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

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD AND YEAR ENDED
DECEMBER 31, 2015
AND LIMITED REVIEW REPORT

MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER
(A Saudi Joint Stock Company)
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD AND YEAR ENDED DECEMBER 31, 2015

pwc

LIMITED REVIEW REPORT January 20, 2016

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

Scope of review

We have reviewed the accompanying interim consolidated balance sheet of Middle East Company for Manufacturing and Producing Paper (the "Company") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2015 and the interim consolidated income statement for the three-month period and year ended December 31, 2015, and the interim consolidated statements of cash flows and changes in shareholders' equity for the year then ended and the related notes which form an integral part of these 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 principles generally accepted in Saudi Arabia.

PricewaterhouseCoopers

By: ____________________
Ali A. Alotaibi
License Number 379

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MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER
(A Saudi Joint Stock Company)
Interim consolidated balance sheet
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at December 31, 2015 (Unaudited)	2014 (Audited)
Assets			
Current assets			
Cash and cash equivalents		**30,005,552**	37,706,350
Accounts receivable		**178,823,093**	197,699,237
Inventories		**199,298,861**	136,548,289
Prepayments and other assets		**101,211,677**	94,097,916
Due from related parties		**5,713,244**	6,749,942
		515,052,427	472,801,734
Non-current assets			
Property, plant and equipment		**1,071,980,001**	1,026,801,051
Intangible assets		**6,335,584**	2,573,449
Derivative financial instrument		**83,682**	-
		1,078,399,267	1,029,374,500
Total assets		**1,593,451,694**	1,502,176,234
Liabilities			
Current liabilities			
Short-term borrowings	3	**209,068,159**	328,070,100
Current maturity of long-term borrowings	4	**190,962,422**	153,924,111
Notes payable		**2,741,210**	2,622,623
Accounts payable		**46,818,871**	40,385,945
Due to related parties		**326,165**	985,639
Accrued and other liabilities		**31,637,443**	28,369,092
Zakat payable		**1,769,856**	2,915,234
		483,324,126	557,272,744
Non-current liabilities			
Long-term borrowings	4	**427,680,086**	320,546,355
Employee termination benefits		**24,442,833**	21,470,186
		452,122,919	342,016,541
Total liabilities		**935,447,045**	899,289,285
Shareholders' equity			
Share capital	5	**500,000,000**	500,000,000
Statutory reserve		**57,359,377**	51,847,607
Retained earnings		**100,645,272**	51,039,342
Total shareholders' equity		**658,004,649**	602,886,949
Total liabilities and shareholders' equity		**1,593,451,694**	1,502,176,234
Contingencies and commitments	8		

The notes on pages 7 to 14 form an integral part of these interim consolidated financial statements.

Chief Executive Officer | Chief Financial Officer | Authorized Member of the Board

MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER
(A Saudi Joint Stock Company)
Interim consolidated income statement
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Three-month period ended December 31,		Year ended December 31,	
		2015	**2014**	**2015**	**2014**
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
Sales		**139,495,964**	202,504,413	**681,170,062**	826,427,457
Cost of sales		**(103,716,392)**	(149,091,433)	**(508,313,973)**	(591,714,761)
Gross profit		**35,779,572**	53,412,980	**172,856,089**	234,712,696
Operating expenses					
Selling and marketing		**(10,875,161)**	(7,588,277)	**(40,741,153)**	(38,852,201)
General and administrative		**(15,311,118)**	(13,948,839)	**(54,098,960)**	(53,872,894)
Income from operations		**9,593,293**	31,875,864	**78,015,976**	141,987,601
Other income (expenses)					
Financial charges		**(5,469,057)**	(5,971,663)	**(21,872,348)**	(24,756,781)
Foreign currency exchange (loss) gain		**(772,401)**	211,750	**172,256**	(199,919)
Fair value gain on derivative financial instrument		**83,682**	-	**83,682**	-
Other (expenses) income, net		**(312,802)**	(4,565,712)	**408,416**	(3,371,711)
Income before zakat		**3,122,715**	21,550,239	**56,807,982**	113,659,190
Zakat		**(352,351)**	1,357,327	**(1,690,282)**	(2,320,112)
Net income for the period / year		**2,770,364**	22,907,566	**55,117,700**	111,339,078
Earnings per share:	6				
Income from operations		**0.19**	0.64	**1.56**	2.84
Net income for the period / year		**0.06**	0.46	**1.10**	2.23
Weighted average number of shares outstanding		**50,000,000**	50,000,000	**50,000,000**	50,000,000

