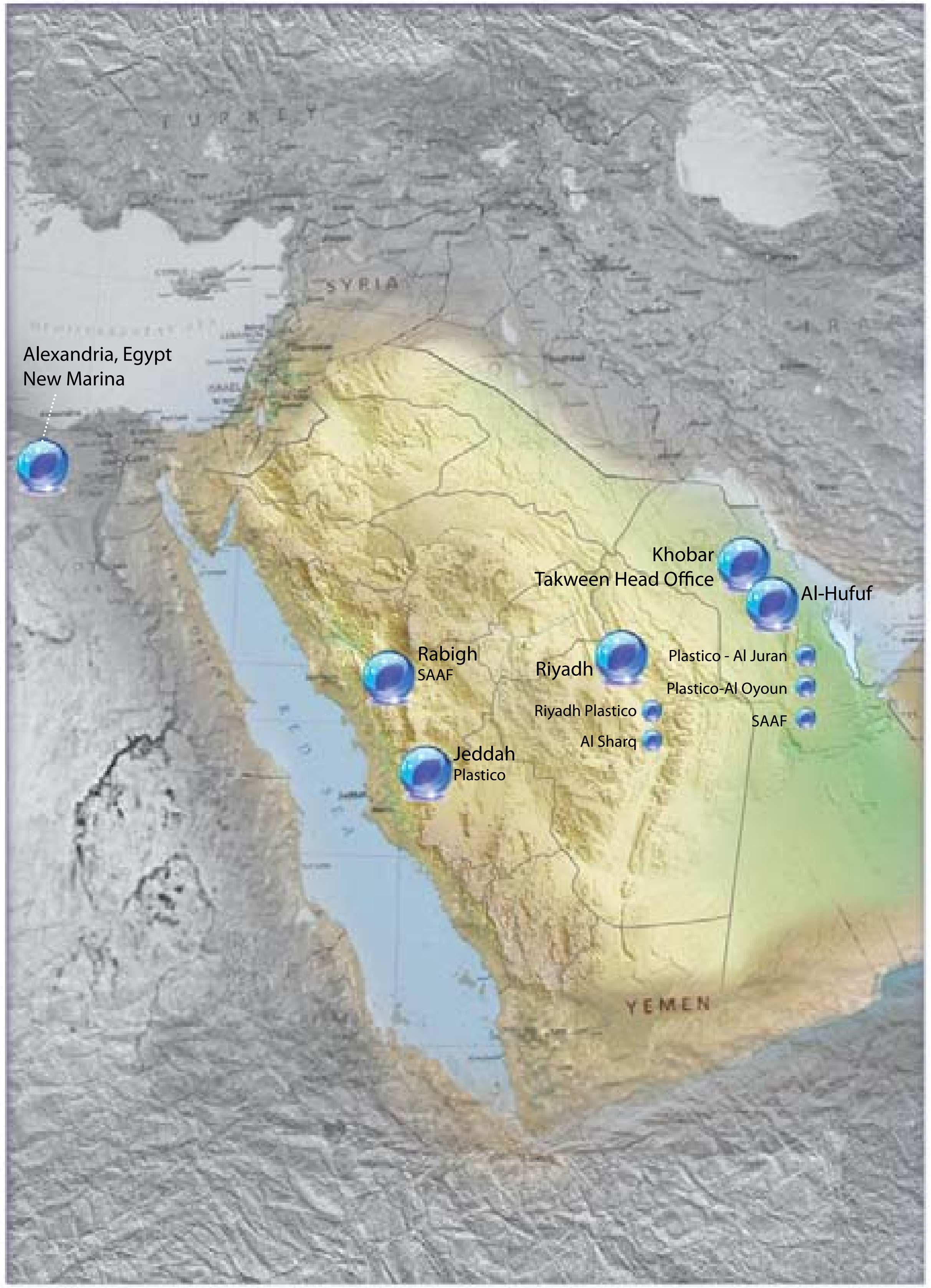
In the name of Allah
the compassionate
the most merciful



Company location map

His Majesty
Salman ibn 'Abd Al-'Aziz Al Sa'ud
The Custodian of the Two Holy Mosques

His Royal Highness
Prince Mohammed bin Nayef bin Abdulaziz
The Crown Prince, Deputy Premier,
and Minister of the Interior

His Royal Highness
Prince Mohammed bin Salman bin Abdulaziz
Deputy Crown Prince, Second Deputy Premier, Ministry of Defence, President of the Supreme Council of the Saudi Arabian Oil Company (Saudi Aramco)

His Royal Highness
Prince Saud bin Nayef bin Abdulaziz

Governor of the Eastern Province of the Kingdom of Saudi Arabia

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Corporate Mission

Takween specializes in acquiring, developing and utilizing the latest polymer technology to produce high-quality packaging products as well as non-woven fabrics used in fast moving consumer goods and consumer products in the Middle East and worldwide. It is focused on becoming the chosen partner for the most renowned international brands.

Corporate Values

1. Integrity and Respect
Working with integrity and transparency and dealing with clients, partners, employees and management with utmost respect.

2. Quality and Excellence
Ensuring that production is in accordance with the highest quality standards and offering the best services to our customers in the Kingdom and overseas.

3. Teamwork
Hiring employees with high qualifications and securing a safe, sound and collaborative working environment.

4. Efficiency and Effectiveness
Utilizing our resources in the most efficient and effective way, to avoid waste and achieve the best results possible.

5. Social Responsibility
Applying all the rules and regulations in accordance with social responsibility standards and supporting community causes and activities.

6. Environmental Responsibility
Adhering to environmental standards in all our operations and activities.

Corporate Vision

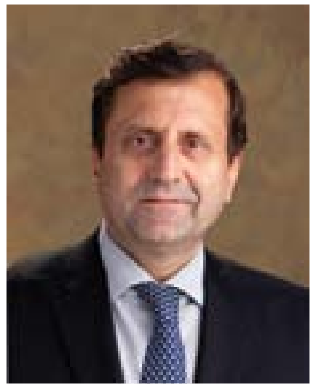
Takween Advanced Industries aims to become a major international producer of downstream polymer packaging products for the Fast Moving Consumer Goods (FMCG) and the consumer products' industries.

Board of Directors

Mr. Abdullah M. Al-Othman
Chairman

Mr. Abdulmohsen M. Al-Othman
Managing Director

Mr. Khalid A. Al-Rajhi
Member



Mr. Georges Abraham
Member

Dr. Solaiman A. Al-Tawijri
Member

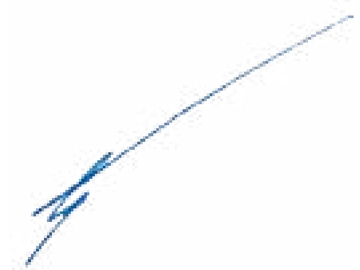
Mr. Jamil Abdullah Al-Mulhem
Member

Mr. Khalid Nasser Al-Moammar
Member

Chairman’s Message 2 016

The Annual Report is the pre-eminent source of information and data needed by the shareholder and the investor to identify the Company’s main business activities, the nature of its investments, its management structure and level of its performance during the fiscal year.

This report is a message from Takween’s Board to all investors. It includes basic information about the Company purpose, details of its activities and its most significant business and projects carried out during the year 2016G. The report includes analysis of operational and financial results and provides a clear overview of the Company’s Board structure, and the extent of its compliance with the Corporate Governance Regulations.



Mr. Abdullah M. Al-Othman
Chairman

This report is a message from Takween’s Board to all investors. It includes basic information about the Company purpose, details of its activities and its most significant business and projects carried out during the year 2016G.

Board of Directors' Report to Shareholders for the Fiscal Year ended on 31.12.2016G

Board of Directors' Report to Shareholders

For the fiscal year ending 31/12/2016G

Messrs. Shareholders of Takween Advanced Industries, Peace be upon you.

We are pleased to present to you the Annual Report that shows the Company's business and statement of financial condition for the financial year ended on 31/12/2016G. This includes all the factors affecting the Company's business, as stipulated in the applicable laws and disclosures required in the regulations and laws issued by the Capital Market Authority.

Following are the report's parts and contents for the fiscal year ended 31 December 2016G.

Historical Overview of the Development of Takween's Capital:

Takween commenced its industrial activity on 05/05/1414H (21/10/1993G) through Al-Othman Plastic Products Factory, which was a branch of the establishment owned by Mr. Mohammad Abdullah Zaid Al-Othman. The share capital of the factory at that time was SAR 1,000,000 (one million Saudi Riyals). On 06/02/1422H (corresponding to 30/4/2001G), Al-Othman Factory, the branch of Plastic Products Factory, was converted to a limited liability company with a share capital of SAR 32,000,000 (thirty two million Saudi Riyals). The name of Al-Othman Factory for Plastic Products was amended, in conjunction with the conversion process, to Al-Othman Company for Plastic Products - a limited liability company.

On 28/12/1431H (corresponding to 04/12/2010G), the resolution of the Minister of Commerce and Investment No. (391/q) was issued declaring the conversion of the Company from a limited liability company to a closed joint stock company named Takween Advanced Industries Company under commercial registration no. 2051044381, dated 09/01/1432H (corresponding to 15/12/2010G), issued from the city of Al-Khobar. The Company capital at that time was SAR 97,539,000 (ninety seven million and five hundred and thirty nine thousand Saudi Riyals).

On 01/02/1432H (corresponding to 05/11/2011G), the Extraordinary General Meeting of Company shareholders was held and approved the increase of share capital to SAR 300,000,000 (three hundred million Saudi Riyals). The increase was covered through capitalization of SAR 202,461,000 (two hundred and two million and four hundred and sixty one thousand Saudi Riyals) from the shareholders account, statutory reserve and retained earnings account as at 21/10/1431H (corresponding to 30/09/2010G). Following obtaining the required regulatory approvals from the Capital Market Authority, the Company listed 30,000,000 (thirty million) ordinary shares on Tadawul on 15/03/1433H, (corresponding to 07/02/2012G), as 30% of its shares were offered for public subscription.

On 27/05/1434H (corresponding to 08/04/2013G), the Extraordinary General Meeting of the Company shareholders was held and approved to increase the share capital to SAR 350,000,000 (three hundred and fifty million Saudi Riyals). The increase was covered through capitalization of SAR 50,000,000 (fifty million Saudi Riyals) from the retained earnings account, as at 18/02/1434H (corresponding to 31/12/2012G).

On 20/12/1437H (corresponding to 21/09/2016G), the Extraordinary General Meeting of Company shareholders was held and approved an increase of the share capital to SAR 950,000,000 (nine hundred and fifty million Saudi Riyals). The increase was covered through the offering rights of an issue of shares to the amount of SAR 600,000,000 (six hundred million Saudi Riyals).

The current Company Share Capital is SAR 950,000,000 (nine hundred and fifty million Saudi Riyals) divided into 95,000,000 (ninety five million) ordinary shares, with a fully paid value of SAR 10 (ten Saudi Riyals) per share.

Overview of the Company purposes and activities:

The main activities of the Company pursuant to its Articles of Association, approved by the Extraordinary General Meeting held on 26/03/1438H (corresponding to (25/12/2016G) are outlined below:

1. Acquisition of factories of producing a variety of products, factories of plastic packs and bottles, polypropylene, polystyrene and polyethylene terephthalate sheet rolls, factories of non-woven fabrics; management, operation and maintenance on standalone or in partnership basis with other companies, entities or individuals and merger with any of these institutions.
2. Management and operation services, renovation and maintenance services for all industrial centers owned by the companies, entities or individuals, and for residential and commercial cities, as well as public and private organizations.
3. Acquisition, management and operation of industrial devices and equipment maintenance establishments.
4. Acquisition of lands for the construction and development of factories, warehouses, residential projects; purchase, sale and utilization and investment of lands and properties by sale and rent for the benefit of the Company.
5. Founding industrial institutes, providing and coordinating training courses related to the development of all types of plastic products and qualifying national cadres in the Company's industrial sectors.
6. Importation, exportation, retail and wholesale of all types of plastic products, packs, all types of plastic closures, all types of non-woven fabrics, lids of different cups and bottles, various plastic cups and bottles, polypropylene, polystyrene and polyethylene terephthalate sheet rolls, non-woven fabrics made of propylene, PET Preform made of polyethylene terephthalate, plastic and corrugated cardboards, plastic packs and barrels, closures and various sodium silicates.
7. Acquisition, management, operation and maintenance of real estates and lands for the construction of commercial and residential projects, for investment through sale, purchase and rent, whether by cash or installments.
8. Acquisition, investment, management, operation and maintenance of hotels, educational, recreational and tourist facilities.
9. Construction of dry and cooled items stores, establishment of transport fleets, maintenance and repair workshops, and establishment, management, operation and maintenance of fuel or service stations.
10. Establishment, management, operation and maintenance of industrial projects on standalone

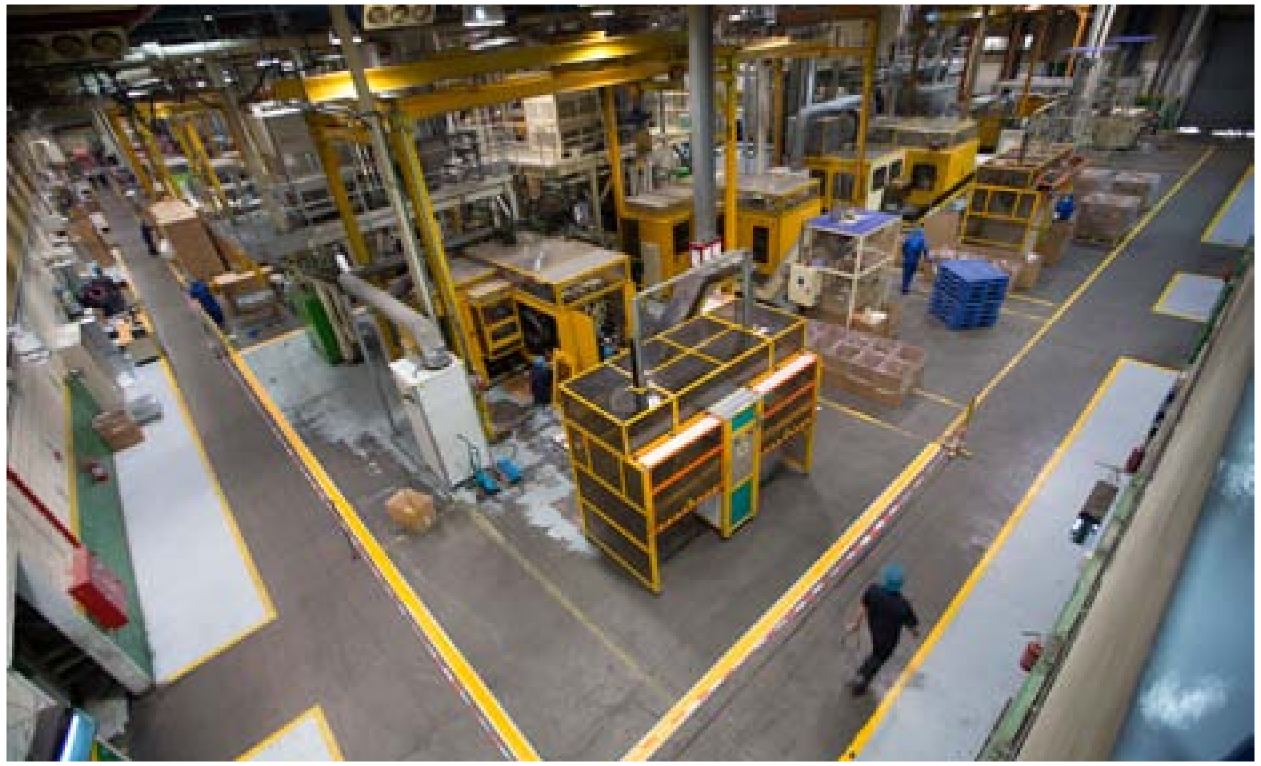
or in partnership basis with other companies, entities, or individuals.

11. Commercial agencies.

The Company conducts its activities in line with the applicable laws, after obtaining the required licenses from relevant authorities.

Through its factories in the Kingdom of Saudi Arabia and Egypt, Takween manufactures and sells plastic packaging products and non-woven fabrics to a diversified group of GCC and international clients. The Company sells its processed plastic packaging products to a variety of industrial sectors, including dairy, foods, juices and soft drinks. It sells its products of non-woven fabrics into health and medical sectors. The Company's clients are pioneers in their sectors. The Company maintains a strong and growing market share in a number of markets where it competes, 33.6% in the PET Preform and bottles market in the Kingdom of Saudi Arabia and 30% in the market of non-wovens in the Middle East.

The Company's industrial systems contributed to driving continuous and significant growth that enhances the Company's leading position in the plastic packaging products and in non-woven fabrics. The total capacity of all types of plastic products is about 281 tons/year, while the total capacity of all types of non-woven fabrics is about 42 thousand tons/year.



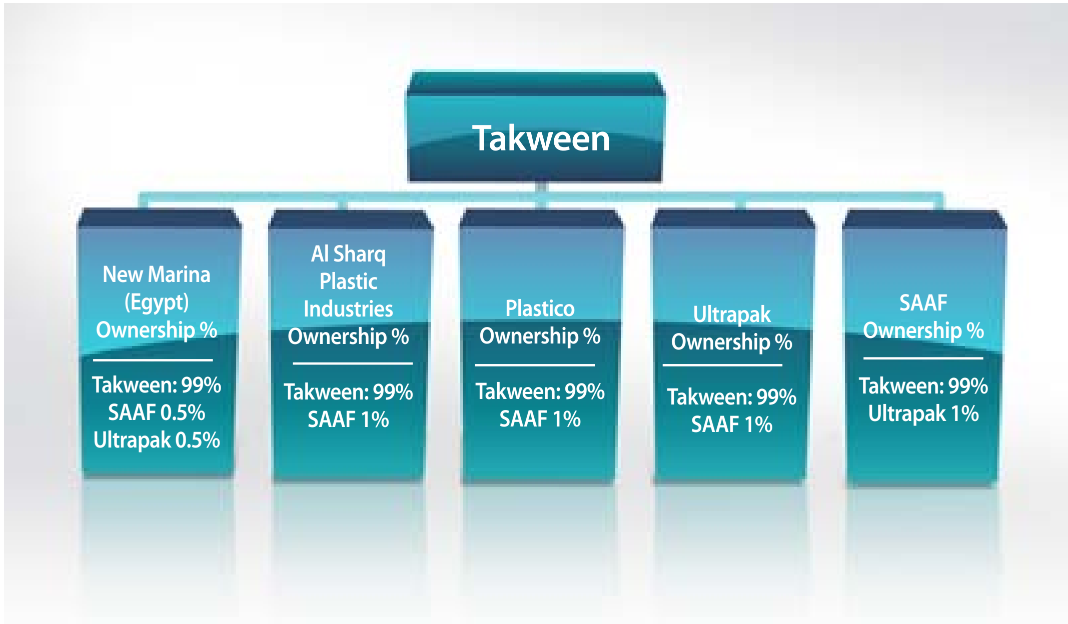
Following are the details of activities and most prominent activities and projects of the Company and its subsidiaries during 2016G, in addition to the analysis of operational and financial results, and a clear outlook on the Company's management structure and extent of its compliance with the governance regulations.

(1) Description of the types of principal activities of the Company and its subsidiaries and a statement of each activity and its impact on the volume of the Company's commercial business and contribution to the results:

Takween is classified as a basic materials company. Its business, until the end of 2016G, was focused on two main industrial sectors and distributed to five subsidiaries, four of them located in the Kingdom of Saudi Arabia and one outside the Kingdom in Borj Arab Industrial City in Alexandria, Egypt.

First: Organization Structure of Takween Group of Companies

Takween Advanced Industries Company and its subsidiaries



Second: Summary of Company Projects

a. Plastic Packaging Manufacturing Sector and PET Preform as follows:

1. Plastic Packaging Factory in Al Ahsa (Takween Branch)

The factory produces polystyrene sheets, thermoformed polystyrene bottles and closures, high density polyethylene bottles (HDPE), blow moulding, and injection moulding closures and sheets. The products include cups, packs, closures, bottles, sheets, and sheet rolls used in dairy, juices, foods, water and beverages packaging. Company products are sold to clients in Saudi Arabia and the Middle East. The Company sales have benefitted from the final consumers' increasing aim to utilize light weight transparent plastic packaging materials which maintain the product for longer periods.

