

	2014	2013
Trade	**313,464,710**	301,795,682
Less: provision for doubtful debts	**(18,073,667)**	(12,717,190)
	295,391,043	289,078,492

Movement in provision for doubtful debts is as follows:

	2014	2013
January 1	**12,717,190**	9,249,404
Additions	**5,356,477**	3,467,786
December 31	**18,073,667**	12,717,190

(All amounts in Saudi Riyals unless otherwise stated)

7 Inventories

	2014	2013
Raw materials	**64,484,613**	97,677,420
Work in process	**1,246,836**	384,893
Spare parts and supplies, held not for sale	**77,266,061**	82,679,639
Finished products	**40,963,603**	43,113,145
	183,961,113	223,855,097
Less: provision for inventory obsolescence	**(1,944,332)**	(1,944,332)
	182,016,781	221,910,765

The Company has written off inventories amounting to Saudi Riyals 1.7 million during 2014 (2013: Saudi Riyals 11.3 million).

8 Prepayments and other receivable

	Note	2014	2013 (Restated)
Receivable from sale of land parcels	8.1	**56,299,999**	122,999,999
Prepaid expenses		**22,777,002**	38,366,576
Advances to suppliers		**15,960,938**	22,447,666
Insurance claim receivable	8.2	**15,019,453**	15,019,453
Refundable deposits		**11,157,198**	8,527,502
Employee housing and other advances		**4,270,643**	6,037,148
Other	8.3	**26,403,610**	13,741,980
		151,888,843	227,140,324

8.1 This represents receivable from a third party against sale of five land parcels in 2012. During December 2014, the Company repurchased a portion of a land parcel in Jeddah for an amount of Saudi Riyals 66.7 million. Under the terms of the purchase agreement with the third party, the purchase price was adjusted against the balance receivable and the remaining amount was rescheduled for repayments in two installments due in 2015.The Group holds the title deeds of three land parcels sold in 2012 in its name as collateral.

8.2 This represents unsettled balance of a claim receivable from an insurance company outstanding since 2009, which is under litigation. The initial judgment by the Committee of the Insurance Violations and Disputes was in favor of the Group and has been appealed by the insurance company. The Group's management is defending the appeal and based on an advice from its legal counsel believes that the ultimate outcome will be in favor of the Group. Accordingly, no provision for such claim has been made in the accompanying 2014 consolidated financial statements.

8.3 "Other" at December 31, 2014 and 2013 include a balance amounting to Saudi Riyals 11.4 million receivable from a third party which is secured against promissory notes. The Group management, based on advice from its legal counsel, believes that the balance is recoverable. Accordingly, no provision against such amount has been made in the accompanying 2014 consolidated financial statements.

(All amounts in Saudi Riyals unless otherwise stated)

9 Investment in an associate

Investment in an associate at December 31, 2014 and 2013 represents the Group's 26% equity interest in East Gas Company, a limited liability company registered in Saudi Arabia. East Gas Company is principally involved in maintenance and operating of industrial facilities and wholesale trade in machines and equipment of gas.

Movement in investment in an associate is as follows:

	2014	2013
January 1	10,400,000	10,400,000
Share in net income	3,144,050	-
December 31	13,544,050	10,400,000

The summarized financial information of the associate as at December 31 and for the years then ended is as follows:

	2014	2013
Assets	92,691,008	91,543,911
Liabilities	40,599,057	48,673,709
Revenues	40,152,174	27,903,503
Net income	9,222,299	3,179,893

10 Property, plant and equipment

2014	January 1, 2014	Additions	Disposals	Transfers	December 31, 2014
Cost					
Buildings and land improvements	354,966,403	69,620,849	-	-	424,587,252
Plant, machinery and equipment	903,804,419	7,588,569	(767,024)	46,111,784	956,737,748
Furniture, fixtures and office equipment	15,412,534	603,710	(70,630)	-	15,945,614
Vehicles	55,356,669	728,685	(5,642,323)	486,959	50,929,990
Capital work-in-progress	80,036,559	53,647,929	-	(46,598,743)	87,085,745
	1,409,576,584	132,189,742	(6,479,977)	-	1,535,286,349
Accumulated depreciation					
Buildings and land improvements	(66,891,123)	(10,452,998)	-	-	(77,344,121)
Plant, machinery and equipment	(362,890,872)	(30,942,228)	633,772	-	(393,199,328)
Furniture, fixtures and office equipment	(10,483,966)	(1,530,108)	70,607	-	(11,943,467)
Vehicles	(38,139,092)	(3,721,522)	5,523,452	-	(36,337,162)
	(478,405,053)	(46,646,856)	6,227,831	-	(518,824,078)
	931,171,531				1,016,462,271