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Chief Executive Officer | Chief Financial Officer | Authorized Member of the Board

MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER
(A Saudi Joint Stock Company)
Interim consolidated cash flow statement
(All amounts in Saudi Riyals unless otherwise stated)

	Year ended December 31,	
	2015	**2014**
	(Unaudited)	(Audited)
Cash flows from operating activities		
Income for the year before zakat	**56,807,982**	113,659,190
Adjustments for non-cash items		
Depreciation and amortization	**100,546,032**	87,922,157
Financial charges	**21,872,348**	24,756,781
Gain on sale of property and equipment	**(188,332)**	(196,968)
(Reversal) / allowance for doubtful accounts receivable	**(1,540,243)**	2,750,000
Allowance for inventory obsolescence	**2,442,550**	2,399,774
Employee termination benefits provided	**4,893,406**	6,005,980
Fair value gain on derivative financial instrument	**(83,682)**	-
Changes in working capital		
Accounts receivable	**20,416,387**	(5,046,218)
Inventories	**(65,193,122)**	(4,027,196)
Prepayments and other assets	**(7,113,761)**	(686,537)
Due from related parties	**1,036,698**	51,955,175
Accounts payable	**6,432,926**	13,092,632
Due to related parties	**(659,474)**	348,749
Accrued and other liabilities	**856,380**	2,626,823
	140,526,095	295,560,342
Zakat paid	**(2,835,660)**	(1,778,819)
Financial charges paid	**(23,521,205)**	(27,831,249)
Employee termination benefits paid	**(1,920,759)**	(733,453)
Net cash generated from operating activities	**112,248,471**	265,216,821
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	**(147,926,753)**	(179,878,727)
Proceeds from sale of property and equipment	**341,520**	993,535
Net cash utilized in investing activities	**(147,585,233)**	(178,885,192)
Cash flows from financing activities		
Net change in short-term borrowings, bank overdraft and notes payable	**(118,883,354)**	100,821,011
Proceeds from long-term borrowings	**301,561,000**	22,750,000
Repayment of long-term borrowings	**(155,041,682)**	(165,166,664)
Dividend paid	**-**	(41,000,000)
Net cash provided by (utilized in) financing activities	**27,635,964**	(82,595,653)
Net change in cash and cash equivalents	**(7,700,798)**	3,735,976
Cash and cash equivalents at beginning of period / year	**37,706,350**	33,970,374
Cash and cash equivalents at end of period / year	**30,005,552**	37,706,350
Supplementary information for non-cash transactions		
Financial charges capitalized in property, plant and equipment	**1,713,552**	204,800
Increase in share capital by transfer from retained earnings	**-**	100,000,000
Property, plant and equipment transferred to Higher Institute for Paper & Industrial Technologies adjusted against prepayments and other assets balance.	**-**	6,853,732

The notes on pages 7 to 14 form an integral part of these interim consolidated financial statements.