2. Plastic Packs Factory in the Industrial Zone in Al Oyoun City – Governorate of Al Ahsa (Takween Branch)

Takween Company is working on the requalification of the Plastic Packs Factory in Al Oyoun City, which will be one of the biggest plastic packs and PET Preform factories owned by Company in the Kingdom of Saudi Arabia. The products of this factory include cups, packs, closures, bottles, sheets and sheet rolls used in the packaging of dairy, juices, foods, water and beverages products.

3. PET Preform Factory in Jeddah (Ultrapak), Transferred to Al Ahsa – Al Oyoun

The factor specializes in the production of PET Preform from polyethylene terephthalate with a capacity of 330 ml and 2.25 liters. The factory focuses on selling to beverage packing companies, including mineral water, soft drinks, dairy and juices manufacturing companies in the Kingdom of Saudi Arabia, Middle East and North Africa.

4. Plastic Packs Factory, Jeddah (Plastico Branch)

The factory specializes in the production of plastic packs, barrels, bottles, containers, closures and cups, PET Preform, plastic rolls and sheets and importation and exportation of all types of plastic products.

5. Plastic Packs Factory, Riyadh (Plastico Branch)

The factory specializes in the production of plastic packs, barrels, bottles, containers and cups, PET Preform, plastic rolls, plates and importation and exportation of all types of plastic products.

6. Al Sharq Company Factory, Riyadh

This factory specializes in the production of packaging sheets, plastic rolls, bags, cups, packs, plates and cutlery for single use, jerry cans, barrels, diversified house ware, heavy duty bags made of polyethylene, dustbins, crates, boxes, profiles, health equipment, laminated plastics, productions of racks, stands, plastic chairs and tables and importation and exportation of all types of its plastic products.

7. New Marina Company Factory in Egypt

The factory specializes in the manufacturing, sale and exportation of all types of plastic products, manufacturing of spare parts and exportation.

b. Second: Activity of Non-woven Fabrics Sector as follows:

1. Non-Woven Fabrics Factory in Al Ahsa (SAAF) – First and Second Production Lines

SAAF Non-Woven Fabrics Factory produces composite fabrics for use in the health, industrial and medical sectors, alcoholic resistant and antistatic electricity fabrics, which are used in surgical drapes, medical and protective gowns, fabrics made for health usages, such as children's and adults diapers and women's sanitary diapers.

2. Non-Woven Fabrics Factory in Rabigh (SAAF branch) – Third Production Line

SAAF Non-Woven Fabrics Factory produces composite fabrics for use in the health, industrial and medical sectors, alcoholic resistant and antistatic fabrics which are used in surgical drapes, medical and protective gowns, fabrics made for health usages, such as children's and adults' diapers and women's sanitary diapers as well as having a treatment line for alcohol repellent and antistatic fabrics.

Third: Summary of the impact of every activity in terms of volume and contribution to the results during the year 2016G.

a. Activities Sectors:

Description	Production Capacity		Impact on Business Volume		Impact on Results	
	Total Production Thousand tons annually	Percentage	Revenues	Total Production Thousand tons annually	Percentage	Revenues
Plastic Products Sector	281	87%	191568	14%	41687	162%
Non-Woven Fabrics Sector	42	13%	224028	16%	-16089	62%
Total	323	100%	1,415,596	100%	25598	100%

b. Sectors per Geographical Distribution:

Description	Production Capacity		Impact on Business Volume		Impact on Results	
	Total Production Thousand tons annually	Percentage	Revenues	Total Production Thousand tons annually	Percentage	Revenues
Kingdom of Saudi Arabia	293	90.70%	1318658	93%	13121	51%
Arab Republic of Egypt	30	9.30%	96938	7%	12477	49%
Total	323	100%	1415596	100%	25598	100%

Fourth: Most significant performance milestones during 2016G

a. In the first quarter of 2016G:

1. In line with other companies, procedures for the amendment of ownership of Al Sharq Plastic Industries Company and New Marina Plastic Products Company were finalized. Takween's ownership percentage rose to 99%.

2. Transfer of the main commercial registration of Saudi Plastic Packaging Systems Company (previously Savola Packaging Systems) from Jeddah to Al Ahsa was completed.

3. Complete renovation of the Company's factory in Al Oyoun, which became Takween's biggest site for the manufacturing of plastic packs. Transfer of Ultrapak Factory equipment from Jeddah to Al Ahsa has started with no adverse effect on the factory operations or delay in customer orders.

b. In the second quarter 2016G:

1. Members of the Board of Directors were elected for the third three year term which started on 22/11/2016G. Two new members joined the Board, Mr. Jamil Bin Abdullah Al-Melhem and Mr. Khalid Bin Nasser Al Moammar, replacing two previous members.

2. Updating the governance regulation in its second version.

c. In the third quarter of 2016G:

1. Al Aql Al Modabber for Administrative Consultations, experts in managing projects for conversion to International Financial Reporting Standards (IFRS),

were appointed to work with an in-house team of experienced and highly qualified people formed by the Company Management to carry out the conversion plan.

2. The Board approved the establishment of a marketing branch for the Company in Dubai Free Zone, United Arab Emirates, as part of the sales and international marketing plan through which the Company endeavours to increase the number of its clients and open new marketing channels.

3. The Extraordinary General Meeting approved the recommendations of the Board to increase capital through the offering of a rights issue. The share capital was increased from SAR 350,000,000 to SAR 950,000,000.

d. In the fourth quarter of 2016G

1. The subscription in the rights issue of 60,000,000 was completed.

2. The commercial license was issued by the Dubai Government, on 26/10/2016G, which authorizes the Company to start its commercial business related to marketing of Company products.

3. On 22/11/2016G, the Board approved the re-appointment of Mr. Abdullah Bin Mohammed Al-Othman as Chairman of the Board, Mr. Abdulmohsen Bin Mohammed Al-Othman as the Managing Director, Mr. Ahmed Ali Al Zayyat as the Corporate Secretary; as well as formation of the Audit Committee, the Nominations and Remuneration Committee, the Executive Committee and the Investment Committee.

4. On 25/12/2016G, the Extraordinary General Meeting approved the amendment of the Company's new Articles of Association (By-Laws), which has been amended based on the new Companies' Law (Regulations) issued under Royal Decree No. 3, dated 28/1/1437H.

5. The General Meeting approved the formation of the Audit Committee, its tasks and business controls, as well as the remunerations of its members for the new three Gregorian year's term which started on 22/11/2016G.

6. The General Meeting approved the third version of the governance regulations of Takween Advanced Industries Company.

7. The Company and its subsidiaries continued to obtain ISO quality certification for their products, which are renewed on an annual basis, including ISO 9001 and ISO 22000 certificates as well as BRC (British) food quality certification.

(2) Description of the Company's significant plans and resolutions, (including structural changes, business expansion or ceasation of operations), future forecasts and any risks that may be encountered:

First: Future Plans and Company Strategy

a) Takween endeavours to significantly benefit from its leading position in different market segments, locally and internationally, and to implement more expansions through the manufacturing of value-added products. In execution of this strategy, Takween acquired Plastico that has a dominant share in the plastics sector in the Kingdom and GCC, to enhance and promote diverstification of its plastic products, increase sales, grow margin and enhance shareholders' equity.

b) Takween enjoys a high reputation that enables it to continually realize operational efficiency and strengthen its capabilities. The Company aims to increase its market share in local and international markets and improve its financial results to promote the interests of its shareholders and national economy.

c) Takween adopts a strategy that is based on carefully crafted expansion plans in all sectors. Therefore, the Company developed expansion plans for all of its plants to increase production capacity, meet market demand and develop new plant with state-of-the-art machinery to broaden the types of its products. This will help by saving processing costs, promoting product quality and increasing sales percentages.

d) To achieve its strategic objectives, Takween consistently focuses on R&D activity, the cornerstone of the innovation that promotes its market reputation.

e) Takween strives to develop its projects and plant in line with the latest developments in the industry. This will create new job opportunities and promote a higher percentage of job nationalization (Saudization). The Company focusses on risk management and avails itself of international expertise to advance further in the industry. Takween develops its projects in the Kingdom and abroad as a strategic growth option in the long term to promote the shareholders' interests.

f) Takween's policies in dealing with its staff, clients and suppliers are the cornerstone of its success. Such dealings are based on transparency, honesty, mutual interest, teamwork. The Board of Directors' Report includes the foundations upon which the Company's strategic plans and objectives are based as well as the future prospects.

Second: Company plans to apply International Financial Reporting Standards (IFRS):

Pursuant to CMA's circular No. 2978/4, dated 25/03/2014G, circular No. S/1/12231/15, dated 12/08/2015G, and circular No. S/1/383/16, dated 13/01/2016G, Takween developed the international accounting standards implementation plan, adopted by SOCPA, for financial statement of the fiscal periods starting on 01/01/2017G. The Board of Directors' Report includes details of such a plan according to the executive procedures of the conversion process to international standards.

a) Developments and progress in the Company plan to apply international accounting standards (IFRS):

The Company developed a plan to convert from the current SOCPA accounting standards to International Financial Reporting Standards (IFRS). The plan aims to ensure a complete conversion is efficiently done in time for the statements for the financial periods from 01 January 2017G. The conversion plan included:

1) Studying IFRS and comparing them with SOCPA standards, identifying the differences, and making a decision as to whether such differences are relevant and affect the preparation of the Company's financial statements.

2) A contract with an experienced and professional specialist for conversion to IFRS, to assist the Company to develop a conversion plan and supervise the implementation.

3) Identifying any required modification in the Company's accounting systems to meet the measurement and disclosure requirements.

4) Measuring the effects on the Company's financial results or financial position.

5) Developing the conversion plan and forward it to the Audit Committee and then to the Board for approval.

b) Conversion phase to IFRS:

Takween announced on the Tadawul website on 25/8/2016G, 27/10/2016G and 29/10/2017G the conversion phases to IFRS. The phases are:

1) Phases 1 (August 2016G):

This phase included the Company's status with regard to conversion to IFRS according to:

- Development of the conversion plan to apply and proceed with IFRS by a professional consultant contracted for this purpose.
- Appointing Al Aql Al Modabber for Administrative Consultations, experts in the area of conversion projects to IFRS, to work with an in-house team created by the Company of experienced and competent officers to implement the conversion plan.

2) Phase 2 (October 2016G)

– Continue taking advantage of the consulting office services of Al Aql Al Modabber for Administrative Consultations in managing the conversion project.

– Provide the consulting office with all required information to finalize the preparation of conversion plan to IFRS within the agreed timeframe.

– The Company sought to achieve its goal to produce the first financial statements that conform to IFRS on 31/12/2017G, along with the comparison balances with the results of 31/12/2017G and the interim financial statement for Quarter 1.

3) Phase 3 (January 2017G)

– The Board of Directors approved the necessary accounting policies for preparation of the financial statements in line with IFRS and approved implementation stating on 1/1/2017G.

– Financial statements according to IFRS have been prepared for Quarter 1, 2016G and an opening balance sheet at the conversion date 01/01/2016G.

Third: Important Resolutions and Future Forecasts

a) Finalize the administrative and legal restructuring procedures, transfer ownership and modification of commercial registrations of Takween plant and Al Oyoun Plant, a Takween branch, to become a branch of Plastico, a Takween subsidiary.

b) Work on raising capital for New Marina Company in Egypt by EP 60 million to become EP 90 million instead of EP 30 million, based on the Board's approval in the 2016G.

c) Continue taking some precautionary measures to meet the decline of the Egyptian currency after the Egyptian Pound flotation decision taken by the Egyptian Government and assess the impact thereof on the Company's assets and balances in New Marina Company and monitor the economic and political situation in Egypt.

d) Continue making provision to meet the increase in fuel, water, and power, prices in light of the increase in raw materials and other service prices.

e) Continue to support the corporate governance and compliance and risk functions in the Company's organizational structure within the Investor Relations and Legal Affairs Department due to the importance of their role in the Company.

Fourth: Company Strengths and Competitive Advantages

The Company enjoys the following strengths and competitive advantages:

a) Strong growth opportunities.

b) Is an attractive long-term investment prospect.

c) Management team with extensive experience.

d) Diversity of business.

e) Mutual benefit and interdependence between departments.

f) Use of the latest machinery, which enhances the Company's economic operation and production.

g) Leading market share in plastic packaging products in the Kingdom.

h) Long and stable relationships with major clients and their proven ability to ally with them.

i) Government support for industrial development.

(3) Information related to any risks encountered by the Company (operational, financing or market risks) and risk management and monitoring policy

In light of external circumstances and variables, and since Takween is an industrial investment Company listed in basic materials, the Company's business, its financial condition, results of operations and cash flows may be adversely and materially affected by the occurrence of any of the risks elements set forth in this report. The Board, at the present time, believes that most of such elements are insignificant, but is vigilant in monitoring known risks and recognizes that the risks may arise.

Following are the types of risks that the Company may encounter in line with its operations and nature of activity, and including operational risks, financing risks and market risks. The report also includes the Company management policy for such risks and monitoring them.

First: Risks related to Company Activity and Operations

A. Risks related to Company activity and operations

1. **Risks of group's inability to execute its expansion and implementation strategy:**
   The performance of the group in the future depends on the effective implementation of its business plans and growth strategies, which include manufacturing of new products, expansion of the group's product base via addition and development of products lines. The group's failure in his respect or negligence of supervising companies will adversely affect the group operations and its financial position.

2. **Non-availability of capitals required for financing Company plans, business and investments:**
   The financing needs of the group depend on its capital, financial position, operational results, cash flows and finance obtained from financing banks and other agencies. The Company cannot guarantee to obtain the required financing on a timely basis and under acceptable conditions, which will adversely affect Company business. The Company may also incur capital expenditures for maintenance and continuous improvements of its assets and equipment, for either compliance with the new legal or regulatory requirements, or to achieve compliance with new standards adopted by the Company or may encounter unexpected responsibilities.

3. **Reliance on financing and credit facilities:**
   The Company relies on financing and credit facilities for the expansion of its business and operation of its facilities through obtaining short-term and long-term loans from various financing agencies, such as banks and Saudi Industrial Development Fund. The Company utilizes these loans for various objectives and goals, including financing of working capital and projects implemented by the Company and its subsidiaries. Failure of the Company to meet its commitments with any of the financing agencies or refusal by the financing agencies to renew their facilities will adversely affect the availability of the liquidity required for Company business, development of production lines and expansion plans, which will have a negative impact on its expected profits.

4. **Risks relating to transportation:**
   The Company does not possess a transportation fleet to deliver its products to the clients. Consequently, transport of products is assigned to specialized transport companies. Any amendment or change in the transport systems and regulatory requirements applicable on the transport of Company products will adversely affect its ability to supply its products to the markets and clients, which will have a negative impact on the Company.

5. **Clients concentration risks:**
   The group's business basically relies on selling to a small group of main clients. Any decline in the demand by these clients will result in decrease of sales, which adversely affects the net profits of the Company. This will have a negative impact on the future position of the group, its financial results and prospects, financial position and share prices.

6. **Risks of reliance on main suppliers:**

The Company mostly relies on SABIC as a supplier of its raw materials (such as polypropylene, polystyrene, polyethylene and polyethylene terephthalate). Except polypropylene, which is manufactured by other local companies, SABIC is the main and local supplier for all raw materials used by the group. The group buys polyethylene terephthalate from international suppliers in addition to SABIC. After the acquisition of Plastico Company, Al Sharq Company and New Marina Company, Takween started to buy raw materials centrally from SABIC and distribute them to its subsidiaries to avail itself of the price reduction related to economy of scale. This dependence on SABIC products has an adverse effect in terms of price or the Company's ability to manufacture its products, should SABIC cease to provide the required raw materials.

7. **Non-fulfillment of contractual obligations by third parties:**

The Company concluded a number of contracts and agreements with many entities based on the Company business needs for services. These entities include suppliers, service providers and contractors. Accordingly, the Company is liable to the risks of the inability of the entity contracted with to fulfil its commitments or its unwillingness to meet its contractual obligations. If these entities breach their obligations, for any reason whatsoever, including bankruptcy, financial inadequacy, disruption of operations, risks resulting from dealing with these entities will be more severe under the difficult market conditions which increases the possibility of non-fulfillment of contractual obligations with the Company.

8. **Risks relating to machinery and equipment:**

The industrial facilities of the group comprise a number of production lines and highly complicated machinery for the manufacturing of plastic products and non-woven fabrics. The sudden disruption or breakdown of these lines and machinery, will adversely affect the Company business, prospects and results of its operations throughout production stoppage. Such effect will be substantial if it lasts for a long period or if one or more lines ceased to work at the same time.

9. **Risks of Company inability to cope with the technological advancements:**

The Company uses sophisticated and expensive technologies and systems to manufacture its products. In order to cope with the industrial sector advancements, frequent products improvements have to be made and evolving technologies should be utilized. In this regard, the Company has in place research and development policies and ongoing product development programmes that aim to improve product quality. However, the Company cannot guarantee its ability to immediately provide new technologies and apply their systems to its products on a timely basis. In addition, the Company will incur high costs in this regard, thus affecting its ability to manufacture products required by its clients as anticipated, which will have a negative impact on the results of its operations and future prospects.

10. **Risks relating to instability of prices of raw materials, energy and water which the Company relies on:**

The government increase of fuel, electricity and water prices, resulted in raising the prices of raw materials, electricity, fuel, and support services. As a manufacturer, the Company's sales and profitability rely on the availability and cost of raw materials, which are subject to price fluctuations. Since the increase in inflationary rates will results in the increase of raw materials prices and costs, the Company's performance will be, in part, dependent on its ability to reflect these changes in the costs, in the products' selling prices. The Company cannot guarantee to control price stability of raw materials, any increase would adversely affect the Company's business, its future prospects, financial condition and results of its operations.

11. **Risks relating to operational systems and information technology:**

The Company relies on information technology systems to support its operations. These might be susceptible to crash risks, including system failure or inability of its antivirus programs to counter hackings, human errors, natural disasters, fires, communication errors or non-availability of skilful labour required to operate and run these systems. In the event of a crash or frequent failure, the Company revenues will be adversely and significantly affected and the group will not be able to issue its periodic financial reports on a timely basis, which makes the Company prone to penalties which would consequently adversely affect its business and operational results.

12. **Risks of increase of doubtful debts:**

On 31 December of every year, the Company allocates provisions for bad and doubtful debts in general, in addition to some provisions against specific clients' balances, estimated by the management and considered uncollectable by the Company. Under the credit policy approved by Takween's Board of Directors, and since other balances higher than bad or doubtful debts provisions might appear, the Company might in the future revise the doubtful debt provision that should be set aside to cover the value of doubtful debts, thus affecting Company profitability.

13. **Risks relating to cessation or suspension of governmental subsidy supporting the industrial sector in the Kingdom:**

The group benefitted historically from the subsidy provided by the government to investors in order to support industrialization in the Kingdom, including providing the required financing by the Industrial Development Fund, which provides soft loans to support the industrial sector and infrastructure and provide land, energy and water at reduced prices in the industrial cities. These subsidies played an important role in the success of projects implemented by the Company. Ceasing or suspending these would have a negative impact on the Company's business, its future prospects, financial condition and results of its operations.

14. **Risks of variances in the amounts of due Zakat and tax:**

In line with the laws of the General Authority of Zakat and Tax, the group is subject to Zakat in the Kingdom in relation to the shareholders/ partners contribution ratio. Zakat and income tax is due and charged to the statement of changes in shareholders/ partners equity consecutively. Any additional due amounts shall be calculated upon completion of assessments. The Company cannot guarantee that the regulations of the General Authority of Zakat and Income Tax will remain unchanged in the future and any increase in the income tax percentage will adversely affect profitability of the Company. The Company cannot mitigate Zakat variances, the payment of which might be required by the General Authority of Zakat and Tax. If such variances are significantly high, they will have a negative impact on the Company business, its financial condition and results of its operations.