(All amounts in Saudi Riyals unless otherwise stated)

	January 1, 2013	Additions	Disposals	Transfers	December 31, 2013
2013 (Restated)					
Cost					
Buildings and land improvements	367,374,484	4,429,880	-	(16,837,961)	354,966,403
Plant, machinery and equipment	897,798,857	8,866,727	-	(2,861,165)	903,804,419
Furniture, fixtures and office equipment	14,123,931	1,288,603	-	-	15,412,534
Vehicles	56,762,547	494,261	(1,900,139)	-	55,356,669
Capital work-in-progress	68,590,955	9,855,301	-	1,590,303	80,036,559
	1,404,650,774	24,934,772	(1,900,139)	(18,108,823)	1,409,576,584
Accumulated depreciation					
Buildings and land improvements	(56,794,978)	(10,096,145)	-	-	(66,891,123)
Plant, machinery and equipment	(333,381,907)	(29,508,965)	-	-	(362,890,872)
Furniture, fixtures and office equipment	(8,812,233)	(1,671,733)	-	-	(10,483,966)
Vehicles	(35,462,395)	(4,576,836)	1,900,139	-	(38,139,092)
	(434,451,513)	(45,853,679)	1,900,139	-	(478,405,053)
	970,199,261				931,171,531

Buildings and plant, machinery and equipment of the Company and certain of its Saudi Arabian subsidiaries are constructed on land parcels leased under various operating lease agreements at nominal annual rents from the Saudi Arabian government under renewable operating leases.

Capital work-in-progress at December 31, 2014 represents costs incurred on projects for the construction of certain manufacturing facilities. Such projects are expected to be completed during 2015 with an estimated total cost of Saudi Riyals 67.9 million.

11 Intangible assets

	Note	2014	2013
Pre-operating costs	11.1	**4,542,673**	4,625,046
Goodwill	11.2	**18,114,400**	18,114,400
		22,657,073	22,739,446

11.1 Pre-operating costs

	2014	2013
January 1	**4,625,046**	2,212,733
Additions	**813,895**	2,895,941
Amortization	**(896,268)**	(483,628)
December 31	**4,542,673**	4,625,046

11.2 Goodwill

This represents goodwill of Saudi Riyals 4.6 million and Saudi Riyals 13.5 million recorded on acquisition of the equity interests in Al Madar and Al Juthoor, respectively.

The recoverable amount of goodwill is determined based on fair value calculations. These calculations use cash flow projections based on financial budgets approved by management. The key assumptions used for fair value calculations are as follows:

1. Budgeted gross margin;
2. Weighted average growth rate; and
3. Discount rate applied to the cash flow projections.

Management determined budgeted gross margin and weighted average growth rates based on past performance and its expectations of market development.

12 Bank borrowings

Bank borrowings include short term loans and liabilities against letter of credit refinancing obtained from various commercial banks and bear financial charges at prevailing market rates which are based on inter-bank offer rate.

The covenants of certain of the short-term bank borrowings require the Company to maintain certain level of financial conditions.

13 Long-term borrowings

	Note	2014	2013 (Restated)
Saudi Industrial Development Fund ("SIDF") loans	13.1	**80,970,000**	106,670,000
Commercial bank loans	13.2	**358,401,774**	249,678,691
		439,371,774	356,348,691
Current maturity shown under current liabilities		**(82,529,434)**	(125,473,435)
		356,842,340	230,875,256

13.1 SIDF loans

These represent loans obtained from SIDF by the Company as one of its Saudi Arabian subsidiary. The covenants of the loan agreements require the Company and such subsidiary to maintain certain levels of financial condition, place limitations on dividends distributions and on annual capital and rental expenditures. The loans do not bear financial charges and are secured by mortgage on property, plant and equipment of the Company and the subsidiary.