Chief Executive Officer

Chief Financial Officer

Authorized Member of the Board

MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER
(A Saudi Joint Stock Company)
Interim consolidated statement of changes in shareholders' equity
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Share capital	Statutory reserve	Retained earnings	Total
January 1, 2015 (Audited)		500,000,000	51,847,607	51,039,342	**602,886,949**
Net income for the year		-	-	55,117,700	**55,117,700**
Transfer to statutory reserve		-	5,511,770	(5,511,770)	-
December 31, 2015 (unaudited)		**500,000,000**	**57,359,377**	**100,645,272**	**658,004,649**
January 1, 2014 (Audited)		400,000,000	40,713,699	91,834,172	532,547,871
Net income for the year		-	-	111,339,078	111,339,078
Transfer to share capital	5	100,000,000	-	(100,000,000)	-
Transfer to statutory reserve		-	11,133,908	(11,133,908)	-
Dividend paid		-	-	(41,000,000)	(41,000,000)
December 31, 2014 (Audited)		500,000,000	51,847,607	51,039,342	602,886,949

The notes on pages 7 to 14 form an integral part of these interim consolidated financial statements.

Chief Executive Officer

Chief Financial Officer

Authorized Member of the Board

(All amounts in Saudi Riyals unless otherwise stated)

1 General information

Middle East Company for Manufacturing and Producing Paper (the “Company”) and its subsidiaries (collectively the “Group”) are engaged in production and sale of cardboard and industrial paper. The registered office of the Company is P.O. Box 32913, Jeddah 21438, Kingdom of Saudi Arabia. The Company’s principal place of business is in Jeddah.

The Company was a limited liability company registered on Rajab 3, 1421H (December 31, 2000) under commercial registration number 4030131516 issued at Jeddah.

During the year 2012, the legal status of the Company converted from a limited liability company into a Saudi Closed Joint Stock Company. The Ministry of Commerce approved the conversion of the Company to a Saudi Closed Joint Stock Company by Ministerial Decision No. 44 dated Safar 14, 1433H (January 8, 2012).

The Company’s application for its initial public offering was accepted by the Capital Market Authority (CMA) on Jumad-ul-Awal 25, 1436H (March 16, 2015). The Company was converted to Saudi Joint Stock Company on Rajab 14, 1436H (May 3, 2015).

The Company has investments in the following subsidiaries:

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%) at December 31 2015	2014
Waste Collection and Recycling Company Limited (“WASCO”)	Saudi Arabia	Whole and retail sales of paper, carton and plastic waste	**97 directly 3 indirectly**	97directly 3 indirectly
Special Achievements Company Limited	Saudi Arabia	Whole and retail sales of used papers, carton and plastic products	**97 directly 3 indirectly**	97directly 3 indirectly

These interim consolidated financial statements were approved by the Board of Directors of the Company on January 20, 2016.

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, unless otherwise stated.

2.1 Basis of preparation

The interim 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 (“SOCPA”).

The interim consolidated financial statements for the three-month period and year ended December 31, 2015, have been prepared in accordance with SOCPA’s Standard of Review of Interim Financial Reporting, on the basis of integrated periods, which views each interim period as an integral part of the financial year. Accordingly, revenues, gains, expenses and losses of the period are recognized during the period. The interim consolidated financial statements include all adjustments, comprising mainly of normal recurring accruals, considered necessary by the management to present fairly the statements of financial position, results of operations and cash flows. The interim results of the operations of the three-month period may not represent proper indication for the annual results of the operations. The interim consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s audited consolidated financial statements for the year ended December 31, 2014.

2.2 Critical accounting estimates and judgments

The preparation of interim consolidated 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. 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 Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that could potentially have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Allowance for doubtful debts

An allowance for impairment of account receivables 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. The Group provides an amount as allowance for doubtful accounts receivable on a monthly basis and reassesses the closing balance at each reporting date based on ageing of receivables and the detailed analysis of receivable from each customers on case to case basis and adjusts the closing balance of the allowance accordingly.

(b) Allowance for inventory obsolescence

An allowance for slow moving inventories is maintained at a level considered adequate to provide for potential loss on inventory items. The Group provides an amount as an allowance for obsolete and slow moving inventories on a monthly basis and reassesses the closing balance at each reporting date based on the result of a physical count and the outcome of the periodic inspections of inventory undertaken by its technical team. The amount and timing of recorded expenses for any period would therefore differ based on the judgments or estimates made.