15. **Risks of reliance on transactions with related parties:**

The Company currently has a number of agreements concluded with related parties. These include purchase of products from Company factories. There are agreements for information technology business and services and supply of industrial equipment, consultations and lease of lands and properties. The Company cannot guarantee the future continuity of these agreements and transactions. The Board of Directors or the General Meeting of the Company may not approve the renewal of these contracts and agreements. The related party may also deny renewal of such contracts and agreements in line with the conditions specified by the Company, which may expose the Company to the risks of not finding a substitute speedily for contracts and agreements under the same terms. This will affect adversely the Company's business, its financial and operational performance since it relies in particular on these agreements to conduct part of its business.

16. Risks related to insurance coverage adequacy:

The group's inability to obtain adequate insurance coverage may limit its ability to practise its business as required, thus having a negative impact on the business of the Company. In addition, the Company, its business or industrial facilities may suffer a number of incidents which are beyond the control of the Company and could affect negatively its business. These include, but are not limited to, natural disasters, acts of sabotage, war related incidents for which no adequate insurance coverage is available or for which coverage is not provided with reasonable commercial conditions. In addition, the recurrence of various incidents, such as sudden accidents, work interruptions or possible damage to group facilities, properties and equipment, which result from poor conditions, human error, contamination, labour disputes or natural disasters, will cause the Company to incur losses or to suffer obligations beyond the insurance coverage it provides. The Company cannot guarantee to provide adequate insurance coverage for losses resulting from any or all of these incidents.

B. Risks relating to the market

1. Risk relating to fluctuations in currency exchange rates:

Since June 1986, the Saudi Riyal has been pegged to the US Dollar in a fixed value, according to the current monetary policy of the government. There is no guarantee that the said exchange rate will remain fixed. The Company also generates currently most of its revenues from sales denominated in US Dollar and pays some operational costs and capital expenditures in Saudi Riyals. The Company, consequently, may suffer the potential effect of any change in or cancellation of such fixed foreign currency exchange rate. The Company needs to hedge continuously against any fluctuations in foreign currency exchange rates.

Moreover, the results of the subsidiary, New Marina, in the Arab Republic of Egypt may be adversely affected due to the flotation of the Egyptian Pound, a decision taken by the Egyptian Government during the last quarter of the year 2016G, which led to a significant decline in the value of the Egyptian Pound against the US Dollar and increased the precautions relating to US Dollar transactions. The Egyptian monetary policy was a cause of reduced profitability during 2015G and 2016G. The government authorities of Egypt do not have in place a clear policy to maintain or improve the US Dollar availability levels in the Egyptian banks and companies, which may limit Dollar transactions. This, consequently, will increase the difficulty in maintaining the Company's ability to purchase imported materials required for production (paid in USD) or complete commercial transactions in a quick and easy manner. The on-going decline in the Egyptian Pound exchange rate and lack of USD in the Egyptian banks will affect adversely the Company's profitability and its business results.

2. Risks relating to transfer of New Marina earnings from Egypt abroad:

Transfer of money abroad after completion of the production cycle is one of the major obstacles encountered by the companies working in Egypt. This is due to the severe shortage in the US Dollar trading and availability, which causes local banks to be unable to meet Company demands to transfer its earnings abroad. The inability of New Marina to transfer earnings to the Kingdom of Saudi Arabia affects adversely the investors' returns and will have also a negative impact on the group's business results and its financial condition.

3. Risks relating to local and international economy:

Most of the Company's assets are located in the Kingdom and, therefore, its operations and ability to develop its business are affected by the financial economic and general developments influential in the Kingdom. It is anticipated that the oil income will continue to play a pivotal role in economic planning and development in the Kingdom. Therefore, the continued decline in oil prices may adversely affect the Kingdom's economy or the government spending plans. This would have a negative impact on the Kingdom's economy in general, with adverse effects at all micro-economic levels. Since the Company has a subsidiary in the Arab Republic of Egypt and exports some of its products outside the Kingdom, its performance relies also on the economic and political situations in the Arab Republic of Egypt and in the countries to which it export its products. There is no guarantee that the economic conditions in the Kingdom and/or these countries would not deteriorate in the future, which will have a negative and significant impact on the Company's business, future prospects, results of operations, financial condition and/ or share price.

4. Risks relating to changes in the plastic industries market:

Fluctuations in a number of market factors may adversely affect Company results. These factors include domestic economy conditions and consumption patterns. Specifically, economic depression periods or weak sustainable growth may limit the demand for food, juice or dairy products and consequently limit the demand for the plastic packaging products of the Company. Due to limited future prospects, this will adversely affect the sales and results of the Company and/or its share price, which is connected to any decline in the demand on its products.

5. Risks relating to the Kingdom's access to World Trade Organization:

The Kingdom acceded the World Trade Organization in 2005G. The WTO policy with respect to the importation and exportation of products manufactured by the group and raw materials may change in a manner affecting adversely the group's ability to provide raw materials or exporting of its products. This will result in a negative impact on the Company's business, future prospects, results of operations, financial condition and share price.

6. Risks relating to competition:

The Company operates in a competitive environment and encounters strong competition. There is no guarantee that the Company will be able to continue to compete effectively with other companies in the market. In addition, the group's competitors' pricing policy affects its financial performance. The increase of supply of the Company's manufactured products compared to demand for these products will create negative pressure on its prices and consequently affect the Company's business, future prospects, results of operations and financial condition in general. The Company's ability to compete relies on the distinct products of its subsidiaries compared to other products in the market. This can be maintained through the provision of high quality products at reasonable prices. If current or potential competitors provide products of higher quality or at more competitive prices than those provided by the Company, the Company cannot guarantee that it will cope with the situation or adapt quickly to the advanced trend or volatile market requirements; this will adversely affect the Company's financial results and profitability.

C. Risks relating to the legislative, legal and regulatory environment:

1. Risks relating to amendment of laws and regulations:

The Company's business is subject to the laws in force in the Kingdom of Saudi Arabia. The regulatory environment is subject to change. The regulatory changes caused by political, economic, technical and environmental factors may adversely affect the Company's operations and limit its growth or business. If the Company or its subsidiaries have to adjust its products or operations to be consistent with any additional requirements imposed by the new laws or regulations, this will result in increasing product costs and will have a negative impact on the Company's profits, cash flow, business, prospects, results of operations, financial condition and share prices.

The laws that stipulate the operational licenses required for projects in the Arab Republic of Egypt are subject to continuous amendment. This limits the ability of New Marina Company to adapt to the new regulatory requirements. New Marina cannot guarantee that it will be able to apply the new laws and instructions on a timely basis and obtain any additional operational licenses caused by updates to the applicable legal procedures. This may impose financial penalties and fines on New Marina and will have adverse effect on the Company's business, financial condition and results of operations.

2. **Risks relating to Environmental Laws and Standards:**

As a manufacturer, the group business requires adherence to the environmental legislation, laws and instructions applicable in the Kingdom, which regulate a number of aspects including environmental standards, occupational health and safety of industrial facilities and Company personnel. Group's factories may produce a number of waste items and polluted materials emissions, which, if not correctly controlled and managed or left without thorough treatment or management, could lead to the risks of pollution of water sources and a negative impact on air quality, which will cause damage to environment and human health.

Incomplete compliance with the environmental legislation and laws will result in fines or penalties imposed by the supervisory authorities, which will adversely affect Company operations and may result in limited growth in revenues, or the suspension of licenses which will or have a negative impact on the Company's ability to practise its business and consequently affect adversely its financial results and profitability.

3. **Risks of withdrawal of the industrial license:**

The group practices its industrial business and manufactures plastic products and non-woven fabrics in its factories licensed in Al Ahsa, Rabigh, Riyadh, Jeddah and the Arab Republic of Egypt. The Company practices its activity based on industrial licenses issued for each of the group's factories in the Kingdom. Every factory shall comply with the conditions and instructions imposed by the Ministry of Commerce. The licensee to practice industrial activity shall immediately, after commencing construction of the factory, complete the industrial data required by the Ministry of Commerce through providing information on total financing, production capacity and required materials, machinery and labour so that the Ministry provides the required support according to license conditions.

4. **Risks of non-compliance with the new laws and procedures:**

The Council of Ministers has recently issued the new Companies Law (Regulations) to replace the previous Companies Regulations, and has been enforced since 25/07/1437H (corresponding to 02/05/2016G). The current law stipulates some new requirements that must be complied with by the group. The Company has amended its Articles of Association to comply with the new Companies' Law requirements.

The Capital Market Authority and the Ministry of Commerce and Investment issue new corporate governance regulations and procedures related to general assemblies and Board of Directors. It may take a long period of time to apply and comply with the new instructions due to the changes that must be made by the Company in its internal procedures in order achieve the required compliance. Lack of professional, qualified and trained personnel, especially in the compliance and governance functions concerned with supervising the application of the new instructions, causes more possible delay in the compliance with these instructions. This delay may impose more stringent penalties on the Company as a result of violating the obligatory provisions and rules issued by the regulatory authorities, and would adversely affect materially the group's business, financial condition, results of operations and future prospects.

5. **Risks of inefficiency of anti-dishonesty, theft and fraud internal controls:**

The Company encounters a number of risks resulting from dishonesty, theft, fraud, and position misuse despite the existing internal policies and procedures which prevent such actions. However, the Company cannot guarantee that these policies and procedures will not be violated, which will consequently cause these risks to occur.

6. **Risks relating to importation and exportation:**

Imposition of new legal and regulatory requirements, such as anti-dumping fees, compensatory measures, shares of importation, custom fees, penalties, boycott and other measures approved by the governmental authorities, will affect the competitive position of the products manufactured by the group or prevent selling of these products in some countries. This will materially adversely affect the Company's results and operations, future prospects and financial condition.

7. **Risks of inability to comply with the Saudization requirements:**

The government, in the recent years, imposed a requirement on private sector companies according to which, every company shall employ a specific percentage of Saudi citizens (Saudization). It is now obligatory to comply with the Saudization (Nationalization) requirements. Under the circular issued by the Ministry of Labour, dated 01/05/1423H (corresponding to 10/08/2002G), the Company must obtain a Saudization certificate from the Ministry. The Ministry of Labour may impose more stringent Saudization policies in the future. There is no guarantee that the Ministry of Labour and Social Development will not impose higher financial penalties, or more stringent regulations, and there is also no guarantee that there will be no decline in the number of qualified Saudi personnel in the Company. This will adversely affect the Company's business and its financial and operational performance, and consequently have a negative impact on the Company's ability to meet its obligations and request government loans, its financial performance and ability to employ an additional number of required expatriate personnel in the event of non-compliance with the Saudization policies and rates as issued and enforced by the Ministry of Labour. In addition, non-compliance by the Company with the Saudization policies and rates will affect its ability to employ a sufficient number of non-Saudis to work in its new projects, consequently affecting adversely the Company's ability to run these projects as well as affecting its profitability and financial results.

8. **Risks relating to expatriate staff:**

The government has taken measures and procedures to regulate employment of expatriate personnel in line with the Labour Law and residency regulations, through which it seeks to take measures against companies and expatriate personnel who are not working with their sponsoring employer or carrying out works that do not match the job titles in their Iqamas. The government has also imposed a fine between SAR 2000 and SAR 5000 against each employee violating such requirement, in line with the Entities Inspection Manual issued by the Ministry of Labour. The Company's activity and business results will be adversely affected if fines or penalties are imposed as a result of non-compliance with the applicable laws and instructions.

9. **Proceedings and Litigation:**

The group, in the normal course of business, may be subject to proceedings and litigations related to its operations. The Company cannot guarantee that no dispute will occur when dealing with other parties, such as suppliers, dealers and clients. This may result in proceedings instituted with authorities of competent jurisdiction. As a result, the group may be subject to judicial proceedings filed to judicial and quasi-judicial committees. Naturally, the Company can neither anticipate the results of such proceedings once filed nor can it guarantee that its business, financial condition and results of operations would not be adversely affected by these proceedings. The group cannot anticipate accurately the cost of such proceedings, which may be filed by or against the Company, the final results of proceedings or verdicts, including compensations and penalties. Consequently, the Company will be adversely affected by any negative results for such proceedings.

10. **Risks relating to agreements which are subject to foreign laws and jurisdiction of foreign courts or international arbitration:**

The group, in the normal course of business, concluded a number of agreements under foreign law. These agreements stipulate that disputes arising thereof shall be referred to foreign courts or foreign arbitration for settlement. Disputes may arise with any contracted party and a foreign verdict or arbitration resolution may be issued against the Company or its subsidiaries based on an applicable foreign law. The legal and financial consequences on the Company, which result from such verdict, may be bigger than if such verdict has been issued by a Saudi court in line with the Saudi law. This would adversely affect the results of the Company operations and financial condition.

Second: Company's policy in managing and controlling risks

a. The risk management and compliance control function is important. Since the Board of Directors and its committees are aware of the importance of this function, the Board, through the Executive Committee, has approved the establishment of the Risks and Compliance and Legal Affairs Department as part of the Investor Relations and Legal affairs Department. The necessary policies and procedures for the Risks Management and Compliance Control Department were approved by the Board of Directors.

b. The Risks and Compliance Department develops the necessary plans and procedures to apply the risk management and compliance control process in the Company. The said plans have been approved by the Board of Directors.

c. Through its professional specialized team, Risks and Compliance Department manages risk in the Company through identifying these risks, assessing the means of controlling, monitoring and reporting them. This is in addition to monitoring the extent to which the Company and its subsidiaries are in compliance with the laws, regulations and instructions issued by the various regulatory authorities in the places where the Company practices its activity. The team also reports to the authorities the business results of the Risks Management and Compliance Control Department.

d. Risks and Compliance Department verifies the application of various policies where any negligence would lead to a violation of specific law or instructions. These policies include, but are not limited to, the conflict of interest's policy, reporting policy and fraud and professional conduct policy.

e. The Company, on a continuous basis, takes necessary steps to control any risks of non-compliance with the laws and regulations. It also takes the necessary corrective measures for risks classified as high or medium risks stated in the general risks registry, in order to mitigate the negative impact which might result.

f. Coordination is in place between the Risks and Compliance Department and Internal Control in relation to the risks stated in the internal audit report.

g. The policy of the Risks and Compliance Control Department is an integral part of the governance system in the Company. In December 2016G, the General Meeting of the Company approved the updated governance regulations in its third version which included, in addition to risk management and compliance control policy, the following policies and regulations:

1. Internal audit guide
2. Disclosure policy
3. Reporting policy and procedures
4. Conflict of interests policy
5. Anti-fraud policy and procedure
6. Code of Conduct and relationship with stakeholders manual

(4) Company's Assets, Liabilities and Results of Operations for the last 5 years

Takween Advanced Industries, a Saudi Joint Stock Company – Listed under Ministerial Resolution No. 391/Q, dated 28/12/1431H (corresponding to 04/12/2010G). The Company was listed on the Tadwul in February 2012G. Following is the statement of assets and liabilities and financial results for the last 5 years:

Statement of Consolidated Income
Statement of Consolidated Income of the Company for the 5 years (2012-2016)

SAR'000	2012	2013	2014	2015	2016
Sales	669,656	731,022	767,679	1,718,467	1,415,596
Cost of Sales	(546,999)	(635,711)	(646,389)	(1,538,853)	(1,229,608)
Total Profit	122,657	95,311	121,290	179,614	185,988
G&A Expenses	(21,515)	(28,066)	(42,278)	(91,585)	(107,290)
S&M Expenses	(15,894)	(20,038)	(19,472)	(72,220)	(51,987)
Research and related expenses	(486)	(570)	(2,682)	(2,116)	(1,113)
Operating profit	84,762	46,637	56,858	13,693	25,598
Financing expenses	(8,689)	(12,615)	(15,221)	(49,237)	(68,748)
Income realized from investments held for trade	-	14,032	10,086	14,165	-
Income not realized from investments held for trade	-	4,921	9,471	-	-
Other (expenses) revenues, net	1,265	(5,628)	337	(1,856)	(12,136)
Net profit (loss) before Zakat	77,338	47,347	61,531	(23,235)	(55,286)
Zakat	(2,021)	(2,960)	(6,208)	(3,887)	(2,004)
Net (loss) profit	75,317	44,387	55,323	(27,122)	(57,290)

Statement of Consolidated Income
Statement of Consolidated Income of the Company for the 5 years (2012-2016)

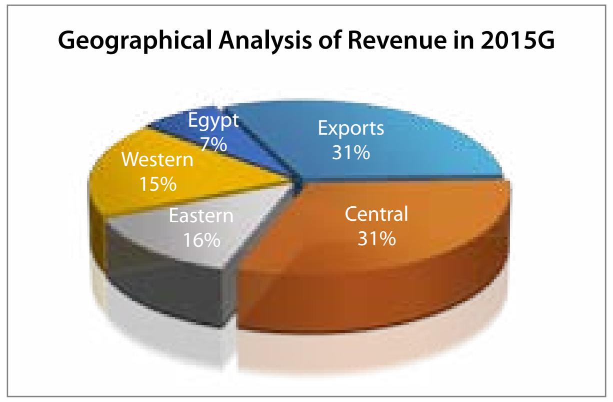
SAR'000	31/12/2012	31/12/2013	31/12/2014	31/12/2015	31/12/2016
Assets					
Current assets					
Cash and cash equivalents	46,084	66,963	31,037	106,794	43,269
Investments held for trading	-	4,812	56,291	-	-
Receivables, net	176,227	199,536	217,560	412,732	343,835
Inventory, net	192,192	188,079	275,178	456,705	332,312
Prepayments and other current assets	28,212	40,251	46,893	114,891	77,777
Total current asset	442,715	499,641	626,959	1,091,122	797,193
Non-current assets					
Fixed assets	411,851	560,014	630,396	1,212,975	1,207,616
Intangible assets	10,141	11,141	11,509	347,751	337,414
Total Non-current assets	421,992	571,155	641,905	1,560,726	1,545,030
Total assets	864,707	1,070,796	1,268,864	2,651,848	2,342,223
Liabilities					
current Liabilities					
Short-term loans	192,362	469,845	508,494	811,686	610,452
Current portion of medium and long-term loans	55,983	10,725	10,775	217,617	83,502
Receivables and other liabilities	119,238	39,655	129,996	329,940	239,339
Accrued Zakat	3,646	3,891	7,912	14,667	10,458
Total current Liabilities	371,229	524,116	657,177	1,373,910	943,751
Non-current Liabilities					
Medium and long-term loans	64,470	87,035	113,205	781,992	424,804
End of service benefits	6,236	7,486	9,900	40,925	36,867
Total non- current Liabilities	70,706	94,521	123,105	822,917	461,671
Total Liabilities	441,935	618,637	780,282	2,196,827	1,405,422
Shareholders' equity					
Capital	300,000	350,000	350,000	350,000	950,000
Legal reserve	19,448	23,887	29,419	29,419	14,037
Retained earnings	103,324	78,272	109,163	82,041	24,751
Provision for translation of foreign currencies	-	-	-	-6,439	-51,987
Total shareholders' equity	422,772	452,159	488,582	455,021	936,801
Total liabilities and shareholders' equity	864,707	1,070,796	1,268,864	2,651,848	2,342,223

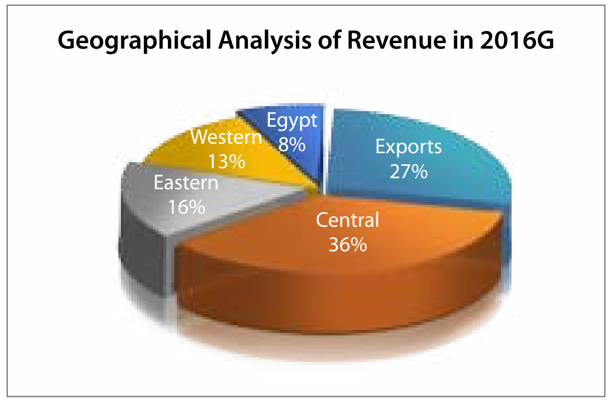
(5) Geographical Analysis of Total Revenues for the Company and its Subsidiaries:

a) 2016 Total Sales of the Company and its Subsidiaries (SAR 000)

Products	Year	Total Sales	Geographical Distribution				
			Eastern Region	Central Region	Western Region	Egypt	Export
Plastic Packing and Packaging Product, Health, Medical and PET Preform Products	2016	1,424,335	179,104	514,419	229,534	115,066	386,212
	2015	1,718,467	229,396	525,614	316,250	115,901	531,307

b) Diagram of Company Sales Analysis





(6) Material differences of operating results compared to last year's results or any forecasts announced by the Company

Operating Results 2016 compared with last year (SAR 000)

SAR'000	2015G	2014G	Change (±)	Change %
Sales	1,718,467	1,415,596	-302,871	-17,62%
Cost of Sales	(1,538,8530)	(1,229,608)	-309,245	-20,10%
Total Profit	179,614	185,988	6,374	+3,43%
G&A Expenses	(91,585)	(107,290)	15,705	+17,15%
S&M Expenses	(72,220)	(51,987)	-20,233	-2802%
Research and related expenses	(2,116)	(1,113)	-1,003	-90,12%
Operating profit	13,693	25,598	11,905	+86,94%
Financial Expenses	(49,237)	(68,748)	19,511	+39,63%
Other (expenses) revenues, net	(12,309)	(12,136)	-173	-1,43%
Net profit (loss) before Zakat	(23,235)	(55,286)	32,051	+57,97%
Zakat	(3,887)	(2,004)	-1,883	-93,96%
Net Profit (Loss)	(27,122)	(57,290)	30,168	+52,66%

The most important reasons of operating results variation from last year

1) Increase in net loss during the current year compared to net loss in the previous year is due to an increase in general and administrative expenses, financing charges and write offs of intangible assets to cope with applying international accounting standards, as well as registering the re-evaluation transactions of the Egyptian Pound after the flotation decision, despite a decrease in sales costs which contributed to increasing the total profits by 3.55% and the decrease of R&D expenses, which resulted in increasing the operating profits by 86.94%.

