

**SAUDI PAPER MANUFACTURING COMPANY
AND SUBSIDIARIES
(A Saudi Joint Stock Company)**

**INTERIM CONSOLIDATED FINANCIAL
STATEMENTS FOR THE THREE-MONTH AND
SIX-MONTH PERIODS ENDED JUNE 30, 2015
AND LIMITED REVIEW REPORT**

SAUDI PAPER MANUFACTURING COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2015

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LIMITED REVIEW REPORT

August 2, 2015

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

Scope of review

We have reviewed the accompanying interim consolidated balance sheet of Saudi Paper Manufacturing Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as of June 30, 2015 and the interim consolidated income statement for the three-month and six-month periods ended June 30, 2015, and the interim consolidated statement of cash flows for the six-month period then ended and the related notes which form an integral part of the interim consolidated financial statements. These interim consolidated financial statements are the responsibility of the Group's management and have been prepared by them and submitted to us together with all the information and explanations which we required.

We conducted our limited review in accordance with the standard of Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. The scope of such limited review is substantially less than an audit conducted in accordance with auditing standards generally accepted in Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.


Review conclusion

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying Interim consolidated financial statements for them to be in conformity with accounting standards generally accepted in Saudi Arabia.

Emphasis of matter

We draw attention to Note 5 to the accompanying interim consolidated financial statements which outlines the impact on certain items of the interim consolidated balance sheet as at June 30, 2014 due to the restatements previously reported in the Group's audited consolidated financial statements for the year ended December 31, 2014 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.

PricewaterhouseCoopers

By: 
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License Number 375



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

	Note	June 30, 2015 (Unaudited)	December 31, 2014 (Audited)	June 30, 2014 (Unaudited)
Assets				
Current assets				
Cash and cash equivalents		70,541,045	24,070,573	25,850,075
Accounts receivable		330,430,007	295,391,043	292,828,529
Inventories		193,714,876	182,016,781	213,736,347
Available-for-sale investments		3,259,865	3,259,865	13,072,388
Prepayments and other receivable	3, 5	129,485,551	151,888,843	215,830,311
		<u>727,431,344</u>	<u>656,627,105</u>	<u>761,317,650</u>
Non-current assets				
Investment in an associate		14,532,526	13,544,050	10,400,000
Property, plant and equipment	5	1,009,163,456	1,016,462,271	932,037,810
Intangible assets		22,651,459	22,657,073	23,009,648
		<u>1,046,347,441</u>	<u>1,052,663,394</u>	<u>965,447,458</u>
Total assets		<u>1,773,778,785</u>	<u>1,709,290,499</u>	<u>1,726,765,108</u>
Liabilities				
Current liabilities				
Short-term borrowings	5	343,845,634	362,663,121	394,111,032
Liabilities against letter of credit refinancing facilities		105,154,462	66,145,107	90,959,246
Current maturity of long-term borrowings		76,577,847	82,529,434	87,385,032
Accounts payable		99,357,886	79,614,085	103,179,526
Accrued and other liabilities	5	70,528,695	48,742,058	33,591,284
Zakat payable		6,816,737	5,929,637	8,127,302
		<u>702,281,261</u>	<u>645,623,442</u>	<u>717,353,422</u>
Non-current liabilities				
Long-term borrowings		365,664,263	356,842,340	331,444,610
Employee termination benefits		26,068,665	23,855,272	22,497,960
Other non-current liabilities		10,302,303	19,952,303	-
		<u>402,035,231</u>	<u>400,649,915</u>	<u>353,942,570</u>
Total liabilities		<u>1,104,316,492</u>	<u>1,046,273,357</u>	<u>1,071,295,992</u>
Equity				
Equity attributable to shareholders of the Company:				
Share capital	1	450,000,000	450,000,000	450,000,000
Statutory reserve	5	66,396,194	66,248,858	63,742,137
Retained earnings	5	144,324,425	142,998,396	140,622,403
Currency translation differences		3,839,913	(799,572)	(3,131,993)
Total shareholders' equity		<u>664,560,532</u>	<u>658,447,682</u>	<u>651,232,547</u>
Non-controlling interests		<u>4,901,761</u>	<u>4,569,460</u>	<u>4,236,569</u>
Total equity		<u>669,462,293</u>	<u>663,017,142</u>	<u>655,469,116</u>
Total liabilities and equity		<u>1,773,778,785</u>	<u>1,709,290,499</u>	<u>1,726,765,108</u>
Contingencies and commitments 7				

The accompanying notes from 1 to 7 form an integral part of these interim consolidated financial statements.