13.2 Commercial bank loans

The Group has obtained loan facilities from various commercial banks. These loans are mainly denominated in Saudi Riyals which generally bear financial charges based on prevailing market rates. The aggregate maturities of the loans outstanding at December 31, 2014, based on their respective repayment schedules, are spread in 2015 through 2020.

Subsequent to December 31, 2014, the Group has refinanced short-term loans amounting to Saudi Riyals 79.0 million at December 31, 2014 which have been classified by the Group as long-term considering their maturities falling due after twelve month period from the reporting date. In addition, the Group has refinanced short-term loans falling due in 2015 amounting to Saudi Riyals 182.9 million at December 31, 2014 based on the options available to the Group to roll over such loans for further twelve month period and, accordingly, has classified them as long-term in the accompanying 2014 consolidated balance sheet.

(All amounts in Saudi Riyals unless otherwise stated)

The covenants of some of the short-term and long-term borrowing facilities require the Group to maintain certain level of financial conditions, require lenders' prior approval for dividends distribution above a certain amount and certain other requirements.

Long-term borrowings are unamortized presented after netting of transaction fee of Saudi Riyals 2.2 million (2013: Saudi Riyals 4.6 millions).

14 Accrued and other liabilities

	2014	2013 (Restated)
Employee benefits	7,932,072	1,861,633
Accrued sales commission and rebates	7,483,826	6,769,713
Financial charges	7,583,543	2,282,542
Accrued expenses	20,181,374	10,489,125
Other	5,561,243	685,679
	48,742,058	22,088,692

15 Zakat and taxes matter

15.1 Components of zakat base

The significant components of the Company's zakat base are comprised of shareholders' equity at the beginning of the year, provisions at the beginning of the year, borrowings and adjusted net income, less deduction for the net book value of property and plant and equipment adjusted as per the DZIT regulations, and certain other items.

15.2 Provision for zakat at December 31

	2014	2013
January 1,	5,987,270	5,495,982
Provisions for the year	2,400,000	2,979,734
Payments	(2,457,633)	(2,488,446)
December 31	5,929,637	5,987,270

15.3 Status of zakat certificates

The Company and its Saudi Arabian subsidiaries have received zakat certificates for the years through 2013.

16 Employee termination benefits

	2014	2013
January 1	23,685,961	20,009,916
Provisions	3,511,231	5,377,583
Payments	(3,341,920)	(1,701,538)
December 31	23,855,272	23,685,961

17 Share capital

The share capital of the Company as of December 31, 2014 and 2013 was comprised of 45.0 million ordinary shares (2013: 37.5 million ordinary shares), stated at Saudi Riyals 10.0 per share. Also see Note 1.

(All amounts in Saudi Riyals unless otherwise stated)

18 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company transfers 10% of the net income for the year to a statutory reserve until such reserve equal 50% of its share capital. The statutory reserve in the accompanying consolidated financial statements is the statutory reserve of the Company. This reserve is currently not available for distribution to the shareholders of the Company.

19 Selling and marketing expenses

	2014	2013
Salaries and benefits	**18,952,559**	19,192,707
Sales promotion	**3,975,215**	1,915,576
Transportation cost	**30,921,662**	30,323,895
Provision for doubtful debts	**5,356,477**	3,467,786
Rent	**2,732,259**	3,819,820
Other	**6,854,289**	4,001,956
	68,792,461	62,721,740

20 General and administrative expenses

	2014	2013
Salaries, wages and benefits	**40,108,109**	35,577,776
Government charges and fees	**4,393,231**	3,367,659
Professional services	**2,566,559**	1,309,974
Repair and maintenance	**859,479**	1,002,625
Travelling	**2,342,339**	1,759,687
Information technology and communication	**755,830**	666,941
Rent	**730,522**	456,778
Other	**3,813,204**	4,430,211
	55,569,273	48,571,651

21 Dividends

During 2013, the shareholders of the Company declared dividends amounting to Saudi Riyals 56.2 million which were paid during 2013 (2014: Nil).