2) Total sales for the year ended on 31 December 2016G stood at SAR 1,415 million compared to SAR 1,718 million for the same period last year, down by 17% due to a decrease of raw material prices, which resulted in decreasing the Company's product prices according to contractual obligations.

3) Total shareholders' equity (net of minority interests) as at 31 December 2010G stood at SAR 936.8 million compared to SAR 455 million as at 31 December 2015G, up by 105.8%, as a result of increasing the Company capital from SAR 350 million to SAR 950 million, as approved by the Company's Extra-ordinary Shareholders Meeting on 21/09/2016G.

5) Loss per share was calculated based on the raising of capital approved by the Extra-ordinary General Meeting held on 21/09/2016G from SAR 350 million to SAR 950 million shares. The loss for this period was calculated by dividing the net loss of SAR 57,240,000 by the number of shares (i.e. 490,052,740), for the corresponding period last year by dividing the net loss of SAR 27,122,000 by the number shares (i.e. 38,150,000).

(7) Clarification of any deviation from Saudi Organization for Certified Public Accountants (SCOPA) Standards

There is no difference in the procedures of preparing the Company's financial statements from the accounting standards approved by the Saudi Organization for Certified Public Accountants. The Company has committed to prepare the financial statements for the year ended 31/12/2016 according to the approved standards.

(8) Subsidiaries and their capital, ownership percentage, main activity, business and place of operations and place of Incorporation:

Takween has five subsidiaries as follows:

Subsidiary Name	Subsidiary Capital (SR million)	Ownership %		Principal Business	Main Location	Country of Incorporation
		2015G	2016G			
PET Plant (Ultrapak Manufacturing Company Limited)	25	99%	99%	Production of PET Preforms	KSA- Jeddah	KSA- Jeddah
Advanced Fabrics Factory Company (SAAF) Rabigh Branch	131.8	99%	99%	Production of polypropylene non-woven fabrics	KSA- Al Ahsa with branch in Rabigh	KSA- Al Ahsa with branch in Rabigh
Saudi Plastic Packaging Systems (Plastico)	342.4	99%	99%	Production of all plastic bottles, lids and sheet rolls	KSA- Jeddah/ Al Ahsa/ Jeddah/ Riyadh	KSA- Jeddah
Al-Sharq Plastic Industries	1.7	99%	99%	Production of polyethylene bags and rolls; single use polystyrene cups, packs and plates; jerry cans, packs, barrels, heavy duty bags, buckets, dustbins and plastic boxes	KSA- Riyadh	KSA- Riyadh
New Marina Plastic Industries	30 million Egyptian Pounds	99%	99%	Production of all plastic Packs and PET preform	Egypt - Alexandria	Egypt – Alexandria

(9) Details of shares and issued debt instruments to every subsidiary:

In the fiscal year 2016G, Takween subsidiaries did not issue any issues, shares or debt instruments in Saudi Arabia.

The subsequent events of 2016G related to the share issues of the Egyptian subsidiary, New Marina Plastic Industries Company, where the Company Board of Directors approved its capital increase on 15 February 2017G from EP 30 million to EP 90 million, is considered to have been fully paid at 100% of the cash increase being 60,000,000 (sixty million Egyptian Pounds) paid by the shareholder of Takween Company from the shareholder's credit account balance according to the audited balance sheet of New Marina as at 31/12/2016G as well as the auditor's certificate and approval of the economic performance follow-up division in the General Authority of Investment issued in this regard and approval of the competent Egyptian authorities.

(10) Description of the Company's Dividend Distribution Policy

Articles 46 and 47 of the Company's Articles of Association stipulate as follows:

a. The company's net annual profits shall be distributed net of any general expenses and other costs in the following manner:

1. Set aside 10% of the net profits to form a statutory reserve, and the Ordinary General Meeting may stop such provisioning should the said reserve reach 30% of the paid up capital.
2. From the remaining amount and after a resolution by the General Meeting approving to distribute dividends, first payment, equivalent to no less than (2.5%) of the paid-up capital, shall be distributed to shareholders.
3. A percent of 10% of the net profit shall be paid as a bonus to members of the Board of Directors after deduction of the reserves approved by the General Meeting and after the distribution of a dividend to shareholders of at least 5% of the paid up capital of the company. The eligibility of this remuneration shall be proportional to the number of meetings attended by the member. In all cases, the total amount paid to any Board member (including bonus and financial and in-kind benefits) shall not exceed five hundred thousand Saudi Riyals.
4. The company may set aside a certain percentage of the net profits as an additional reserve for purposes approved by the General Meeting.
5. The General Meeting may deduct from the net profit amounts to create social institutions for the Company staff or to help what may exist of such institutions.

b. Dividends, decided to be distributed, shall be paid to shareholders in the place and time specified by the Board of Directors, in accordance with the instructions of the Ministry of Commerce and Investment and CMA.

(11) Description of any interest in the class of shares that is eligible to vote and belongs to persons (other than members of the Company's Board of Directors and senior executives and their relatives) who have informed the Company of such rights under Article (45) of the Registration and Listing Rules and any change to those rights during the last fiscal year.

None during the year 2016G.

(12) Description of any interest, contractual securities and subscription rights belonging to members of the Board of Directors and senior executives and their relatives in the shares or debt instruments of the Company or any of its subsidiaries and any change to such interest or rights during the last fiscal year.

The following table shows the number of shares held by the Company's Board members, senior executives and their relatives:

Board Members and Senior Executives						
Name	No. of shares held at the beginning of the year	Percentage of holding at the beginning of the year	Net change during the year	Percentage of change during the year	Number of shares held at year end	Percentage of shares held at the year end
1. Abdullah Bin Mohammed Al-Othman	1000	0.0029%	6,953,548	695345%	6,954,548	7.32%
2. Abdulmohsen Bin Mohammed Al-Othman	10,000	0.029%		57285%	5,738,548	6.04%
3. Khalid Bin Abdulrahman Al-Rajhi	837,434	2.393%	-	-	837,434	0.88%
4. Georges Antonios Abraham	1,166	0.003%	-	-	1,166	0.00%
5. Dr. Sulaiman Bin Abdulaziz Saleh Al Tuwaijri	1,000	0.0029%	-	-	1,000	0.00%
6. Abdulaziz Bin Saleh Al Rebdi His directorship expired on 21/11/2016	1,166	0.003%	-	-	1,166	0.00%
7. Moussa Bin Abdulmohsen Al Moussa His directorship expired on 21/11/2016	1,996	0.0057%	1,495	74.90%	3,491	0.00%
8. Jamil Bin Abdullah Al- Mulhem His directorship commenced on 22/11/2016	-	-	2,500	0.002632	2,500	0.00%
9. Khalid Bin Nasser Al-Moammar His directorship commenced on 22/11/2016	-	-	1,000	0.001053	1,000	0.00%

a) The number of the Company shares as at the beginning of the period 01/01/2016G stood at 35,000,000 shares (thirty five million shares).

b) The number of shares at the end of the period 31/12/2016G amounted to 95,000,000 shares (95 million shares).

c) Except as stated above, there are no interest, contractual securities or subscription rights that belong to Board members and senior executives and their relatives in shares or debt instruments either of the Company or any of its subsidiaries.

(13) Information relating to any Company loans (whether payable on demand or otherwise) and a statement of the total indebtedness of the Company and its subsidiaries and any amounts paid by the Company in settlement of loans during the year:

First: Outstanding Loans as at 31/12/2016G (SAR millions)

Loan Provider	Loan Date	Loan Period	Principal Amount		First Installment Date	Last Installment Date	Loan Balance as at January 2015G	Receive from the Loan in 2015G	Paid in 2015G	Loan Balance as at December 2015G
			Short Term	Long/Medium Term						
Local Commercial Banks Short- Term loans and Bridge Loans	Jan-16	a year or less	2,112.4	-	-	-	498.3	2,112.4	1,799	811.7
Local Commercial Banks Long-Term and Medium Term Loans	Mar-15	seven years	-	879.5	31/3/2016G	March 2022G	-	879.5	-	879.5
Saudi Industrial Development Fund (SIDF) Takween	Jun-10	six years	-	29.2	Jan-10	May-16	7.8	-	5.3	2.5
SIDF Ultrapak	Dec-12	seven years	-	23.95	Dec-13	Oct-19	12.6	-	2.9	9.6
SIDF SAAF	Jan – 13	seven years	-	125.7	July-15	Nov-21	113.1	12.6	2.5	123.2

Second: Clarification of loans and facilities obtained by Takween:

Syndicated loan from the Arab National Bank and other banks:

1. On 20/05/1436H (corresponding to 11/03/2015), the Company obtained an Islamic syndicated loan in the form of Murabaha compliant with Islamic Shari'ah from three banks:
   - The Arab National Bank (the main bank on behalf of the participants in the Murabaha Facility) ("Arab Bank")
   - Samba Financial Group ("Samba")
   - Al Bilad Bank
2. The maximum amount of these facilities amounted to SAR 1,300,000,000 (SAR one billion and three hundred million Saudi Riyals), where the loan was used for the following purposes:
   - The amount of SAR 910,000,000 (nine hundred and ten million Saudi Riyals) was used to finance the acquisition of Plastico (and its subsidiaries, Al Sharq Company and New Marina). The amount has been divided among banks according to the following:
     - Arab Bank: SAR 305,000,000 (three hundred and five million Saudi Riyals).
     - Samba: SAR 305,000,000 (three hundred and five million Saudi Riyals).
     - Al Bilad Bank: SAR 30,000,000 (three hundred million Saudi Riyals).
   - An amount of SAR 390,000,000 (three hundred and ninety million Saudi Riyals) was used to fund the working capital of the Company. The amount has been divided among banks according to the following:
     - Arab National Bank: SAR 195 million (one hundred and ninety-five million Saudi Riyals).
     - Samba: SAR 195 million (one hundred and ninety-five million Saudi Riyals).
3. Based on the Murabaha contract, Al-Othman Holding Company has provided a security to cover the value of this loan to guarantee repayment. In addition, the following mortgages have been registered on the Group in the Kingdom at the Unified Center for Registration of Mortgages in the General Investment Authority according to the following table:

Mortgages registered with the Unified Mortgage Registration Center of the Murabaha Syndicated Loan

The mortgagee	Mortgage	Mortgage registration number	Registration date	Description of mortgage
Arab Bank	Takween	487	28/04/2015G	Mortgaged the proceeds of Takween on the basis of assignment and proceeds mortgage contract concluded on 11/03/2015G
Arab Bank	Takween	485	28/04/2015G	Transfer the Company proceeds of the sale contract between Takween and Al-Othman Production and Agricultural Processing Company (Nada).
Arab Bank	Takween	522	01/09/2015G	Pledge (33,897,600) shares owned by Takween in the capital of Plastico based on the mortgage agreement signed concluded on 05/05/2015G.
Arab Bank	SAAF	523	01/09/2015G	Pledge (342,400) shares owned by SAAF in Plastico based on the mortgage agreement signed concluded on 05/05/2015.
Arab Bank	SAAF	477	26/04/2015G	Mortgage the proceed accounts to SAAF on the basis of the assignment and proceeds mortgage contract concluded on 11/03/2015G.
Arab Bank	Al Sharq	571	27/08/2015G	Mortgage the proceed accounts to Al Sharq Plastic Co. on the basis of the assignment and proceeds mortgage contract concluded on 05/05/2015G.
Arab Bank	Ultrapak	486	26/04/2015 26/04/2015G	Mortgage the proceed accounts to Ultrapak on the basis of the assignment and proceeds mortgage contract concluded on 11/03/2015G.
Arab Bank	Plastico	570	27/08/2015 27/08/2015G	Mortgage the proceed accounts Plastico on the basis of the assignment and proceeds mortgage contract concluded on 05/05/2015G.
Arab Bank	Plastico	578	20/10/2015 20/10/2015G	Transfer the proceeds of Plastico's supply contracts based on the contract transfer agreement concluded on 05/05/2015G.

4. Pursuant to the Murabaha loan, an investment agency contract has been signed. Takween has appointed the Arab National Bank as investment agent to act on its behalf to purchase specific commodities in line with the Murabaha contract. The Arab National Bank has also been appointed as an agent to act on behalf of Samba and Bank Al-Bilad in the selling of commodities.
5. The duration of the contract is seven years and the loan will be repaid in twelve instalments, the first of which will be due one year after the date of signature. The Company repaid the first installment in the amount of SAR 45,000,000 (forty five million Saudi Riyals) in March 2016G. Under the syndicated Murabaha contract, the Company has undertaken to:
   - Register the mortgages in the Unified Mortgage Registration Center in the Saudi General Investment Authority.
   - Report to the Arab National Bank any amendments to the Company Articles of Association and commercial registration.
   - Report to the Arab National Bank any violation or breach of the undertakings and confirmations approved by the Company in the signed contracts. In the event of any violation, the Company must submit a time plan to correct the situation.
   - Al-Othman Holding Company and Abdulrahman Saleh Al Rajhi Company and Partners Limited shall jointly maintain no less than 51% of Takween capital.
   - Mohammed Abdullah Al-Othman, Abdullah Mohammed Al-Othman and Abdulmohsen Mohammed Al-Othman shall maintain no less than 51% of the capital shares of Al-Othman Holding Company (Takween guarantor).
6. The Company shareholders General Meeting held on 10/05/1436H (corresponding to 01/03/2015G) approved these facilities and the results were declared on the Tadawul site on 11/05/1436H (corresponding to 02/03/2015G).
7. The Company will use the net offering proceeds to repay in full or in part the remaining amount, which is related to the syndicated Murabaha loan, in order to reach the ideal capital structure for the Company. Based on the date of repayment of advance payment, the Company will be allowed to request redemption of the value of profits due for the bank per the payment schedule, which arises from the loan to be paid in advance by the Company. Advance payments will be deducted from the total value of the loan divided into 1) financing facilities for the acquisition of Plastico and its subsidiaries and 2) financing of the general working capital. The Company will not incur any fines due to repayment of advance payments.

Third: Explanation of the use of capital increase to reduce Company indebtedness

In light of the rights issue offering the amount of SAR 600 million during the last quarter of 2016G, and having deducted the issue expenses, the Company repaid the amount of SAR 581.5 million (five hundred and eighty one million and five hundred thousand Saudi Riyals) to the crediting banks until the end of December 2016G. This reduced the Company indebtedness by the value of the net rights issue, as declared by the Company in the Board's declaration of approval to increase the capital via the offering of a rights issue.

Fourth: Explanation of the Industrial Development Fund loans obtained by Takween:

a. Industrial Development Fund Loan No. (1301)

On 17/11/1428H (corresponding to 27/11/2007G), the Company concluded a loan agreement with the Industrial Development Fund to the amount of SAR 43,811,000 (forty three million and eight hundred and eleven thousand Saudi Riyals) to expand its factory in Al Ahsa to produce plastic closures and plastic and packaging products. Later, IDF agreed to increase the loan to SAR 60,335,000 (sixty million and three hundred and thirty five thousand Saudi

Riyals), of which the Company repaid an amount of SAR 33,335,000 (thirty three million and three hundred and thirty five thousand Saudi Riyals), with the outstanding unrepaid balance amounting to SAR 27,000,000 (twenty seven million Saudi Riyals) as at 26/7/1432H (corresponding to 28/06/2011G) when the Company and IDF signed the time schedule for the instalments to the value of the remaining balance. The loan was repaid in full and the last installment was due during the year 2016G.

b. Industrial Development Fund Loan No. (2471)

On 11/11/1434H (corresponding to 17/09/2013G), SAAF concluded a loan agreement with the Industrial Development Fund to the amount of SAR 125,700,000 (one hundred and twenty five million and seven hundred thousand Saudi Riyals) to construct a factory in Rabigh to produce non-woven fabrics. The most important terms of this agreement are summarized below:

Terms of the Industrial Development Fund Loan Agreement with SAAF

Description	Detail
Total Facilities	SAR 125,000,700 (one hundred and twenty five million and seven hundred thousand Saudi Riyals)
Availability Period	29/12/1435H (corresponding to 24/10/2014G)
Special Terms	• The private equity capital share shall not be less than 25% of the project cost upon disbursement of any payment from the loan amount. • Submitting an industrial license specifying the actual production capacity of the project, ownership structure and the legal entity prior to disbursement of any payment from loan amount • Submitting a marketing plan including exportation, and which shall be accepted by the relevant officers in the IDF prior to disbursement of any loan payment. • Neither the legal form of the Company nor the capital ownership shall be amended without the consent of the IDF. • Compliance with the safety and risk prevention recommendations and the requirements of environmental protection in a manner acceptable to the IDF prior to disbursement of the last fifth (20%) of the loan value. • Making an inventory for all SAAF assets and preparing a list of assets including type, description, number and origin and shall be signed by SAAF and the credit specialist in the IDF prior to disbursement of the last fifth (20%) of the loan amount.

c. Industrial Development Fund Loan No. (2089)

On 25/11/1429H (corresponding to 26/11/2008G), Ultrapak concluded a loan agreement with the Industrial Development Fund to the amount of SAR 12,850,000 (twelve million and eight hundred and fifty thousand Saudi Riyals) to expand its existing factory in Jeddah for the production of PET Preform. Later, the IDF approved an increase of the loan to SAR 26,750,000 (twenty six million and seven hundred and fifty thousand Saudi Riyals), of which the Company repaid SAR 4,850,000 (four million and eight hundred and fifty thousand Saudi Riyals), with the outstanding balance amounting to SAR 21,900,000 (twenty one million and nine hundred thousand Saudi Riyals) until 12/02/1434H (corresponding to 25/12/2012G), when Ultrapak and the Industrial Development Fund signed the time schedule of the instalments to the value of the remaining balance. The most important terms of the agreement are summarized as follows:

Terms of the Industrial Development Fund Loan Agreement with Ultrapak

Description	Detail
Total Facilities	SAR 26,750,000 (twenty six million and seven hundred and fifty thousand Saudi Riyals)
Availability Period	29/06/1434H (corresponding to 09/05/2013G)
Special Terms	• Compliance with the industrial safety and prevention of risks and the General Authority of Meteorology and Environment Protection requirements prior to disbursement of the last loan payment. • Making inventory for all Ultrapak assets and preparing a list of assets including type, description, number and origin and shall be signed by Ultrapak and the credit specialist in the IDF prior to disbursement of the last fifth (20%) of the loan.