(c) Useful lives of property, plant and equipment

The management determines the estimated useful lives of property, plant and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates.

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. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. 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.

The purchase 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 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 or losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 Segment reporting

(a) Business segment

A business segment is a 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 a 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 currency translations

(a) Reporting currency

These interim consolidated financial statements are presented in Saudi Riyals which is the reporting currency of the Group.

(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 are recognized in the income statement.

(c) Group companies

The functional and presentation currency of the subsidiaries is Saudi Riyals. Therefore, the Group does not have any currency translation reserve as a separate component of equity.

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 allowance for accounts receivable. An allowance against accounts receivable 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 allowances are charged to the income statement and reported under “General and administrative expenses”. When account receivable is uncollectible, it is written-off against the allowance for doubtful accounts receivable. Any subsequent recoveries of amounts previously written-off are credited against “General and administrative expenses” in the income statement.

2.8 Inventories

Inventories are carried 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. Inventories in transit are valued at cost. Stores and spares are valued at cost, less any allowance for slow moving or obsolete items.

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 carried at cost less accumulated depreciation except construction work in progress which is carried at cost. Land is not depreciated. Depreciation is charged to the income statement, using the straight-line method, to allocate the costs of the related assets to their residual values over the following estimated useful lives:

	Number of years
• Buildings and mobile cabinets	6 - 33
• Machinery and equipment	5 - 20
• Furniture and fixtures	5 - 20
• Motor vehicles	4 - 5

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 Intangible assets

Intangible assets are carried at cost less accumulated amortization. Costs to acquire intangible assets having identifiable future benefits are capitalized and amortized using the straight-line method over the useful lives of the assets. The Company's intangible assets comprise of software and Enterprise Recourse Planning (ERP) system development cost and are amortized over 5 years from the implementation date.

2.11 Derivative financial instrument

Derivative financial instrument, principally representing interest rate swap, is initially recorded at cost and re-measured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instrument that do not qualify for hedge accounting are recognized in the income statement as they arise and the resulting positive and negative fair values are reported under assets and liabilities, respectively, in the consolidated balance sheet.

2.12 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. Goodwill is tested for impairment annually. 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-financial assets other than intangible assets (goodwill) that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss is subsequently reversed, 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 does 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 intangible assets (goodwill) are not reversible.

2.13 Borrowings

Borrowings are recognized at the proceeds received, net of transaction costs and upfront fee incurred on borrowings. 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.

2.14 Accounts payable and accruals

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

(All amounts in Saudi Riyals unless otherwise stated)

2.15 Provision

Provisions are recognized when; the Group has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

2.16 Zakat

The Company is subject to zakat in accordance with the regulations of the Department of Zakat and Income Tax (“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 final 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 in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

2.17 Employee termination benefits

Employee termination benefits required by Saudi Labor and Workman Law are accrued by the Company and its Saudi Arabian subsidiaries and charged to the income statement. The liability is calculated; at the current value of the vested benefits to which the employee is entitled, should the employee leave at the balance sheet date. Termination payments are based on employees’ final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia.

2.18 Revenues

Local sales are recognized upon delivery of goods to the customers and customer acceptance. Export sales are recognized when the risk and rewards are transferred to the customers based on the agreed shipment terms. Revenues are shown net of discounts after eliminating sales within the Group.

2.19 Selling, marketing, general and administrative expenses

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

2.20 Operating leases

Rental expenses under operating leases are charged to the income statement over the period of the respective lease.

2.21 Reclassifications

Certain reclassifications have been made for better presentation in the comparative 2014 interim consolidated financial statements to conform to 2015 presentation.

3 Short-term borrowings

The Group has short-term credit facilities from commercial banks comprising of short-term loans and guarantees. These borrowings bear financing charges at the prevailing market rates and are secured by promissory notes and guarantees by two of the shareholders. These facilities include certain financial covenants which require the Group to maintain certain level of current ratio and leverage ratio. The Group is in compliance with these covenants.