SAUDI PAPER MANUFACTURING COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)
Interim consolidated Income statement
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For three-month periods ended June 30,		For six-month periods ended June 30,	
		2015	2014	2015	2014
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sales	4	165,355,510	204,497,934	350,833,983	409,993,110
Cost of sales		(126,969,687)	(151,400,107)	(265,688,823)	(310,729,403)
Gross profit		38,385,823	53,097,827	85,145,160	99,263,707
Operating expenses					
Selling and marketing		(17,201,440)	(17,986,517)	(33,989,178)	(34,251,202)
General and administrative		(15,424,534)	(14,114,962)	(30,137,713)	(27,821,968)
Income from operations		5,759,849	20,996,348	21,038,269	37,190,537
Other (expenses) Income, net					
Financial charges, net		(8,677,111)	(8,664,665)	(17,634,151)	(16,279,891)
Share in net income of an associate		988,476	-	988,476	-
Other		(1,013,143)	987,418	(1,436,928)	1,771,204
(Loss) income before zakat and non-controlling interests		(2,941,929)	13,319,101	2,955,666	22,681,750
Zakat		(250,000)	(1,100,000)	(1,150,000)	(2,200,000)
(Loss) income before non-controlling interests		(3,191,929)	12,219,101	1,805,666	20,481,750
Non-controlling interests		(195,229)	(164,834)	(332,301)	(297,253)
Net (loss) Income for the period		(3,387,158)	12,054,267	1,473,365	20,184,497
Earnings (loss) per share (Saudi Riyals):	2.21				
• Operating Income		0.13	0.47	0.47	0.83
• Net (loss) income for the period		(0.08)	0.27	0.03	0.45

The accompanying notes from 1 to 7 form an integral part of these interim consolidated financial statements.

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

	For six-month periods ended June 30,	
	2015	2014
	(Unaudited)	(Unaudited)
Cash flow from operating activities		
Net income for the period	1,473,365	20,184,497
<u>Adjustments for non-cash items</u>		
Provision for doubtful accounts receivable	5,500,000	4,200,000
Share in net income of associate	(988,476)	-
Depreciation and amortization	23,573,229	22,613,682
Gain on sale of property, plant and equipment	(555,318)	-
Income applicable to non-controlling interests	332,301	297,253
<u>Changes in working capital</u>		
Accounts receivable	(35,899,479)	(9,346,736)
Inventories	(13,554,765)	8,174,418
Prepayments and other receivable	22,403,292	11,310,013
Accounts payable	10,093,801	(24,814,842)
Accrued and other current liabilities	21,786,637	11,502,593
Zakat payable	887,100	2,140,032
Employee termination benefits	2,213,393	(1,188,001)
Net cash generated from operating activities	37,265,080	45,072,909
Cash flow from investing activities		
Purchase of property, plant and equipment	(15,335,229)	(23,550,164)
Proceeds from disposal of property, plant and equipment	2,327,640	-
Net cash utilized in investing activities	(13,007,589)	(23,550,164)
Cash flow from financing activities		
Change in short-term borrowings	(18,817,487)	8,186,856
Liabilities against letter of credit refinancing facilities	39,009,355	-
Change in long-term borrowings	2,021,113	(37,519,049)
Dividends paid by subsidiaries to non-controlling interests	-	(1,266,806)
Net cash generated from (utilized in) financing activities	22,212,981	(30,598,999)
Net change in cash and cash equivalents	46,470,472	(9,076,254)
Cash and cash equivalents at beginning of period	24,070,573	34,926,329
Cash and cash equivalents at end of period	70,541,045	25,850,075
Supplemental non-cash financial information		
<u>Non-cash investing activity -</u>		
Transfer of inventories to property, plant and equipment	(1,856,670)	-

The accompanying notes from 1 to 7 form an integral part of these interim consolidated financial statements.

SAUDI PAPER MANUFACTURING COMPANY AND SUBSIDIARIES

(A Saudi Joint Stock Company)

Notes to the interim consolidated financial statements

For the three-month and six-month periods ended June 30, 2015 (Unaudited)

(All amounts in Saudi Riyals unless otherwise stated)

1 General Information

Saudi Paper Manufacturing Company (the "Company" or "SPM") 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, 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.

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 have been completed.