(14) Description of the categories and numbers of any convertible debt instruments and any contractual securities, subscription right memoranda or similar rights issued or granted by the Company during the financial year ended 31.12.2016G with an explanation of any compensation obtained by the Company in return.

Except as disclosed by the Company, the Company did not grant or issue, during 2016G, any convertible debt instruments, any contractual securities, notes of rights of subscription or similar rights, and the Company has not received any compensation for that.

(15) Description of any conversion or subscription rights under convertible debt instruments, contractual securities, memoranda of rights to subscribe or similar rights issued or granted by the Company.

Except as stated by the Company, the Company did not grant or issue, during 2016G, any convertible debt instruments, any contractual securities, warrants, rights or similar rights.

(16) Description of any redemption, purchase or revocation made by the Company for any redeemable debt instruments, and the value of remaining securities with distinction between the listed securities purchased by the Company and those purchased by its subsidiaries

There are no redemptions, purchases or cancellations by the Company or its subsidiaries for any redeemable debt instruments during 2016G.

(17) Number of Board meetings during the year 2016G and attendance record of every meeting outlining the names of attendees

The Board of Directors held four (4) sessions during 2016G. The Board adopted a number of resolutions, according to paragraph 2 of Article 23 of the Company's Articles of Association, including approval of the financial statements. The following table shows the attendance at Board Meetings:

Members of the Board	1st meeting 16/02/2016	2nd meeting 07/04/2016	3rd meeting 21/09/2016	4th meeting 22/11/2016	Attendance Percentage
1. Abdullah Bin Mohammed Al-Othman	☑	☑	☑	☑	100%
2. Abdulmohsen Bin Mohammed Al-Othman	☑	☑	☑	☑	100%
3. Khalid Bin Abdulrahman Al-Rajhi	☑	☑	☑	☑	100%
4. Georges Antonios Abraham	☑	☑	☒	☒	50%
5. Dr. Sulaiman Bin Abdulaziz Saleh Al Tuwaijri	☑	☑	☑	☑	100%
6. Abdulaziz Bin Saleh Al Rebdi His directorship expired on 21/11/2016	☑	☒	☒	-	33%
7. Moussa Bin Abdulmohsen Al Moussa His directorship expired on 21/11/2016	☑	☑	☑	-	100%
8. Jamil Bin Abdullah Al-Mulhem His directorship commenced on 22/11/2016	-	-	-	☑	100%
9. Khalid Bin Nasser Al- Moammar His directorship commenced on 22/11/2016	-	-	-	☑	100%

☑ Attended ☒ Did not attend

- On of 07/04/2016G, the 6th General Meeting voted on the election of the members of the Board of Directors for the third tenure starting from 22/11/2016G for a period of three years. Two new members joined the Board: Mr. Jamil Abdullah Al-Mulhem and Mr. Khalid Nasser Al-Moammar. Mr. Abdulaziz Bin Saleh Al Rebdi and Moussa Bin Abdulmohsen Al Moussa left the board.

(18) Description of any transaction between the Company and a related party

Following is a description of the approved transactions with related parties in which the Company is a party and on which the auditor reported to the Fifth Ordinary General Meeting held on 07/04/2106G in accordance with article 71 of the Companies Regulations. These contracts are approved and renewed annually by the General Assembly.

Table of transactions between the Company and its related party

Contracted party	Related party	Transaction type	Contracts and transactions period	Total contracts	Paid during 2016	Balance on 31/12/2016
Al-Othman Agricultural Production & Processing Co. (Nada)	A subsidiary of Al-Othman Holding Company, A significant shareholder of the Company	Bottles and packages purchase agreement	Starting on: 07/12/2012G Expiry date: 31/12/2018G	72,200,000 (Company revenues)	104,936,000	11,855,000
Strategic Business Solution Systems (SSBS)	A subsidiary of Al-Othman Holding Company, a significant shareholder of the Company	Technical Services Management Contract	Starting on: 01/01/2013G Expiry date: 31/12/2018G	6,800,000	4,973,000	-
Al-Othman Agricultural Production & Processing Co. (Nada)	A subsidiary of Al-Othman Holding Company, a significant shareholder of the Company	Lease agreement for staff accommodation and general support and maintenance services	Starting on: 05/03/2013G Expiry date: 04/03/2017G This agreement is renewed annually by agreement between parties	3,700,000		429,000
Property Security Corporation for Security Guards	Abdullah Mohammed Al-Othman, owner of the Property Security Corporation for Security Guards, is the Chairman of the Board of Directors of Takween	Security Services Agreement	Starting on: 01/01/2013G Expiry date: 29/09/2016G This agreement is renewed annually by agreement between parties	486,000	486,000	-
Mohammed Abdullah Al-Othman	Mohammed Abdullah Al-Othman is a partner in Al-Othman Holding, a significant shareholder in Takween	Land Lease Agreement for Takween plastic packaging plant	Starting on: 01/04/2005G Expiry date: 04/02/2025G	99,400	29,000	70,400
Mohammed Abdullah Al-Othman	Mohammed Abdullah Al-Othman, a partner in Mohammed Al-Othman Holding, a major shareholder in Takween	Land lease agreement for SAAF plant in Al-Ahsa	Starting on: 01/04/2005G Expiry date: 04/02/2025G	50,000	500,000	-

Contracted party	Related party	Transaction type	Contracts and transactions period	Total contracts	Paid during 2016	Balance on 31/12/2016
Mohammed Al-Othman Travel and Tours (MOC)	A subsidiary of Al-Othman Holding Company, a significant shareholder of the Company	Transactions for issuance of air tickets for the use of companies and individuals	Starting on: 01/01/2012G Expiry Date: 31/12/2016G The dealing is renewed annually by agreement between parties	5,500,000	3,277,000	603,000
Mohammed Al-Othman Trading & Contracting Co	Mohammed Abdullah Al-Othman, a partner in Mohammed Al-Othman Trading and Contracting Co., is a partner in Al-Othman Holding, a major shareholder in Takween	Expansion and preparation agreement of Takween plant Al-Ahsa (Al Oyun Plant) and contracting works	Starting on: 09/02/2015G Expiry Date: 31/08/2016G	41,050,000	7,020,000	-
Abdulaziz Al-Othman & Partners Consulting Engineers	Mohammed Abdullah Al-Othman, a partner in Abdulaziz Al-Othman & Partners Consulting Engineers, is a partner in Al-Othman Holding, a significant shareholder in Takween	Engineering supervision agreement for the expansion and installation of the Takween plant in Al-Ahsa	Starting on: 07/05/2015G Expiry Date: 31/08/2016G	2,150,000	1,075,000	-
Strategic Business Solution Systems (SSBS)	A subsidiary of Al-Othman Holding Company, a significant shareholder of the Company	Purchase of IT equipment	Supply orders as per Company requests	968,000	639,000	329,000
Al-Othman Holding Company	A significant shareholder of the Company	Paying the rent of SAAF Office in China, plus other operating expenses (one-off transaction)	Starting on: 01/01/2016G Expiry Date of the contract: 31/12/2016G.	307,000	307,000	-
Al-Othman Industrial Marketing Co. (IMCO)	A subsidiary of Al-Othman Holding Company, a significant shareholder of the Company	Supply industrial supplies	Starting on: 01/01/2016G Expiry Date of the contract: 31/12/2016G.	312,000	217,000	95,000
Al-Othman Holding Company	A significant shareholder of the Company	Lease contract of Takween's head office in Al-Othman Towers.	Starting on: 01/03/2017G Expiry date: 28/02/2018G	835,000	-	

Contracted party	Related party	Transaction type	Contracts and transactions period	Total contracts	Paid during 2016	Balance on 31/12/2016
Environmental Cleaning Techniques for Environmental Consultancy and Studies	A subsidiary of Al-Othman Holding Company, a significant shareholder of the Company	Reviewing and verifying the Company's compliance with the environmental conditions and issuing a report in this regard with a view to completing the procedures for obtaining an environmental license	Starting on: 31/05/2016G Expiry date: 30/06/2016G	60,000	30,000	30,000
Environmental Cleaning Techniques for Environmental Consultancy and Studies	A subsidiary of Al-Othman Holding Company, A significant shareholder of the Company	Reviewing and verifying the Company's compliance with the environmental conditions and issuing a report in this regard with a view to completing the procedures for obtaining an environmental license.	Starting on: 11/02/2016G Expiry date: 31/03/2016G	64,000	54,000	10,000

It is worth mentioning that such transactions and contracts with related parties do not have a material effect on the Company profits. The Company confirms as at the date of this report that there are no agreements or transactions with related parties not mentioned in this report, and there are no discussions or negotiations with related parties concerning any new or prospective agreements and transaction not mentioned in this report. The Company further confirms that it has no intention of cancelling or modifying any agreements or transactions with related parties contained in this report. The Company and its Board members confirm that all transactions with related parties have been made on a legal and at an arm's-length basis, and no such a party has received any preferential treatment. All transactions and contracts between the Company and its related parties have been forwarded to the General Meeting on 19/6/1437H (07/04/2016G) for approval according to the requirement of item (a), Article 18 of the Corporate Governance Regulations, Corresponding to Article 72 of the companies Regulations. The Company did not list any related party transactions or contracts on the agenda of Shareholders' Annual Meeting.

(19) Information related to any works and contracts in which the Company is a party, and in which a Company's Board member or the Chief Executive Officer or the Chief Financial Officer, or any person relating to any of them has an interest, including the names of the parties concerned with the works or contracts , nature of business or contract, as well as its conditions, period and amount.

The Company has entered into a series of contracts and transactions with parties in which there has been an interest for some of the Board members. The following table shows the value of transactions and the total contracts signed between the Company and those parties.

Transactions of Board members, senior executives and stakeholders

Contracted party	Related party	Transaction type	Contracts and transactions period	Total contracts	Name of board member, executive, stakeholder
Al-Othman Agricultural Production & Processing Co. (Nada)	A subsidiary of Al-Othman Holding Company, a significant shareholder of the Company	Bottles and packages purchase agreement	Starting on: 07/12/2012G Expiry date: 31/12/2018G	72,000,000 (Company revenues)	Abdullah Bin Mohammed Al-Othman - Chairman Abdulmohsen Bin Mohammed Al-Othman member & MD
Strategic Business Solution Systems (SSBS)	A subsidiary of Al-Othman Holding Company, a significant shareholder of the Company	Technical Services Management Contract	Starting on: 01/01/2013G Expiry date: 31/12/2018G	6,800,000	Abdullah Bin Mohammed Al-Othman - Chairman Abdulmohsen Bin Mohammed Al-Othman member & MD
Al-Othman Agricultural Production & Processing Co. (Nada)	A subsidiary of Al-Othman Holding Company, a significant shareholder of the Company	Lease agreement for staff accommodation and general support and maintenance services	Starting on: 05/03/2013G Expiry date: 04/03/2017G (this agreement is renewed annually following its acceptance by both parties)	3,700,000	Abdullah Bin Mohammed Al-Othman - Chairman Abdulmohsen Bin Mohammed Al-Othman member & MD
Property Security Corporation for Security Guards	Abdullah Mohammed Al-Othman, owner of the Property Security Corporation for Security Guards, is the Chairman of the Board of Directors of Takween	Security Services Agreement	Starting on: 01/01/2013G Expiry date: 29/09/2016G (this agreement is renewed annually following its acceptance by both parties).	486,000	Abdullah Bin Mohammed Al-Othman - Chairman Abdulmohsen Bin Mohammed Al-Othman member & MD
Mohammed Abdullah Al-Othman	Mohammed Abdullah Al-Othman is a partner in Al-Othman Holding, a significant shareholder in Takween	Land Lease Agreement for Takween plastic packaging plant	Starting on: 01/04/2005G Expiry date: 04/02/2025G	99,400	Abdullah Bin Mohammed Al-Othman - Chairman Abdulmohsen Bin Mohammed Al-Othman member & MD
Mohammed Abdullah Al-Othman	Mohammed Abdullah Al-Othman, a partner in Mohammed Al-Othman Holding, a major shareholder in Takween	Land lease agreement for SAAF plant in Al-Ahsa	Starting on: 01/04/2005G Expiry date: 04/02/2025G	50,000	Abdullah Bin Mohammed Al-Othman - Chairman Abdulmohsen Bin Mohammed Al-Othman member & MD
Mohammed Al-Othman Travel and Tours (MOC)	A subsidiary of Al-Othman Holding Company, a significant shareholder of the Company	Transactions for issuance of air tickets for the use of companies and individuals	Starting on: 01/01/2012G Expiry date: 31/12/2016G (this agreement is renewed annually following its acceptance by both parties)	5,500,000	Abdullah Bin Mohammed Al-Othman - Chairman Abdulmohsen Bin Mohammed Al-Othman member & MD
Mohammed Al-Othman Trading & Contracting Co	Mohammed Abdullah Al-Othman, a partner in Mohammed Al-Othman Trading and Contracting Co., is a partner in Al-Othman Holding, a major shareholder in Takween	Expansion and preparation agreement of Takween plant Al-Ahsa (Al Oyun Plant) and contracting works	Starting on: 09/02/2015G Expiry date: 31/08/2016G	41,050,000	Abdullah Bin Mohammed Al-Othman - Chairman Abdulmohsen Bin Mohammed Al-Othman member & MD
Abdulaziz Al-Othman & Partners Consulting Engineers	Mohammed Abdullah Al-Othman, a partner in Abdulaziz Al-Othman & Partners Consulting Engineers, is a partner in Al-Othman Holding, a significant shareholder in Takween	Engineering supervision agreement for the expansion and installation of the Takween plant in Al-Ahsa	Starting on: 07/05/2015G Expiry date: 31/08/2016G	2,150,000	Abdullah Bin Mohammed Al-Othman - Chairman Abdulmohsen Bin Mohammed Al-Othman member & MD
Strategic Business Solution Systems (SSBS)	A subsidiary of Al-Othman Holding Company, a significant shareholder of the Company	Purchase of IT equipment	According to supply orders of the Company	968,000	Abdullah Bin Mohammed Al-Othman - Chairman Abdulmohsen Bin Mohammed Al-Othman member & MD

Contracted party	Related party	Transaction type	Contracts and transactions period	Total contracts	Name of board member, executive, stakeholder
Al-Othman Holding Company	A significant shareholder of the Company	Paying the rent of SAAF's office in China, plus other operating expenses (one-off transaction)	Starting on: 01/01/2016G Expiry date: 31/12/2016G.	307,000	Abdullah Bin Mohammed Al-Othman - Chairman Abdulmohsen Bin Mohammed Al-Othman member & MD
Al-Othman Industrial Marketing Co. (IMCO)	A subsidiary of Al-Othman Holding Company, a significant shareholder of the Company	Supply industrial supplies	Starting on: 01/01/2016G Expiry date: 31/12/2016G.	312,000	Abdullah Bin Mohammed Al-Othman - Chairman Abdulmohsen Bin Mohammed Al-Othman member & MD
Environmental Cleaning Techniques for Environmental Consultancy and Studies	A subsidiary of Al-Othman Holding Company, a significant shareholder of the Company	Reviewing and verifying the Company's compliance with the environmental conditions and issuing a report in this regard with a view to completing the procedures for obtaining an environmental license	Starting on: 31/05/2016G Expiry date: 03/06/2016G	60,000	Abdullah Bin Mohammed Al-Othman - Chairman Abdulmohsen Bin Mohammed Al-Othman member & MD
Environmental Cleaning Techniques for Environmental Consultancy and Studies	A subsidiary of Al-Othman Holding Company, a significant shareholder of the Company	Reviewing and verifying the Company's compliance with the environmental conditions and issuing a report in this regard with a view to completing the procedures for obtaining an environmental license	Starting on: 11/02/2016G Expiry date: 31/3/2016G	64,000	Abdullah Bin Mohammed Al-Othman - Chairman Abdulmohsen Bin Mohammed Al-Othman member & MD
Al-Othman Holding Company	A significant shareholder of the Company	Lease contract of Takween's head office in Al-Othman Towers	Starting on:01/03/2017G Expiry date: 28/2/2019G	835,000	Abdullah Bin Mohammed Al-Othman - Chairman Abdulmohsen Bin Mohammed Al-Othman member & MD

Except as stated above, there are currently no business dealings with any of the Company Board of Directors or senior executives, or those who hold 5% or more in the Company's shares, or any of their relatives, who have material interest directly or indirectly in such transactions. There are no powers that give any of them the right to vote on these transactions.

Under the provisions of Articles 71 and 72 of the Companies Law and in line with the policy of disclosure of conflicts of interest adopted by the Company in regulating the relationship between the Company and its Board of Directors and Senior Executives, as set forth in Article 7 of the Board of Directors' Regulation and Conflict of Interest Policy, the Board of Directors (the related parties) have informed the Board of their personal interest. In transactions executed for the Company's account. This notification has been proved in Item 11 of the Nineteenth Board of Directors' Minutes held on 15/02/2017G.

(20) Statement of any arrangements or agreement of assignment under which a Company's Board member or a senior executive has assigned any salary or remuneration.

There are no arrangements or agreement of assignment during the year 2016G.

(21) List of any arrangements or agreement of assignment under which a Company's shareholder has assigned any other rights in the dividends.

There are no arrangements or agreement of assignment during the year 2016G.

(22) Statement of the value of regular payments due for payment of any Zakat, any taxes, fees, or any other entitlements with a brief description of them and clarification of the reasons.

A. The Company has paid the following entitlements to a number of government agencies as follows:

S/N	Description	Amount in (SAR millions)	Summary and Reason
1	General Organization for Social Insurance (GOSI)	2,638	Staff subscriptions in pensions and risks per GOSI regulations
2	SIDF	11,813	Repayment of SIDF loans and loan's follow up fees calculated by SIDF
3	Saudi Stock Market –TADAWUL	663	Shareholders register service fees as well as fees for shares register report requests and Tadawul services
4	Passports/ Labour Office	1,307	Fees for staff visas and Iqamas and work permits in accordance with the established approved costs
5	GAZT	4,546	Payment under Zakat Status Settlement Account and finalizing the annual Company Zakat assessment
6	Customs Authority	2,895	Customs duties on the Company imports
	Total	23,862	

B. Zakat Status

Zakat base is calculated in accordance with the regulations in force in the Kingdom of Saudi Arabia at the end of each fiscal year and is added to the Zakat provision shown in the financial statements, from which the Company settles Zakat returns with the General Authority for Zakat and Income Tax (GAZT). The Company settled its Zakat position until the end of the fiscal year 2015G, and obtained the Zakat assessment and assessment certificate that is valid until the end of April 2017G.

C. Company outstanding objections with GAZT

Ultrapak				
GAZT	Initial Appeal Committee of Zakat and Tax in Jeddah, Objection No. 6328/22/1434H	Zakat objection	SR 996,346	Objection for Zakat assessment for 2007-2010. Ultrapak attended the discussion of the objection at the Initial Appeal Committee, and is awaiting its decision.
GAZT	Initial Appeal Committee of Zakat and Tax in Jeddah, Objection No. 24/1936/2	Zakat objection	SR 647,150	Objection for Zakat assessment for 2005-2006. No date has been set for discussing the objection.
Al Sharq Company				
GAZT	Initial Appeal Committee of Zakat and Tax in Jeddah, Objection No. 24/1936/2	Zakat objection	SR 6,501,010	Objection for Zakat assessment for 2007-2010. The discussion is underway in the Initial Appeal Committee.

D. Statement of Zakat provision until the end of 2016G

Description	Amount (SR million)
Zakat Provision Balance as at 01/01/2016G	14,667
Additions during the year 2016G	337
Payments during the year 2016G	4,546
Zakat Provision Balance on 31/12/206G	10,458

(23) A statement of investments or reserves established for the benefit of Company's employees

There are no investments or reserves established for the benefit of Company's employees during the year 2016G.

(24) The Board of Directors Declarations:

Takween's Advanced Industries Company Board declares that:

a) Proper books of account have been maintained.

b) The internal control system is sound in design and has been effectively implemented.

c) There is no significant doubt concerning the issuer's ability to continue its activities.