4 Long-term borrowings

		December 31,	
	Note	**2015 (Unaudited)**	**2014** (Audited)
Saudi Industrial Development Fund (“SIDF”) loan principal amount	(a)	**139,111,000**	157,550,000
Commercial bank loans principal amount	(b)	**486,000,000**	321,041,682
Less: deferred financial charges		**(6,468,492)**	(4,121,216)
		618,642,508	474,470,466
Current maturity shown under current liabilities		**(190,962,422)**	(153,924,111)
		427,680,086	320,546,355

(a) The Company signed a loan agreement with SIDF amounting to Saudi Riyals 255 million in 2012 to partially finance the construction of manufacturing lines within the Company's facility. This loan was fully utilized as of December 31, 2014. The loan is repayable in unequal semiannual installments ending November 2017.

During the year 2013, the Company signed another loan agreement with SIDF amounting to Saudi Riyals 124.7 million of which Saudi Riyals 48.3 million was utilized as of December 31, 2015 (December 31, 2014: Saudi Riyals 22.8). The loan is repayable in unequal semiannual installments ending October 2019.

Upfront fees were deducted at the time of receipt of the loans. These fees are amortized over the periods of respective loans. The loans bear a follow up fee to be paid on periodic basis.

Under the terms of the SIDF loan agreement, the Company's property, plant and equipment are pledged as collateral to SIDF.

(b) The Group has obtained credit facilities from commercial banks. These loans bear financial charges based on prevailing market rates. These facilities are secured by promissory note, guarantees by two of the shareholders and second class mortgage on the Company's property, plant and equipment.

An upfront fee was deducted at the time of receipt of a loan from a commercial bank which is amortized over the period of the loan.

The above loans and facilities include certain financial covenants which require the Group to maintain certain level of current ratio and leverage ratio and certain restriction on dividend distribution. The Group is in compliance with these debt covenants. The loans are denominated in Saudi Riyals.

Maturity profile of long-term borrowings repayable in period of 12 months from respective reporting date is as follows:

	Loans' principal	Deferred financial charges	Net loan amount
2015			
Year ending December 31:			
2016	**193,000,000**	**2,037,578**	**190,962,422**
2017	**276,000,000**	**2,032,010**	**273,967,990**
2018	**56,000,000**	**1,679,879**	**54,320,121**
2019	**60,111,000**	**719,025**	**59,391,975**
2020	**40,000,000**	**-**	**40,000,000**
	625,111,000	**6,468,492**	**618,642,508**

	Loans' principal	Deferred financial charges	Net loan amount
2014			
Year ending December 31:			
2015	155,041,682	1,117,571	153,924,111
2016	153,000,000	1,120,634	151,879,366
2017	160,000,000	1,117,571	158,882,429
2018	10,550,000	765,440	9,784,560
	478,591,682	4,121,216	474,470,466

5 Share capital

The share capital of the Company as of January 1, 2014 was comprised of 40,000,000 shares at Saudi Riyals 10 per share. The shareholders resolved on 8 Dhul-Qadah, 1435H (September 3, 2014) to increase the share capital, by an amount of Saudi Riyals 100 million at the existing shareholding percentages through transfer from retained earnings. The legal formalities to effect this change were completed in Dhul-Qadah, 1435H (September 2014). Consequently, the share capital of the Company as of December 31, 2014 and 2015 was comprised of 50,000,000 shares at Saudi Riyals 10 per share.

(All amounts in Saudi Riyals unless otherwise stated)

6 Earnings per share

Earnings per share for the three-month period and year ended December 31, 2015 and 2014, have been computed by dividing the operating income and net income for the period / year by the weighted average number of shares outstanding during such period / year.