(All amounts in Saudi Riyals unless otherwise stated)

22 Reclassification

Following 2013 comparative financial information have been reclassified to conform to the 2014 presentation:

Balance sheet as of December 31, 2013:

	Balance as previously reported	Reclassification	Balance after reclassification
Available-for-sale investments	35,547,388	(22,275,000)	13,272,388
Prepayments and other receivable*	248,319,900	6,676,416	254,996,316
Investment in an associate	-	10,400,000	10,400,000
Property, plant and equipment *	907,354,023	18,951,617	926,305,640
Intangible assets	27,374,589	(4,635,143)	22,739,446
Short-term borrowings*	463,543,613	2,453,033	465,996,646
Liabilities against letter of credit refinancing facilities	-	105,935,511	105,935,511
Current maturity of long-term borrowings	127,949,972	(2,476,537)	125,473,435
Accounts payable	217,556,915	(105,935,511)	111,621,404
Accrued and other liabilities*	11,371,924	10,890,463	22,262,387
Zakat payable	5,577,733	409,537	5,987,270
Long-term borrowings	233,033,862	(2,158,606)	230,875,256

Income statement for the year ended December 31, 2013:

	Previously reported	Reclassification	After reclassification
Cost of sales*	638,167,038	11,300,000	649,467,038
Selling and marketing	66,221,740	(3,500,000)	62,721,740
General and administrative	45,071,651	3,500,000	48,571,651
Income from operations*	70,284,002	(11,300,000)	58,984,002
Other income	(8,476,223)	11,300,000	2,823,777

*See Note 23 in relation to restated amounts.

23 Restatement of comparative figures

Subsequent to the issuance on January 21, 2015 of the interim unaudited consolidated financial statements for the three-month period and year ended December 31, 2014, the Group has restated the retained earnings as at January 1, 2013 and restated the prepayments and other receivables, short-term borrowings and net income in addition to various other related balances in the consolidated financial statements for the year ended December 31, 2013 as a result of errors in the recording of certain costs and expenses, financial charges, advances to suppliers and short-term borrowings in prior years. The consequential impact on the relevant accounts is as follow:

Balance sheet as of December 31, 2013:

	Balance as of December 31, 2013 before restatement	Restatement	Balance as of December 31, 2013 after restatement
Prepayments and other receivable*	254,996,316	(27,855,992)	227,140,324
Property, plant and equipment*	926,305,640	4,865,891	931,171,531
Short-term borrowings*	465,996,646	19,927,530	485,924,176
Accrued and other liabilities*	22,262,387	(173,695)	22,088,692

Income statement for the year ended December 31, 2013:

	Before restatement	Restatement	After restatement
Cost of sales*	649,467,038	221,177	649,688,215
Income from operations*	58,984,002	(221,177)	58,762,825
Net income for the year	31,671,883	(221,177)	31,450,706

*See Note 22 in relation to reclassified amounts.

Earnings per share (in Saudi Riyals):

Income from operations	1.31	-	1.31
Net income for the year	0.70	(0.01)	0.69

Statement of changes in equity as of January 1, 2013:

	Balance as of January 1, 2013 before restatement	Restatement	Balance as of January 1, 2013 after Restatement
Retained earnings	261,652,754	(38,270,483)	223,382,271
Statutory reserve	64,849,342	(4,252,276)	60,597,066

Statement of changes in equity for the year ended December 31, 2013:

	Before restatement	Restatement	After restatement
Retained earnings	28,504,695	(199,060)	28,305,635
Statutory reserve	3,167,188	(22,117)	3,145,071

Statement of changes in equity as of December 31, 2013:

	Balance as of December 31, 2013 before restatement	Restatement	Balance as of December 31, 2013 after Restatement
Retained earnings	233,907,449	(38,469,543)	195,437,906
Statutory reserve	68,016,530	(4,274,393)	63,742,137

24 Earnings per share

Earnings per share for the years ended December 31, 2014 and 2013 have been computed by dividing the operating income and net income for each year by weighted average number of 45,000,000 shares outstanding during such years, after considering the impact of bonus shares as mentioned in Note 1. Also see Note 23.

25 Contingencies and commitments

(i) The Group was contingently liable for bank guarantees issued in the normal course of the business amounting to Saudi Riyals 17.8 million at December 31, 2014.

(ii) The capital expenditure contracted by the Group but not yet incurred till December 31, 2014 was approximately Saudi Riyals 17.0 million.