(25) Information that must be disclosed under Corporate Governance Regulations:

h. Provisions applicable in the Corporate Governance Regulation and non-applicable provision and reasons

- The Company is committed to applying all the Articles included in Corporate Governance Regulations issued by the CMA under Resolution No. 1-212-2006 dated 11/12/2006G , and the subsequent resolutions of mandatory implementation of a number of Articles. The Company is working to implement all provisions of the Regulations, which are in line with recently released regulations by the government agencies, including updated Companies Regulations, which came into force on 02/05/2016G and to update the Company's by-laws in conformity with the new Companies Regulations.
- The Company has also updated the disclosure policies, internal governance rules and conflict of interest policy. These were approved by the Board and general Meeting, which was held on 25/12/2016G.
- The Company is committed to applying all procedures and regulations issued by the Capital Market Authority, including the guideline procedures.

i. The names of the joint stock companies of which Takween directors are Board members:

Joint stock companies in which Board directors are Board members as of 31 December 2016G:

Members of the Board of Directors	Name and description of Company
Abdullah Bin Mohammed Al-Othman	1) Board member of the Arab Roots Group Company –closed joint stock company, engaged in the trade sector in building materials, since 2015G. 2) Vice Chairman Al-Othman Holding Company - closed joint stock company, operating in food and chemical industries and investment, since 2002G. 3) Board member of Saudi United Cooperative Insurance Company (Walaa) - joint stock company, engaged in the insurance sector, since 2007G. 4) Board member of GIB Financial Services - closed joint stock company, engaged in financial and investment services sector, since 2010G. 5) Board Member New Marina Plastic Industries Co. - Egyptian closed joint stock company, engaged in plastic products sector in Egypt, since 2015G.
Abdulmohsen Bin Mohammed Al-Othman	1) Board member of Bayan Real Estate Company - closed joint stock company, engaged in real estate investment sector, since 2009G. 2) Chairman of the board of Al Ahsa Medical Services Company - closed joint stock company, engaged in the medical services sector since 2016G. 3) Board member of Al-Othman Holding Company - closed joint stock company, operating in food and chemical industries and investment sector, since 2013G. 4) Chairman of the board of Al Salam Medical Services Company - closed joint stock company, engaged in medical and hospital services sector, since 2014G. 5) Chairman of the Board of New Marina Plastic Industries Co., Egyptian joint stock company, engaged in the plastic products sector in Egypt since 2015G.
Khaled Bin Abdulrahman Al-Rajhi	1) Board member of Al Bilad Bank - joint stock company, engaged in banking and investment business, since 2005G. 2) Chairman of the board of the Saudi Cement Company, joint stock company, engaged in the manufacture, production and marketing of all types of cement, since 2013G. 3) Board member of Saudi United Cooperative Insurance Company (Walaa) - joint stock company, engaged in the insurance sector, since 2007G.
Georges Antonios Abraham	1) Board Member of Al-Othman Holding Company - closed joint stock company, operating in food and chemical industries and investment, since 2002G. 2) Board Member of New Marina Plastic Industries Co., Egyptian joint stock company, engaged in the plastic products sector in Egypt since 2015G.
Dr. Sulaiman Bin Abdulaziz Saleh Al Tuwaijri	1) Board member of Saudi United Cooperative Insurance Company (Walaa), joint stock company, engaged in the insurance sector, since 2007G. 2) Board member of (Managing Director) of Saudi Arabian Amiantit Company, joint stock company, engaged in the pipes and reservoirs industry, since 2008G. 3) Board member of the Chemical Development Company, closed joint stock company, operating in the chemical and petrochemical industry, since 2011G. 4) Board member of the Mulkia Investment Company, closed joint stock company, engaged in financial consulting sector, since 2014G.
Abdulaziz Bin Saleh Al Rebdi His directorship expired on 21/11/2016G	1) Board member of Saudi United Cooperative Insurance Company (Walaa), joint stock company, engaged in the insurance sector, since 2007G. 2) Board of Directors Abdullah Al Othaim Markets Company, joint stock company, operating in the retail sector, since 2009G. 3) Board Member Al Hammadi Development and Investment Company, joint stock company, engaged in the health sector, since 2013G. 4) Board member of Abdu Muhsen Al Hukair Tourism and Development Group Company, joint stock company, operating in the sector of hospitality and entertainment, since 2013G. 5) Board member of Al Obaikan Glass Company, closed joint stock company, operating in glass processing since 2006G.
Moussa Bin Abdulmohsen Al Moussa His directorship expired on 21/11/2016G	Board member of the Saudi Steel Pipes Company, joint stock company, engaged in the steel pipe industry since 2013G.
Jamil Bin Abdullah Al- Mulhem His directorship commenced on 22/11/2016G	Board member of Al Hassan Ghazi Ibrahim Shaker Company, joint stock company - operating in manufacturing of all types of air conditioners (window type - Split - Central) and all complementary spare parts. Trade in wholesale and retail in air conditioners and household electric appliances, commercial and distribution agencies since 2013G.
Khalid Bin Nasser Al-Moammar His directorship commenced on 22/11/2016G	No membership in listed joint stock companies.

j. Takween Composition of the Board of Directors and classification of its members (executive/ non-executive/Independent):

Under Article 17 the Articles of Association, the Company's Board of Directors is composed of seven directors. The General Meeting elected 7 members on 4/7/2016G for the 3rd term starting from 22/11/2016G for a tenure of 3 years. The Directors are categorized as at 31/12/2016G as follows:

Composition of the Board of Directors and classification of its members		
Name	Title	Membership
1. Abdullah Bin Mohammed Al-Othman	Chairman	non-executive
2. Abdulmohsen Bin Mohammed Al-Othman	Managing Director	Executive
3. Khalid Bin Abdulrahman Al-Rajhi	Director	non-executive
4. Georges Antonios Abraham	Director	non-executive
5. Dr. Sulaiman Bin Abdulaziz Saleh Al Tuwaijri	Director	Independent
6. Abdulaziz Bin Saleh Al Rebdi His directorship expired on 21/11/2016G	Director	Independent
7. Moussa Bin Abdulmohsen Al Moussa His directorship expired on 21/11/2016G	Director	Independent
8. Jamil Bin Abdullah Al-Mulhem His directorship commenced on 22/11/2016G	Director	Independent
9. Khalid Bin Nasser al- MoammarHis directorship commenced on 22/11/2016G	Director	Independent

k. Brief description of the Board committees' authorities names, duties and responsibilities, chairmen, members and number of meetings:

The Company's Board Committees were formed, and members were re-elected for a second term as follows:

1. Executive Committee:

The Executive Committee is formed as follows:

Members of the Executive Committee	
Committee Members	Position
1. Abdulmohsen Bin Mohammed Al-Othman	Chairman
2. Georges Antonios Abraham	Member
3. Azhar Bin Medo Mohiddin Kenji	Member

Executive Committee members in the 3rd tenure, started on 22/11/2016G, are unchanged.

Competencies, powers and responsibilities of the Executive Committee and its tenure:

- Practise all powers, responsibilities and duties of the Board in the interim periods between Board's meetings.
- Discuss and make decisions on urgent matters.
- Review strategic planning operations and handling, ensure strategic plans are translated into tangible actions directed to achieve the Company's goals and review the relevant recommendations with regard to resource distribution used for strategic planning.
- Review and make recommendations on strategic plans that address operational priorities including expansion in new markets and countries or exit from current markets and countries.
- Prepare and review Board recommendations that are related to the long and short term financial goals.
- Review important financial issues and metrics, including financing suitability for Takween and its subsidiaries.
- Review and prepare Board recommendations on Company profits policy.
- Review and make recommendations to the Board of Directors with regard to the strategic decisions relating to the opportunities available to the Company, which aim to improve the quality of products and services offered by the Company and rationalize the costs related thereto.
- Periodic review of capital expenditures.
- The committee's term will expire with the existing board term.

– Committee Meetings

The Executive Committee held 7 meetings during the year which were attended by all members.

2) Audit Committee

– The Audit Committee is formed as follows:

Members of Audit Committee	
Committee Members	Position
1. Dr. Sulaiman Abdulaziz Al Tuwaijri	Chairman
2. Dr. Sulaiman Abdullah Al Sakran (not a Board member, specializing in financial and accounting affairs)	Member
3. Waleed Ibraheem Shukri (not a Board member, specializing in financial and accounting affairs)	Member

Audit Committee members in the 3rd tenure, started on 22/11/2016G, are unchanged.

Competencies, powers and responsibilities of the Audit Committee and its term:

The audit committee shall be competent in monitoring the Company's activities and ensuring the integrity and effectiveness of the reports, financial statements and internal control systems. The duties of the audit committee shall particularly include the following:

a) Financial Reports:

1) analyzing the Company's interim and annual

financial statements before presenting them to the Board and providing its opinion and recommendations thereon to ensure their integrity, fairness and transparency.

2) providing its technical opinion, at the request of the Board, regarding whether the Board's report and the Company's financial statements are fair, balanced, understandable, and contain information that allows shareholders and investors to assess the Company's financial position, performance, business model, and strategy.
3) analyzing any important or non-familiar issues contained in the financial reports; and accurately investigating any issues raised by the Company's chief financial officer or any person assuming his/her duties or the Company's compliance officer or external auditor.
4) examining the accounting estimates in respect of significant matters that are contained in the financial reports; and
5) examining the accounting policies followed by the Company and providing its opinion and recommendations to the Board thereon.

b) Internal Audit:

1) examining and reviewing the Company's internal and financial control systems and risk management system.
2) analyzing the internal audit reports and following up the implementation of the corrective measures in respect of the remarks made in such reports.
3) monitoring and overseeing the performance and activities of the internal auditor and internal audit department of the Company, if any, to ensure the availability of the necessary resources and their effectiveness in performing the assigned activities and duties. If the Company has no internal auditor, the committee shall provide a recommendation to the Board on whether there is a need to appoint an internal auditor. Providing a recommendation to the Board on appointing the manager of the internal audit unit or department, or the internal auditor and suggest his/her remuneration.

c) External Auditor:

1) providing recommendations to the Board to nominate external auditors, dismiss them, determine their remuneration, and assess their performance after verifying their independence and reviewing the scope of their work and the terms of their contracts.
2) verifying the independence of the external auditor, its objectivity, fairness, and effectiveness of the audit activities, taking into account the relevant rules and standards.
3) reviewing the plan of the Company's external auditor and its activities, and ensuring that it does not provide any technical or administrative works that are beyond its scope of work, and provides its opinion thereon.
4) responding to queries of the Company's external auditor.
5) reviewing the external auditor's reports and its comments on the financial statements, and following up the procedures taken in connection therewith.

d) Ensuring Compliance:

1) reviewing the findings of the reports of supervisory authorities and ensuring that the Company has taken the necessary actions in connection therewith;
2) ensuring the Company's compliance with the relevant laws, regulations, policies and instructions.
3) reviewing the contracts and proposed Related Party transactions, and providing its recommendations to the Board in connection therewith.
4) reporting to the Board any issues in connection with what it deems necessary to take action on, and providing recommendations as to the steps that should be taken.

– Committee Meetings:

The Audit committee held four meetings during the year and all committee members attended the meetings. The committee has also taken a number of decisions by circulation according to Article 24 of the Company's Articles of Association. This includes approval of the interim financial statements.

3) Nominations and Remunerations Committee

– The Nominations and Remunerations Committee, comprised as follows, its 2nd tenure expired on 21/11/25016G.

Nominations and Remunerations Committee	
Committee Members	**Position**
1. Khalid Bin Abdulrahman Al-Rajhi	Chairman
2. Abdullah Bin Mohammed Al-Othman	Member
3. Abdul Aziz Bin Saleh Al Rebdi	Member
4. Moussa Bin Abdul Mohsen Al Mousa	Member

– The Nominations and Remunerations Committee is formed as follows in its 3rd tenure started on 22/11/2016G

Nominations and Remunerations Committee	
Committee Members	**Position**
1. Khalid Bin Abdulrahman Al-Rajhi	Chairman
2. Abdullah Bin Mohammed Al-Othman	Member
3. Jamil Bin Abdullah Al-Mulhem	Member
4. Khalid Bin Naser Al-Moammar	Member

Nominations and Remunerations Committee acts according to the duties and responsibilities stipulated in Article 15 of the Corporate Governance Regulations issued by the CMA

– Competencies, powers and responsibilities of the Nominations and Remunerations Committee and its term:

- **Remunerations - Competencies of the Remuneration Committee:**

1) preparing a clear policy for the remuneration of the Board members and its committees and the Executive Management, and presenting such policy to the Board in preparation for approval by the General Meeting, provided that such policy follows standards that are linked to performance, and disclosing and ensuring the implementation of such policy.
2) clarifying the relation between the remuneration and the adopted remuneration policy, and highlighting any material deviation from that policy.
3) periodically reviewing the remuneration policy and assessing its effectiveness in achieving its objectives.
4) providing recommendations to the Board in respect of the remuneration of its members, the committees members and Senior Executives, in accordance with the approved policy.

- **Nomination: competences of the Nomination Committee**

5) suggesting clear policies and standards for membership of the Board and the Executive Management.
6) providing recommendations to the Board for the nomination or re-nomination of its members in accordance with approved policies and standards, taking into account that nomination shall not include any person convicted of a crime involving moral turpitude or dishonesty.
7) preparing a description of the capabilities and qualifications required for membership of the Board and Executive Management positions.
8) determining the amount of time that the member shall allocate to the activities of the Board.
9) annually reviewing the skills and expertise required of the Board members and the Executive Management.
10) reviewing the structure of the Board and the Executive Management and providing recommendations regarding changes that may be made to such structure.
11) annually ensuring the independence of independent directors and the absence of any conflicts of interest if a Board member also acts as a Board member of another company.
12) providing job descriptions for the executive, non-executive and independent directors and the senior executive management.
13) setting procedures to be followed if the position of a member of the Board or a senior executive becomes vacant.
14) determining the strengths and weaknesses of the Board and recommending remedy solutions that serve the Company's interests.

– Committee Meetings:

The Nominations and Remunerations Committee held four meetings during the year and all committee members attended all meetings.

4) Investment Committee

– The Investment Committee is formed as follows, its 2nd tenure expired on 21/11/25016G

Investment Committee	
Committee Members	Position
1. Abdullah Bin Mohammed Al-Othman	Chairman
2. Abdul Mohsen Bin Mohammed Al-Othman	Member
3. Georges Antonios Abraham	Member

– The Investment Committee is formed as follows, its 3rd tenure started on 22/11/2016G

Investment Committee	
Committee Members	Position
1. Jamil Bin Abdullah Al-Mulhem	Chairman
2. Abdullah Bin Mohammed Al-Othman	Member
3. Khalid Bin Naser Al-Moammar	Member

– Duties and responsibilities of the Investment Committee and its term:

The duties of the Committee are as follows:

- Assist the Board of Directors in performing its duties related to the review of investment policies and criteria.
- Study the investment opportunities and their compatibility with the Company's strategy.
- Look for higher-yielding investment opportunities, including, but not limited to contracting to manage local equity portfolio, buying units in local equity funds, buying units in real estate funds, subscribing to new companies and sharing in initial public offerings (IPOs), buying and selling real estates.
- Monitor and evaluate the Company's existing and future investments and oversee the consulting business related to the committee activities.
- Any other duties as directed by the Board of Directors.
- The committee's term will expire with the existing board term.

– Committee Meetings:

The Nominations and Remunerations Committee held two meetings during the year, with all members attending.

I) Details of remuneration and compensation paid to Board Members and five senior executives who received the highest remunerations and compensations, including CEO and CFO.

1) Remunerations of board members

	Fixed Remunerations							Variable Remunerations						Total
Non-Executive and Independent Board Members	certain amount	Session attendance allowance	Committee attendance allowance	Technical, admin & investment work compensations	Managing Director remuneration	In-Kind benefits	Total	Periodic remunerations	Dividends	Short-term incentive plans	Long-term incentive plans	Share grants	Total	
Abdullah Bin Mohammed Al-Othman	0	12	15	75	-	-	102	-	-	-	-	-	-	102
Khalid Bin Abdulrahman Al-Rajhi	0	12	12	75	-	-	99	-	-	-	-	-	-	99
Georges Antonios Abraham	0	6	24	75	-	-	105	-	-	-	-	-	-	105
Dr. Sulaiman Bin Abdulaziz Saleh Al Tuwaijri	0	12	12	75	-	-	99	-	-	-	-	-	-	99
Abdulaziz Bin Saleh Al Rebdi	0	3	9	75	-	-	87	-	-	-	-	-	-	87
Moussa Bin Abdulmohsen Al Moussa	0	9	12	75	-		96	-	-	-	-	-	-	96
Jamil Bin Abdullah Al-Mulhem	0	3	-	-	-	3.2	6.2	-	-	-	-	-	-	6.2
Khalid Bin Naser Al- Moammar	0	3	-	-	-	3.2	6.2	-	-	-	-	-	-	6.2
Executive members														

2) Remuneration of Executives

Managers	Fixed Remuneration				Variable Remuneration						End of service benefits	Grand Total
	Salaries	Allowances	In-Kind benefits	Total	Periodic remunerations	Dividends	Short-term incentive plans	Long-term incentive plans	Share grants	Grand Total		
Senior executives who received the highest remuneration and compensation, including CEO and CFO	5,038	1,719	-	6,757	1,508	-	-	-	-	8,265	381	8,646

m) Any penalty or reserve restriction imposed on the Company by the CMA or any other supervisory, regulatory or judicial authority

There has been no penalty or reserve restriction imposed on the Company by the CMA or other supervisory, regulatory or judicial authority.

n) Results of the annual audit for the effectiveness of the Company's internal control procedures

First: Basis of internal control and implementation of control process within the Company

The Audit Committee, in light of the internal control reporting, reviews the control process of all activities of the Company and its subsidiaries in accordance with the following principles:

- Ensure sound implementation of the rules and regulations to enhance confidence in the reports of the Company and its subsidiaries.
- Assess administrative, financial, operational and marketing policies and procedures for the Company and its subsidiaries.
- Ensure and verify the accuracy of information contained in the periodic reports of these companies.
- Ability to make informed decisions by identifying problems and obstacles to avoid their impact.

The Audit Committee follows up the commitment to implement the internal audit program approved by the Board of Directors for the control of operational performance of the Company and its subsidiaries. The committee discusses the annual audit plan and its results through the reports raised by the Head of Internal Audit Function to the committee. The Audit Committee ensured that the Head of Internal Audit Function and his team were empowered to perform their duties during the year 2016G, and examined the work of all sections and departments of the Company and its subsidiaries.

The internal audit work of Takween is fully independent from the work of the executive management. The Head of Internal Audit Function and his team report to the Audit Committee, to which they raise internal audit reports directly. The role of internal audit is to serve the objectives of senior management to provide feasible recommendations through the reports filed.

Internal Audit Function has pursued the following to undertake its duties:

- The Internal Audit Function has taken all measures to address the observations contained in the audit reports.
- Internal audit activities have been directed to high-risk activities and functions and to increase the effectiveness and efficiency of operations and profitability of the Company.
- The Internal Audit Function has fully coordinated with the external auditor in a satisfactory and effective manner.

Second: Results of the annual audit of internal control effectiveness

Scope of Work:

In implementation of its work, the Internal Audit Function has adopted a systematic approach to evaluate and improve the effectiveness of internal control to achieve the Company's goals and protect its assets.

The scope of work of internal audit included examining the adequacy and effectiveness of the Company's internal control system and the quality of management to verify whether the Company's internal systems provide reasonable assurance as to achieving the objectives of the Company. The scope of Internal Audit Function included:

- Audit and periodic review of all departments operating in the Company at appropriate intervals.
- Inform officials in various examined departments of the results of the examination carried out by the Internal Audit Function for the purpose of verification of taking the actions necessary to tackle the deficiencies identified.
- Assess plans and procedures provided by officials in various relevant departments to address the observations and recommendations contained in the audit report. In case of inadequacy of measures taken, the issue has been discussed with the officials to ensure the efficiency and adequacy of actions taken.

  During the year, the Audit Committee studied and reviewed the internal financial control system and risk management in the Company. It also examined the internal audit reports and followed up the implementation of corrective actions to the observations contained therein. All necessary control and supervision procedures for of the internal audit activities have been taken.