7 Segment information

The Group operates principally in two business segments. One segment is involved in the manufacturing of cardboard and paper (Manufacturing segment), whereas the other segment is involved in wholesale and retail sales of paper, carton and plastic waste (Trading segment). Certain financial information classified under these two business segments are as follows:

	Manufacturing segment	Trading segment	Eliminations	Total
As at December 31, 2015 (Unaudited)				
Total assets	1,524,379,627	151,768,549	(82,696,482)	**1,593,451,694**
As at December 31, 2014 (Audited)				
Total assets	1,454,055,130	124,092,614	(75,971,510)	1,502,176,234
For the twelve-month period ended December 31, 2015 (Unaudited)				
Sales	634,562,341	259,945,064	(213,337,343)	**681,170,062**
Gross profit	142,722,344	30,694,354	(560,609)	**172,856,089**
Depreciation and amortization	89,252,173	11,293,859	-	**100,546,032**
Net income	55,117,700	5,402,148	(5,402,148)	**55,117,700**
For the twelve-month period ended December 31, 2014 (Audited)				
Sales	770,315,914	320,839,211	(264,727,668)	826,427,457
Gross profit	184,947,477	49,765,219	-	234,712,696
Depreciation	78,031,476	9,890,681	-	87,922,157
Net income	111,339,078	25,022,416	(25,022,416)	111,339,078
For the three-month period ended December 31, 2015 (Unaudited)				
Sales	142,393,878	54,313,972	(57,211,886)	**139,495,964**
Gross profit	28,281,150	6,596,714	901,708	**35,779,572**
Depreciation and amortization	24,004,052	2,841,474	-	**26,845,526**
Net income (loss)	2,770,364	126,611	(126,611)	**2,770,364**
For the three-month period ended December 31, 2014 (Unaudited)				
Sales	190,076,746	90,977,810	(78,550,143)	202,504,413
Gross profit	41,778,483	11,634,497	-	53,412,980
Depreciation	20,598,421	2,714,401	-	23,312,822
Net income	22,907,566	5,228,256	(5,228,256)	22,907,566

During the year and three-month period ended December 31, 2015 the trading segment made sales amounting to Saudi Riyals 213.3 million and Saudi Riyals 57.2 million, respectively (year and three-month period ended December 31, 2014: Saudi Riyals 264.7 million and Saudi Riyals 78.5 million, respectively), to the manufacturing segment.

The Group makes sales in local market and foreign markets in Middle East, Africa, Asia and Europe. Export sales during the year and three-month period ended December 31, 2015 amounted to Saudi Riyals 263.2 million and Saudi Riyals 63.1 million, respectively (year and three-month period ended December 31, 2014: Saudi Riyals 288.9 million and Saudi Riyals 77.3 million, respectively).

8 Contingencies and commitments

(i) At December 31, 2015, the Group had outstanding letters of credit of Saudi Riyals 19.62 million (December 31, 2014: Saudi Riyals 72.7 million) and letters of guarantee of Saudi Riyals 6.7 million (December 31, 2014: Saudi Riyals 4.9 million) that were issued in the normal course of the business.

(ii) The capital expenditure contracted by the Group but not incurred till December 31, 2015 was approximately Saudi Riyals 30.04 million (December 31, 2014: Saudi Riyals 19.08 million).

(iii) During 2008, the General Authority of Water (“GAW”) expropriated a plot of land and other premises that belonged to the Company and offered a compensation amounting to Saudi Riyals 28.9 million. The Company contested the compensation offered and raised a claim amounting to what is believed to be the fair value of the plot. During 2010, the Company obtained a court ruling ordering the GAW to pay Saudi Riyals 80.2 million, which was disputed by GAW. The Company continued to follow up with the courts.

During the twelve month period ended December 31, 2015, a new valuation was conducted by a committee that comprised various government officials. The committee finalized the valuation and determined the value of the land and other premises to be approximately Saudi Riyals 133 million. The Company is currently waiting for GAW to finalize their approval of this valuation and, accordingly, expects to receive the compensation during 2016.