Certain of the foreign subsidiaries having property, plant and equipment of Saudi Riyals 32.3 million (2014: Saudi Riyals 32.1 million) in the accompanying interim consolidated financial statements are in process of development of manufacturing facilities which are expected to be completed during 2015.

The accompanying interim consolidated financial statements were approved by the Company's management on August 2, 2015.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The accompanying interim consolidated financial statements have been prepared under the historical cost convention on the accrual basis of accounting and in compliance with the Standard of Accounting for Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. Significant accounting policies adopted by the Group for preparing such interim consolidated financial statements are consistent with the accounting policies described in the 2014 annual audited consolidated financial statements of the Group.

The accompanying interim consolidated financial statements include all adjustments comprising mainly of normal recurring accruals considered necessary by the Group's management to present a fair statement of the financial position, results of operations and cash flows. The interim results of the operations for the three and six-month periods ended June 30, 2015 may not represent a proper indication for the annual results of operations. These interim consolidated financial statements and notes should be read in conjunction with the annual audited consolidated financial statements and the related notes for the year ended December 31, 2014.

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 revenues and expenses during the reporting period. Although these estimates 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, Management makes estimates and assumptions concerning the future which, 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. They are de-consolidated from the date that control ceases.

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For the three-month and six-month periods ended June 30, 2015 (Unaudited)

(All amounts in Saudi Riyals unless otherwise stated)

The acquisition method of accounting is used to account for the acquisition of subsidiaries. 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.

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

(b) Associates

Associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in an associate is accounted for using the equity method of accounting and is initially recognized at cost. The Group's investment in an associate includes goodwill identified on acquisition, which is adjusted subsequently for impairment loss, if any.

(c) Other investments

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

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

These Interim consolidated financial statements 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 of monetary assets and liabilities denominated in foreign currencies at the period-end exchange rates 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 equity.

Dividends received from subsidiaries and an associate are translated at the exchange rate in effect at the transaction date.

SAUDI PAPER MANUFACTURING COMPANY AND SUBSIDIARIES

(A Saudi Joint Stock Company)

Notes to the interim consolidated financial statements

For the three-month and six-month periods ended June 30, 2015 (Unaudited)

(All amounts in Saudi Riyals unless otherwise stated)

2.6 Cash and cash equivalents

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 for 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.

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.

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.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the 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 Deferred charges

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 income statement. Impairment losses recognized on goodwill are not reversible.

2.12 Borrowings

Borrowings are recognized at the proceeds received, net of transaction. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of those assets. 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.

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(A Saudi Joint Stock Company)

Notes to the interim consolidated financial statements

For the three-month and six-month periods ended June 30, 2015 (Unaudited)

(All amounts in Saudi Riyals unless otherwise stated)

2.14 Zakat and tax

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 Company's ownership in 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 tax on certain transactions with non-resident parties, including dividend payments to foreign shareholders of the Saudi Arabian subsidiaries, in the Kingdom of Saudi Arabia 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 termination 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 Revenues

Sales are recognized upon delivery of products. Revenues 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 principles. 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.

2.20 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of their net income to a statutory reserve until such reserve equals 50% of share capital. Such transfer is made at the end of the fiscal year. The statutory reserve in the accompanying interim consolidated financial statements is the statutory reserve of the Company. This reserve currently is not available for distribution to the shareholders of the Company.

SAUDI PAPER MANUFACTURING COMPANY AND SUBSIDIARIES

(A Saudi Joint Stock Company)

Notes to the interim consolidated financial statements

For the three-month and six-month periods ended June 30, 2015 (Unaudited)

(All amounts in Saudi Riyals unless otherwise stated)

2.21 Earnings per share

Earnings per share for the three-month and six-month periods ended June 30, 2015 and June 30, 2014 has been computed by dividing the operating income and net income for the periods by weighted average number of 45,000,000 shares outstanding during such periods, after considering the impact of bonus shares as mentioned in Note 1.

3 Prepayments and other receivable

Prepayments and other receivable at June 30, 2015 include:

- 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 balance of Saudi Riyals 56.3 million 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.
- A balance amounting to Saudi Riyals 11.4 million receivable from a third party this 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 2015 interim consolidated financial statements.
- An amount of Saudi Riyals 15.0 million as part 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 interim 2015 consolidated financial statements.