Following are the most significant procedures and observations:

The effectiveness of internal audit reports and observations during 2016G has comprehensively contributed to improving performance of different units and departments of the Company and its subsidiaries, and taking informed and corrective decisions in a number of units and departments. Following are the most significant observations of the internal audit activities:

- Resources and Planning System (SAP): The internal control proceeded with follow-up to carry out the observations included in the risk evaluation report which included many observations on some of the gaps, training and user powers. Information Systems Department has pursued the closure of such gaps. Internal control pursues the possibility of maximising the benefit from the planning and resources system with respect to linking wages with the attendance system and training the human resources department on system usage.
- Sales and trade receivables: One of the most important ongoing follow-ups of the internal audit department in the Company and its subsidiaries for sales and collection operations to ensure the achievement of the Company's annual plan. The internal audit reports highlighted the importance of the application of credit and collection policy adopted by the Company and coordination between the sales and financial departments for authentication of customer accounts and the need to complete the updating of the forward sales contracts and a commitment to submit all contracts for review by the legal department prior to signature.
- Provision for doubtful accounts: The internal audit department recommended the need to increase the provision for doubtful accounts for slow moving balances that are overdue, in order to ensure a fair presentation of financial statements and the transference of such files to the legal department for the necessary action to be taken. The Company's management has taken the necessary action in light of applying international standards for this item.
- Information Technology Security Systems: The direction of the need to closely follow the main server and sub-servers and protect the Company's information programs. The audit department made observations on the revision of some systems and servers. The management has acted accordingly.
- Safety and Security: The importance of updating the safety security system with respect to civil defense permits of rented warehouse and rental agreements with third parties has been noted. The audit

department recommended the need to provide civil defense requirements by the lessor, or the vacation of the leased premises and replacement of them by warehouses where safety measures and civil defense permits are in place. The Company's management has completed these requirements and met the safety security procedures at its warehouses.

Updating procedures as referenced in the internal audit report and the management is acting upon

Ongoing update of policies and procedures:

- The Company updated its By-Laws and modified all materials in line with the new Companies Regulations. The revised By-Laws have been approved by the general assembly of the Company on 25/12/2016G
- The Company has updated all policies and governance regulations in line with the Company's changes in its By-Laws. The Company pursues the updating of the Company's charter.
- The Company believes in the importance of dialogue and acceptance of all employees of these policies and procedures, including putting the Company's interest to the forefront, whilst taking into account all possible factors.

Development of Governance Practices:

- The Investor Relations and Legal Affairs Department continues to play its supervisory role to ensure that administrative and management processes and decisions are characterized by responsibility and transparency and serve the interest of all shareholders, while observing the statutory instructions and legislations and best practices in this area. The Company is continually working to update governance policies and procedures in line with any new regulatory instructions in this regard.

(26) The Auditor's report did not include any reservations or drawing of attention to the annual financial statements for the fiscal year ended on 31/12/2016G

(27) No recommendation from the Board of Directors to replace the auditor prior to the term for which he is appointed

In Conclusion

The Board is pleased to extend its thanks and appreciation to the Custodian of the Two Holy Mosques, HRH the Crown Prince, HRH the Deputy Crown Prince, the Government of the Custodian of the Two Holy Mosques and all state institutions which contribute effectively to the economic development of the Kingdom through their support to the manufacturing industries projects, to which Takween Advanced Industries Company belongs.

The Board is also pleased to extend his gratitude to all Company shareholders and investors for their trust vested in us to serve the Company. Thanks are extended to all employees of the Company for their sincere efforts to conduct their responsibilities and duties.

May Allah bless us all.

Board of Directors.

Consolidated Financial Statements and Auditors' Report Year Ended December 31, 2016

Auditors' Report

To the shareholders
Takween Advanced Industries
(Saudi Joint Stock Company)
Al-Khobar, Kingdom of Saudi Arabia

Scope of Audit

We have audited the consolidated balance sheet of Takween Advanced Industries ('the Company"), a Saudi Joint Stock Company and its subsidiaries (collectively referred to as "the Group") as of December 31, 2016, and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended, and notes 1 to 26 which form an integral part of these consolidated financial statements as prepared by the Company in accordance with Article 126 of the Regulations for Companies and presented to us with all the necessary information and explanations. These consolidated financial statements are the responsibility of the Company'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 generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016, and the consolidated results of their operations and cash flows for the year then ended in conformity with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the nature of the Group, and comply with the relevant provisions of the Regulations for Companies and the articles of the Company as these relate to the preparation and presentation of these consolidated financial statements.

PKF Al-Bassam & Al-Nemer
Allied Accountants.

Ibrahim Ahmed Al-Bassam
License No. 337

16 Jumada' II, 1438
March 15, 2017

المحاسبون المتحالفون
ترخيص رقم
520/11/323
Licence No.:
Allied Accountants

Consolidated Financial Statements and Auditors' Report Year Ended December 31, 2016

	Note	2016 SR '000	2015 SR '000
ASSETS			
Current assets			
Cash and cash equivalent	4	**43,269**	106,794
Account receivables, net	5	**343,835**	412,732
Inventories, net	6	**332,312**	456,705
Prepaid expenses and other debit balances	7	**77,777**	114,891
Total current assets		**797,193**	1,091,122
Non-current assets			
Property, plant and equipment	8	**1,207,616**	1,212,975
Intangible assets	9	**337,414**	347,751
Total non-current assets		**1,545,030**	1,560,726
TOTAL ASSETS		**2,342,223**	2,651,848
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short term borrowings		**610,452**	811,686
Current portion of medium and long term loans	11	**83,502**	217,617
Accounts payable and other liabilities	10	**249,797**	344,607
Total current liabilities		**943,751**	1,373,910

Consolidated Financial Statements and Auditors' Report Year Ended December 31, 2016

	Note	2016 SR '000	2015 SR '000
Non-current liabilities			
Medium and long term loans	11	**424,760**	781,992
Long term payables		**44**	-
End-of-service indemnities	12	**36,867**	40,925
Total non-current liabilities		**461,671**	822,917
TOTAL LIABILITIES		**1,405,422**	2,196,827
SHAREHOLDERS' EQUITY			
Share capital	1	**950,000**	350,000
Statutory reserve	13	**29,419**	29,419
Retained earnings		**9,369**	82,041
Foreign currency translation reserve		**(51,987)**	(6,439)
Total shareholders' equity		**936,801**	455,021
Total liabilities and shareholders' equity		**2,342,223**	2,651,848

The consolidated financial statements appearing on page 2 to 29 were approved by the Board of Directors on March 15, 2017 Corresponding to 16 Jumada' II, 1438 and have been signed on its behalf:

Imran Yar
Chief Financial Officer

Azhar Kenji
Chief Executive Officer

Abdulmoshen M. Al-Othman
Managing Director

The accompanying notes from an integral part of these consolidated financial statements

Consolidated Financial Statements and Auditors' Report Year Ended December 31, 2016

	Note	2016 SR '000	2015 SR '000
Sales	14	**1,415,596**	1,718,467
Cost of sales		**(1,229,608)**	(1,538,853)
Gross profit		**185,988**	179,614
General and administrative expenses	15	**(107,290)**	(91,585)
Selling and distribution expenses	16	**(51,987)**	(72,220)
Research expenses		**(1,113)**	(2,116)
Operating income		**25,598**	13,693
Financial charges		**(68,748)**	(49,237)
Other (expenses) income, net	17	**(12,136)**	12,309
Net loss before zakat and income tax		**(55,286)**	(23,235)
Zakat and income tax	18,19	**(2,004)**	(3,887)
Net loss		**(57,290)**	(27,122)
EARNINGS PER SHARE			
Loss per share from net loss (SR)	20	**(1.17)**	(0.71)
Loss per share from continuing main operations – net (SR)	20	**(0.92)**	(1.03)
(Loss) earnings per share from other operations – net (SR)	20	**(0.25)**	0.32
Weighted average number of shares		**49,052,740**	38,150,000

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Chief Financial Officer

Azhar Kenji
Chief Executive Officer

Abdulmoshen M. Al-Othman
Managing Director**Abdulmoshen M. Al-Othman**
Managing Director

The accompanying notes from an integral part of these consolidated financial statements

Consolidated Financial Statements and Auditors' Report Year Ended December 31, 2016

	Note	2016 SR '000	2015 SR '000
OPERATING ACTIVITIES			
Net loss before zakat and income tax		**(55,286)**	(23,235)
Adjustments for:			
Depreciation		**101,107**	138,103
Amortization		**10,111**	9,169
Finance charges		**68,748**	49,237
End-of-service indemnities charged during the year		**8,519**	12,533
Loss (gain) on disposals of property, plant and equipment		**34**	(53)
Write off of intangible assets		**9,871**	-
Realized gain on investments held for trading		**-**	(14,165)
		143,104	171,589
Changes in operating assets and liabilities:			
Accounts receivable		**68,897**	61,447
Inventories		**97,052**	76,273
Prepaid expenses and other debit balances		**37,114**	1,622
Accounts payable and other liabilities		**(90,601)**	(2,244)
Cash from operations		**255,566**	308,687
Finance charges paid		**(68,748)**	(49,237)
End-of-service indemnities paid		**(12,577)**	(10,241)
Zakat paid		**(4,546)**	-
Net cash from operating activities		**169,695**	249,209
INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(89,653)**	(132,387)
Proceeds from disposals of property, plant and equipment		**-**	324
Proceeds from disposal of investments held for trading, net		**-**	70,456
Additions to intangible assets		**-**	(45,782)
Acquisition of subsidiary, net		**-**	(910,000)
Net cash used in investing activities		**(89,653)**	(1,017,389)

The accompanying notes from an integral part of these consolidated financial statements

Consolidated Financial Statements and Auditors' Report Year Ended December 31, 2016

	Note	2016 SR '000	2015 SR '000
FINANCING ACTIVITIES			
Proceeds from right shares issue		**600,000**	-
Change in short term borrowings		**(201,234)**	(109,931)
Change in medium and long term loans		**(498,286)**	908,268
Right issue cost		**(15,382)**	-
Net change in long term payables		**44**	-
Net cash (used in) from financing activities		**(114,858)**	798,337
Net change in cash and cash equivalents		**(34,816)**	30,157
Cash and cash equivalents January 1		**106,794**	31,037
Cash and cash equivalents on acquisition		-	45,600
Foreign currency translation reserve		**(28,709)**	-
CASH AND CASH EQUIVALENTS, DECEMBER 31		**43,269**	106,794

Non-cash Transactions		
Transfer from inventories to property, plant and equipment	**27,341**	-
Transfer from CWIP to intangible assets	**2,706**	-

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Managing Director

The accompanying notes from an integral part of these consolidated financial statements

Consolidated Financial Statements and Auditors' Report Year Ended December 31, 2016

	Share capital SR '000	Statutory reserve SR '000	Retained earnings SR '000	Foreign currency translation reserve SR '000	Total SR '000
January 1, 2015	350,000	29,419	109,163	-	488,582
Net loss for the year	--	-	(27,122)	-	(27,122)
Net change in foreign currency translation reserve	--	-	-	(6,439)	(6,439)
December 31, 2015	350,000	29,419	82,041	(6,439)	455,021
Right issue	**600,000**	-	-	-	**600,000**
Net loss for the year	-	-	**(57,290)**	-	**(57,290)**
Net change in foreign currency translation reserve	-	-	-	**(45,548)**	**(45,548)**
Right issue cost	-	-	**(15,382)**	-	**(15,382)**
December 31, 2016	**950,000**	**29,419**	**9,369**	**(51,987)**	**936,801**

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Abdulmoshen M. Al-Othman
Managing Director

The accompanying notes from an integral part of these consolidated financial statements

1. Organization and Activities

Takween Advanced Industries ("the Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 2051044381 issued in Al Khobar on Muharram 9, 1432H (December 15, 2010). The Company's share capital is SR 350 million divided into 35 million shares of par value SR 10 each.

The Board of Directors in their meeting held on December 17, 2015 proposed to increase the share capital by SR 600 million by issuance of right shares to its existing shareholders. In the Extraordinary General Assembly held on September 21, 2016, it was decided to issue the shares at par value i.e. SR 10. Right issue was subscribed in full and shares were issued to the shareholders effective October 23, 2016. As a result of the right issue during the year ended December 31, 2016, the share capital of the Company was increased to SR 950 million comprising of 95 million shares of SR 10 each. All the legal formalities for increase in share capital were completed during 2016. The right issue transaction cost amounting to SR 15.38 million was treated as an equity component and adjusted against the retained earnings. On December 25, 2016, another extraordinary meeting was held whereby the bylaws of the Company were amended to reflect the increase in the share capital in addition to the amendment of the activities of the Company and other related matters.

In 2015, the Company acquired 100% ownership in Saudi Plastic Packaging Systems (formerly Savola Packaging Systems Company Limited) along with its two subsidiaries i.e. Al-Sharq Company for Plastic Industries Limited and New Marina for Plastic Industries Company (S.A.E.), effective January 1, 2015 and the newly acquired subsidiaries have been consolidated as part of these consolidated financial statements (note 3).

The consolidated financial statements include the financial statements of the Company and its subsidiaries ("the Group") as listed below:

	Effective ownership	
	2016	2015
Advanced Fabrics Factory Company ("SAAF")	**100%**	100%
Ultra Pak Manufacturing Company ("Ultra Pak")	**100%**	100%
Saudi Plastic Packaging Systems ("Saudi Packaging") (formerly Savola Packaging Systems Company Limited)	**100%**	100%
Al-Sharq Company for Plastic Industries Limited ("Al-Sharq")	**100%**	100%
New Marina for Plastic Industries Company (S.A.E.) ("New Marina")	**100%**	100%

All of the above subsidiaries operate in Kingdom of Saudi Arabia with the exception of New Marina, which is registered in Alexandria, Arab Republic of Egypt. The principal activities of the Group companies, each of which operates under individual commercial registration, are:

- Owning of factories with various plastic products manufacturing together with maintaining, operating and managing;
- Production of disposable polystyrene cups, lids and other plastic related products;
- Production of non-woven fabrics;
- Production of PET (Polyethylene Terephthalate) pre-forms;
- Manufacturing of, and wholesale trading in plastic containers and film;
- Manufacturing of, and wholesale and retail trading in, plastic containers and polyethylene cups, rolls and bags;
- Managing and operating of industrial centers;
- Owning of land for the purpose of establishing and developing factories;
- Establishing industrial institutes and providing and coordinating for training courses related to developing of plastic products;
- Import and export, wholesale and retail trade in various kind of plastic products; and
- Establishing, managing, operating and maintaining different industrial project.

In an Extraordinary General Assembly Meeting held on February 10, 2015, the shareholders of

Saudi Plastic Packaging Systems (formerly Savola Packaging Systems Company Limited) passed a resolution for conversion of the company from a Saudi Closed Joint Stock Company to a Limited Liability Company. The legal formalities for such conversion were completed on March 7, 2015.

2. Summary of significant accounting poiicies

These consolidated financial statements have been prepared in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA) and in the light of Saudi laws and regulations relevant to the preparation and presentation of financial statements.

The following is a summary of significant accounting policies applied by the Group:

2.1 Accounting convention

The accompanying consolidated financial statements have been prepared under the historical cost convention, using the accrual basis of accounting and the going concern concept.

2.2 Basis of consolidation

The accompanying consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (mentioned in note 1 above) controlled by the Company up to December 31, 2016. The financial statements of the subsidiaries are prepared for the same reporting period as the Company and using consistent accounting policies. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains the control, and continue to be consolidated until the date such control ceases.

On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. The non-controlling interests, if any, is stated at the non-controlling interests' proportion of the fair value of the assets and liabilities recognized.

Income and expenses of subsidiaries acquired or disposed-off during the period are included in the consolidated statement of income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total income of subsidiaries is attributed to the shareholders of the Company and to the non-controlling interests, if any, even if this results in the non-controlling interests having a deficit balance.

All significant inter-group transactions and balances between group enterprises have been eliminated in preparing the consolidated financial statements.

2.3 Business combination and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of non-controlling interests in the acquire, if any. For each business combination, the acquirer measures the non-controlling interests in the acquire either at fair value or at the proportionate share of the acquirer's identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill represents the excess cost of investments over the fair value of the net assets acquired in a business combination. Goodwill is tested annually for impairment and is carried at cost net of accumulated impairment losses. Impairment losses on goodwill are not reversed once recorded. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity disposed.

Negative goodwill represents the excess of the fair value of the net assets acquired and the cost of investments in a business combination. Negative goodwill is recognized in the consolidated statement of income.

2.4 Use of estimates and judgments

The preparation of the consolidated financial statements requires management to make judgment, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have significant effect on the amounts recognized in the accompanying financial statements are as follows:

Impairment of accounts and other receivable

A provision for impairment of accounts and other 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 agreement. Significant financial difficulties of the counter party, probability that the counter party will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators of objective evidence that the receivable is impaired. For significant individual amounts, assessment is made on an individual basis. Amounts, which are not individually significant, but are overdue, are assessed collectively and a provision is recognized considering the length of time considering past recovery rates.

Provision for slow moving inventory items

The management makes a provision for slow moving and obsolete inventory items. Estimates of net realizable value of inventories are based on the most reliable evidence at the time the estimates are made. These estimates take into consideration, fluctuations of price or cost directly related to events occurring subsequent to the balance sheet date to the extent that such events confirm conditions existing at the end of year.

Provisions and contingencies

A provision for incurred liabilities is recognized when the Group has a present legal or constructive obligations as a result of past events and it is more likely than not that an outflow of resource will be required to settle the obligation and the amount has been reliably estimated.

All possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly with the control of the Group; or all present obligations arising from past events but not recognized because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or (ii) the amount of the obligation cannot be measured with sufficient reliability; assessed at each balance sheet date and disclosed in the Group's financial statements under contingent liabilities.

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 and physical wear and tear. Management reviews the residual value and useful lives annually and change in depreciation charges, if any, are adjusted in current and future periods. During the year, the Company revised its estimated useful life of its assets. These changes in accounting estimate have been accounted for in accordance with the requirements of generally accepted accounting standards in Saudi Arabia. Had there been no change in estimate, depreciation charge to consolidated statement of income would have been higher by SR 21.4 million and the carrying value of these assets would have been lower by the same amount.

Depreciation for machinery owned by SAAF was previously determined based on total annual output in proportion to total production capacity. During the year, the Group changed its method of depreciation to straight line method with effect from January 1, 2016. The change was accounted as a change in accounting estimate and the carrying amount of assets will be depreciated over the remaining useful life of the asset. The Group has considered the useful life of the machinery to be 20 years. Had there been no change in estimate, depreciation charge to consolidated statement of income would have been lower by SR 2.4 million and the carrying value of these assets would have been higher by the same amount.

Consolidated Financial Statements and Auditors' Report Year Ended December 31, 2016

Impairment of non-financial assets

Non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-current assets other than intangible assets and that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the consolidated statement of income. Impairment losses recognized on intangible assets and available for sale securities are not reversible.

2.5 Revenue recognition

Revenue is recognized to the extent of the following recognition requirements:

- it is probable that the economic benefits will flow to the Group;
- it can be reliably measured, regardless of when the payment is being made; and
- The cost incurred to date and expected future costs are identifiable and can be measured reliably.

Revenue is measured at the fair value of the consideration received or the contractually defined terms of payment. The specific recognition criteria described below must also be met before the revenue is recognized.

Revenue from sales is recognized upon delivery or shipment of products by which the significant risks and rewards of ownership of the goods have been transferred to the buyer and the Group has no effective control or continuing managerial involvement to the degree usually associated with ownership over the goods. Sales is recorded net of returns, trade discounts and volume rebates. Other income is recognized when earned.

2.6 Research expenses

Research expenses are charged to the consolidated statement of income in the period in which they are incurred.

2.7 Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits, and highly liquid investments with original maturities of three months or less.

2.8 Accounts receivable

Accounts receivable are carried at original amounts less provision made for doubtful accounts. A provision for doubtful accounts is established when there is a significant doubt that the Group will not be able to collect any of the amounts due according to the original terms of the invoice. Such provision is charged to the consolidated statement of income.