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 June 30, 2015 and 2014 and for the six-month periods then ended, summarized by the above business segments, was as follows:

	Manufacturing	Trading, transporting and other	Total
2015			
Sales	315,101,974	35,732,009	350,833,983
Net income (loss)	15,920,893	(14,447,528)	1,473,365
Total assets	1,596,624,575	177,154,210	1,773,778,785
2014			
Sales	350,310,011	59,683,099	409,993,110
Net income (loss)	34,836,890	(14,652,393)	20,184,497
Total assets	1,543,819,691	182,945,417	1,726,765,108

SAUDI PAPER MANUFACTURING COMPANY AND SUBSIDIARIES

(A Saudi Joint Stock Company)

Notes to the interim consolidated financial statements

For the three-month and six-month periods ended June 30, 2015 (Unaudited)

(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 June 30, 2015 and 2014 and for the six-month periods then ended, summarized by geographic area, were as follows:

	Saudi Arabia	GCC countries	Other countries	Total
2015				
Sales	319,084,068	23,558,050	8,191,865	350,833,983
Non-current assets:				
Property, plant and equipment	908,654,561	18,741,596	81,767,299	1,009,163,456
Other non-current assets	18,255,690	18,114,400	813,895	37,183,985
2014				
Sales	378,310,011	23,622,327	8,060,772	409,993,110
Non-current assets:				
Property, plant and equipment	856,524,721	20,486,496	55,026,593	932,037,810
Other non-current assets	14,397,687	18,114,400	897,561	33,409,648

5 Restatement of comparative figures

As explained in the consolidated financial statements for the year ended December 31, 2014, the Group restated the prior years' consolidated financial statements as a result of errors in the recording of certain costs and expenses, financial charges, advances to suppliers and short-term borrowings. As a consequence, this resulted in restatement of retained earnings, prepayments and other receivable, property, plant and equipment, short-term borrowings in addition to various other related balances as of December 31, 2013. The effect of such restatements on the comparative period as of January 1, 2014 and June 30, 2014 is summarized as follows:

As of January 1, 2014

	Balance as of January 1, 2014 before restatement	Restatement	Balance as of January 1, 2014 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
Statutory reserve	68,016,530	(4,274,393)	63,742,137
Retained earnings	233,907,449	(38,469,543)	195,437,906

*Certain balances as of December 31, 2013 were reclassified to conform with 2014 presentation and such reclassifications have been as fully explained in the notes to the consolidated financial statements (Note 22) for the year ended December 31, 2014.

SAUDI PAPER MANUFACTURING COMPANY AND SUBSIDIARIES**(A Saudi Joint Stock Company)****Notes to the interim consolidated financial statements****For the three-month and six-month periods ended June 30, 2015 (Unaudited)****(All amounts in Saudi Riyals unless otherwise stated)****As of June 30, 2014**

	Balance as of June 30, 2014 before restatement	Restatement	Balance as of June 30, 2014 after restatement
Prepayments and other receivable*	243,686,303	(27,855,992)	215,830,311
Property, plant and equipment*	927,171,919	4,865,891	932,037,810
Short-term borrowings*	374,183,502	19,927,530	394,111,032
Accrued and other liabilities*	33,764,979	(173,695)	33,591,284
Statutory reserve	68,016,530	(4,274,393)	63,742,137
Retained earnings	179,091,946	(38,469,543)	140,622,403

*See Note 6 in relation to reclassified amounts.

6 Reclassification

Following 2014 comparative financial information at June 30, 2014 have been reclassified to conform to the 2015 presentation:

	Balance as previously reported	Reclassification	Balance after reclassification
Available-for-sale investments	24,947,388	(11,875,000)	13,072,388
Prepayments and other receivable*	237,009,887	6,676,416	243,686,303
Property, plant and equipment*	908,220,302	18,951,617	927,171,919
Short-term borrowings*	371,730,469	2,453,033	374,183,502
Liabilities against letter of credit refinancing facilities	-	90,959,246	90,959,246
Accounts payable	194,138,772	(90,959,246)	103,179,526
Accrued and other liabilities*	22,874,516	10,890,463	33,764,979
Zakat payable	7,717,765	409,537	8,127,302

*See Note 5 in relation to restated amounts.

7 Contingencies and commitments

- (i) The Group was contingently liable for bank guarantees issued in the normal course of the business amounting to Saudi Riyals 10.1 million at June 30, 2015.
- (ii) The capital expenditure contracted by the Group but not yet incurred till June 30, 2015 was approximately Saudi Riyals 22.0 million.