2.9 Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined, for finished goods, on a weighted average cost basis and includes cost of materials, labor and an appropriate proportion of direct overheads. All other inventories are valued on a weighted average cost basis.

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

2.10 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized.

Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining term of the lease.

The estimated rates of depreciation of the principal classes of assets are as follows:

	Rate %
Buildings, leasehold and other improvements	3 - 5
Plant, machinery and equipment	5 - 20
Vehicles	20 - 25
Furniture, fixtures and office equipment	20 - 25

Depreciation for machinery owned by SAAF was previously determined based on total annual output in proportion to total production capacity. During the year, the Group changed its method of depreciation to straight line method with effect from January 1, 2016. The change was accounted as a change in accounting estimate and the carrying amount of assets will be depreciated over the remaining useful life of the asset. The Group has considered the useful life of the plant to be 20 years.

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

The Group has revised the estimated useful life of its property, plant and equipment across all categories based on report of their technical expert to better reflect the useful life of its assets. Effect of revisions in accounting estimates are recognized in the period in which the estimates are revised and in future periods affected (note 8).

Further during the year, the Group has change the classification of its strategic spares which were previously classified under non-resalable inventory to property, plant and equipment and were depreciated effective January 1, 2016 (note 8).

2.11 Borrowing costs

Borrowing costs directly attributable to the project under construction are added to the cost of the project until such time as the asset is ready for its intended use. Investment income earned on temporary investment of specific borrowings pending their expenditure on the project under construction is deducted from the borrowing costs eligible for capitalization. All other interest costs are charged to statement of income.

2.12 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in consolidated income statement. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

Non- financial assets

The carrying amounts of non-financial assets of the Group, except inventories, are reviewed at the date of the consolidated financial statements to ascertain whether there is an event or changes in circumstances indicating that the carrying amount of an asset exceeds its recoverable amount. When such an indicator exists, the recoverable amount of the asset is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. The impairment calculated as the difference between the carrying amounts and estimated recoverable amount, discounted using an appropriate rate.

A cash generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in respect of cash generating units are allocated first to reduce the carrying amounts of the asset affected or the cash generating units a pro rata basis of its assets.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

2.13 Intangible assets

Intangible assets anticipated to provide identifiable future benefits are classified as non-current assets. Intangible assets comprise goodwill, software and system development costs and right of use of leased land. Enterprise resource planning (ERP) system development costs represent costs incurred to implement new system and are amortized over 5-year period from the date it is fully implemented. The right of use of leased land is amortized over the lease period using the straight-line method. For goodwill, refer to business combination and goodwill policy.

2.14 Dividends

Dividends are recognized as liability at the time of their approval in the Annual General Assembly meeting. Interim dividends are recorded as and when approved by the board of directors.

2.15 Foreign currency translation

These consolidated financial statements are prepared in Saudi Riyals, which is the functional and reporting currency of the Group. Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the consolidated balance sheet date are translated into Saudi Riyals at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the consolidated statement of income.

The results and financial position of a foreign subsidiary having reporting currency other than Saudi Riyals are translated into Saudi Riyals as follows:

- Assets and liabilities for the balance sheet are translated at the closing exchange rate at the date of that consolidated balance sheet;
- Income and expenses for consolidated statement of income are translated at average exchange rates for the year; and
- Components of the shareholders' equity accounts are translated at the exchange rates in effect at the dates of the related items originated.
- Cumulative adjustments resulting from the translations of the financial instruments of the foreign subsidiary into Saudi Riyals are reported as a separate component in the consolidated shareholders' equity.

2.16 End-of-service indemnities

End-of-service indemnities, required by labor laws applicable in the Kingdom of Saudi Arabia, are provided in the consolidated financial statements based on the employees' length of service.

2.17 Accounts payable and accruals

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

2.18 Zakat and income tax

The Saudi based subsidiaries of the Group are subject to the Regulations of the General Authority for Zakat and Income Tax ("GAZT") in the Kingdom of Saudi Arabia. Zakat for the Company and its subsidiaries is filed with the GAZT on a consolidated basis by the Company. Zakat is provided for in the consolidated statement of income on an accruals basis for the Group. The zakat charge is computed on the higher of Zakat base or adjusted net income.

Consolidated Financial Statements and Auditors' Report Year Ended December 31, 2016

Any difference in the estimate is recorded in the consolidated statement of income when the final assessment is approved, at which time the provision is cleared. The zakat charge in the consolidated financial statements represents the zakat for the Company and its subsidiaries. Foreign income tax is provided for in accordance with foreign fiscal regulations in which the Group's foreign subsidiary operates.

Deferred tax assets and liabilities are recognized for all temporary differences at current rates of taxation. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available in the near future to allow all or part of the deferred tax asset to be utilized.

2.19 Leasing

The Group accounts for tangible assets acquired under finance lease arrangements by recording the assets and the related liabilities. The amounts are determined on the basis of lower of fair market value of assets and present value of minimum lease payments. Finance charges are allocated to accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Leased assets are amortized over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. All other leases are classified as operating leases. Rentals payable under operating leases are charged to income on a straight line basis over the term of the operating lease.

2.20 Segmental reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in producing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Consolidated Financial Statements and Auditors' Report Year Ended December 31, 2016

3. Business Combination

The Company entered into an agreement with Savola Group on December 30, 2014, for the acquisition of Saudi Plastic Packaging Systems ("Saudi Packaging") (formerly Savola Packaging Systems Company Limited), a wholly owned subsidiary of Savola Group, along with two wholly owned subsidiaries of Saudi Packaging (Al-Sharq Company for Plastic Industries Limited ("Al-Sharq") and New Marina for Plastic Industries Company ("New Marina") for a total purchase price of SR 910 million. As a result of this business acquisition and control acquired through sale agreement, the Company consolidated newly acquired subsidiaries with effect from January 1, 2015. In 2015, Council of Competition Protection approved the proposed acquisition of Saudi Packaging and consequently, the consideration of SR 910 million was paid in full. A goodwill of SR 323.58 million was recognized on the acquisition that represented the excess consideration paid over the net book value of net assets acquired, after carrying out valuation of the assets and liabilities as per the requirements of SOCPA.

The fair value of the assets acquired and liabilities assumed under business combination, pursuant to final purchase price allocation are as follows:

	Fair value SR '000
ASSETS	
Cash and cash equivalents	45,600
Accounts receivable	264,115
Inventories	261,519
Prepaid expenses and other debit balances	65,901
Property, plant and equipment	616,317
Intangible assets	8,686
TOTAL ASSETS	1,262,138
LIABILITIES	
Short term borrowings	413,123
Accounts payable and other current liabilities	205,056
Current portion of medium and long term loans	26,958
Medium and long term loans	1,850
End-of-service indemnities	28,733
TOTAL LIABILITIES	675,720
NET IDENTIFIABLE ASSETS	586,418
Acquisition consideration paid	910,000
Goodwill recognized from business acquisition	323,582

The final purchase price allocation was based on the independent valuation of certain assets. The goodwill recognized from the business acquisition is attributable mainly to the synergies expected to be achieved from the integration of these companies into the group's existing business.

4. Cash and Cash Equivalent

The cash and cash equivalents as of December 31 comprise of following:

	2016 SR '000	2015 SR '000
Cash in hand	**328**	366
Cash at bank	**42,941**	106,428
	43,269	106,794

5. Account Receivable, Net

	2016 SR '000	2015 SR '000
Trade receivables – third parties	**356,488**	423,893
Trade receivables – related parties (note 14)	**11,855**	21,958
Due from related parties (note 14)	**85**	1,673
	368,428	447,524
Provision for doubtful receivables	**(24,593)**	(34,792)
	343,835	412,732

The movement in provision for doubtful receivables for the year ended December 31 are as follows:

	2016 SR '000	2015 SR '000
Balance at beginning of the year	**34,792**	8,422
Provision made during the year	**458**	8,981
Transfer on acquisition (note ٣)	**-**	6,600
Reversal of provision	**(9,328)**	-
Foreign currency translation	**(1,329)**	(211)
Fair valuation allocation on business combination	**-**	11,000
	24,593	34,792

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6. Inventories, net

	2016 SR '000	2015 SR '000
Finished goods	**118,854**	138,766
Raw and packing materials and work in progress	**182,804**	247,864
Spare parts	**39,003**	76,005
	340,661	462,635
Provision for obsolesce and slow moving inventories	**(8,349)**	(5,930)
	332,312	456,705

The movement in provision for slow moving inventories for the year ended December 31 are as follows:

	2016 SR '000	2015 SR '000
Balance at beginning of the year	**5,930**	-
Provision made during the year	**4,204**	5,930
Reversal of provision	**(1,154)**	-
Foreign currency translation	**(631)**	-
	8,349	5,930

7. Prepaid expenses and other debit balances

	2016 SR '000	2015 SR '000
Advances to suppliers	**18,298**	18,082
Rebate receivables	**38,517**	49,422
Prepaid expenses	**11,714**	22,817
Margin against bank guarantees and letters of credit	**4,427**	19,713
Other debit balances	**4,821**	4,857
	77,777	114,891

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8. Property, plant and equipment

	Buildings and leasehold improvements SAR '000	Plant, machinery and equipment SAR '000	Vehicles SAR '000	Furniture, fixtures and office equipment SAR '000	Capital work in progress ("CWIP") SAR '000	Total SAR '000
Cost						
Balance at January 1, 2016	285,304	1,378,941	8,649	14,612	119,171	1,806,677
Additions during the year	19,804	20,266	359	3,055	46,169	89,653
Transfer from CWIP	36,739	78,699	-	4,811	(120,249)	-
Transfer to intangible assets	-	-	-	-	(2,706)	(2,706)
Disposals for the year	-	(3,218)	(201)	-	-	(3,419)
Transfer from inventories	-	27,341	-	-	-	27,341
Foreign currency translation	(7,892)	(51,649)	(290)	(1,539)	(837)	(62,207)
Balance at December 31, 2016	333,955	1,450,380	8,517	20,939	41,548	1,855,339
Accumulated Depreciation						
Balance at January 1, 2016	34,953	543,980	6,014	8,755	-	593,702
Charges for the year	11,461	85,122	1,223	3,301	-	101,107
Disposals during the year	-	(3,184)	(201)	-	-	(3,385)
Foreign currency translation	(906)	(41,005)	(278)	(1,512)	-	(43,701)
Balance at December 31, 2016	45,508	584,913	6,758	10,544	-	647,723
Net Book Value						
At December 31, 2016	288,447	865,467	1,759	10,395	41,548	1,207,616
At December 31, 2015	250,351	834,961	2,635	5,857	119,171	1,212,975

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The Company's buildings and production facilitates in Al- Hassa are constructed on a parcel of land owned by an affiliate and the building of Ayoun plant is constructed on land leased from Saudi Industrial Property Authority (MODON) for a period of 20 years commencing from Muharram 27, 1436H (November 24, 2014).

SAAF's buildings and production facilitates are constructed on a parcel of land in Al Hassa owned by an affiliate and a piece of land leased from Saudi Arabian Oil Company in the Western Province of Saudi Arabia.

Under the terms of a land lease agreement with Jeddah Industrial City ("JIC"), Saudi Packaging has various renewable operating leases upon which its production facilities are located. Annual lease and service charge payments to JIC are nominal.

One of the Al-Sharq's warehouses is located on two parcels of land which are leased by Saudi Plastic Packaging Systems (formerly Savola Packaging Systems Company Limited) ("SPS"), a related party, from Riyadh Industrial City. The agreements are in the process of being transferred to the Company's name as of December 31, 2016.

Buildings and plant facilities of the Al-Sharq Company are constructed on land leased under the terms of two land lease agreements with the Saudi Organization for Industrial Estates and Technology Zones ("SFIT"), which are 25-year renewable operating leases commencing from Muharram 5, 1425H (February 25, 2004). Annual lease and service charge payments to SFIT are nominal.

During the year, the Group had changed the classification of its strategic spares amounting to SR 27.34 million which were previously classified under non-resalable inventory to property, plant and equipment effectively January 1, 2016. This resulted in an increase in depreciation charge of SR 5.5 million for the year.

Saudi Packaging has prepaid operating lease payments which principally represent the amount paid by the subsidiary to acquire the rights to lease land from a government agency for its ongoing expansion projects and is amortized over the period of 25 years. Annual lease and service charge payments to the government agency are nominal. As at December 31, 2016, the balance amounts to SR 7.67 million (2015: SR 8.18 million) and is included under intangible assets (note 9).

At December 31, 2016, certain property, plant and equipment with net book value of SR 223.80 million (2015: SR 603.07 million) were pledged as collateral to certain credit facilities. Refer note 11.

Capital work-in-progress at December 31, 2016 is principally related to various additions to the production facilities and other improvements which were under progress at the year-end. Interest capitalized as part of capital work-in-progress at December 31, 2016 amounted nil (2015: SR 0.8 million).

9. Intangible assets

	2016 SR '000	2015 SR '000
Goodwill – refer note 3	323,582	323,582
Computer softwares and system development costs	13,832	24,169
	337,414	347,751

9. Intangible assets (continued)

The movement during the year ended December 31 is as follows:

Cost	2016 SR '000	2015 SR '000
Balance at the beginning of the year	29,889	13,641
Acquired through business combination	-	8,686
Transfer from property, plant and equipment	2,706	7,562
Write off	(9,997)	-
	22,598	29,889
Amortization		
Balance at the beginning of the year	5,720	2,132
Charge for the year	3,172	3,588
Write off	(126)	-
	8,766	5,720
Net book value	13,832	24,169

10. Accounts payable and other liabilities

	2016 SR '000	2015 SR '000
Accounts payable	174,645	253,495
Accrued expenses and other liabilities	58,994	71,352
Due to related parties (note 14)	5,700	5,093
Zakat payable (note 18)	8,700	14,667
Income tax payable (note 19)	1,758	-
	249,797	344,607

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11. Medium and long term loans

	2016 SR '000	2015 SR '000
Commercial loan	420,000	906,473
Saudi Industrial Development Fund ("SIDF") loans	123,492	135,305
	543,492	1,041,778
Less: loan appraisal fees	(35,230)	(42,169)
	508,262	999,609
Less: current portion	(83,502)	(217,617)
	424,760	781,992

The movement in loan appraisal fee is as follows:

	2016 SR '000	2015 SR '000
Opening balance	42,169	9,530
Appraisal fee paid during the year	-	38,220
Amortization during the year	(6,939)	(5,581)
	35,230	42,169

Commercial loan – The Group entered into Murabaha Facilities Agreement of SAR 910 million with the Arab National Bank ("the lead bank"), on behalf of Murabaha Facilities Participants, for financing the acquisition of Saudi Plastic Packaging Systems ("Saudi Packaging") (formerly Savola Packaging Systems Company Limited) along with its two subsidiaries i.e. Al-Sharq Company for Plastic Industries Limited and New Marina for Plastic Industries Company (S.A.E.) (refer note 3). The facility is secured by irrevocable and unconditional assignment of all rights, titles and interests to the sale contract entered into with the Al Othman Agricultural Product and Production Company (NADA), a related party, revenue accounts of the Company and two of its subsidiaries i.e. Advanced Fabrics Factory Company (SAAF) and Ultra Pak Manufacturing Company (Ultrapak) and a corporate guarantee from Al-Othman Holding Company, an affiliate.

During the year, a repayment of SR 490 million was made in respect of this loan i.e. SR 90 million pertaining to scheduled loan installment and early repayment of SR 400 million. There was no change in the term of the loan, however repayment has been rescheduled accordingly. The Group is in breach of certain covenants of long term loan which is measured half yearly i.e. June and December every year. However, management has taken necessary remedial action including obtaining waiver from the lead bank as on December 31, 2015 and June 30, 2016 and subsequent to the year end, the Group has obtained waiver for December 2016.

Accordingly, this loan continues to be classified as non-current.

SIDF loans - The Group entered into various loan agreements with SIDF to finance the construction of the plant facilities of the Group. The loans bear no periodic financing charges. The loans are secured by mortgage on the property, plant and equipment of the Group companies, two parcels of land owned by an affiliate and corporate guarantees from the Company. The loan appraisal fees are deferred and are being amortized over the term of the loans.

In July 2009, SIDF sanctioned a loan to Ultrapak for SR 12.85 million to finance the modernization and expansion of production facilities. The loan is repayable in twelve unequal semi-annual installments commencing Rabi' I 1, 1431 (January 31, 2010). In 2012, Ultrapak entered into a further loan agreement with SIDF to finance expansion of production facilities for an additional amount of SR 12.7 million due in 13 unequal semi-annual installments, commencing Safar 15, 1435 (December 18, 2013). During 2014, these loans have been consolidated into one facility of SR 25.5 million with an additional drawdown of SR 1.6 million which is payable in 11 unequal semiannual installments commencing from 15 Safar, 1436 (December 7, 2014) and final payment is due on Safar 15, 1441 (October 14, 2019).

In September 2013, SAAF entered into a loan agreement with SIDF to finance the construction of its new production facilities for an amount of SR 125.7 million. Repayment of the loan is in 14 unequal semi-annual installments commencing from Shawwal 15, 1436H (July 31, 2015). In 2015, an amount of SR 12.5 million and in 2014 SR 113.2 million was drawn down by the SAAF. The Group is non-compliant with certain covenants of these loan. However, the Group has received the waiver against the application for waiver of non-compliance of financial covenants for the year ended December 31, 2015 made to SIDF and is in the process of obtaining a waiver for 2016. Accordingly, management has disclosed the loan as current portion and non-current portion based on terms of contract of loan / repayment schedule.

Aggregate maturities of medium and long term loans outstanding at December 31, 2016 before adjusting loan appraisal fees are as follows:

	2016 SR '000	2015 SR '000
Year 1	**83,502**	217,617
Year 2	**87,684**	136,917
Year 3	**115,593**	138,916
Year 4	**117,195**	181,813
After 4 Years	**139,518**	366,515
	543,492	1,041,778

The Group has credit facilities agreements with local commercial banks comprising of overdrafts, short term loans, letters of credit and guarantee etc. amounting to SR 1,186 million. Borrowings under the facilities bear financing charges at the prevailing market rates and are secured by demand order note, promissory notes and corporate guarantees from Al-Othman Holding Company, an affiliate.

12. End of service indemnities

	2016 SR '000	2015 SR '000
January 1	**40,925**	9,900
Liability assumed under business combination	**-**	28,733
Charge for the year	**8,519**	12,533
Payments during the year	**(12,577)**	(10,241)
December 31	**36,867**	40,925

13. Statutory reserve

In accordance with the Regulations for Companies in Saudi Arabia, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 30% of the share capital. This reserve is not available for dividend distribution. However, it can be used to increase the Company's capital or to mitigate its losses, if any.

14. Related party transactions

In the normal course of business, the Group transacts with related parties. Prices and terms of payment are approved by management of each affiliated entity. During the year, the Group transacted with the following related parties:

Name	Relationship
Al Othman Group of companies	Affiliates

Related party transactions mainly represent purchases, sales, and services rendered at mutually agreed terms and approved by management. The significant transactions and the related amounts are as follows:

Nature of transaction	2016 SR '000	2015 SR '000
Purchase of air tickets	**5,512**	2,353
IT services	**7,809**	5,247
Purchase of materials	**312**	112
Expenses incurred for affiliates	**457**	427
Purchase of / advance for property, plant and equipment	**14,784**	28,414
Sales during the year	**72,213**	70,143
Accommodation, food and other miscellaneous expenses	**4,380**	4,736

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Due from related parties	2016 SR '000	2015 SR '000
Al Othman Agri Products and Processing Company ("NADA")	11,855	21,958
Others	85	1,673
	11,940	23,631

Due to related parties	2016 SR '000	2015 SR '000
Al Hassa Development Company	4,300	4,300
Al Othman Travel Agency	530	793
Systems of Strategic Business Solutions Company ("SSBS")	329	-
Others	541	-
	5,700	5,093

All significant related party transactions between the Group companies have been eliminated in the consolidated financial statements.

15. General and administrative expenses

	2016 SR '000	2015 SR '000
Employee related costs	57,252	53,231
Communication and other office expenses	12,516	15,471
Acquisition related costs	-	8,405
Depreciation	1,730	5,661
Amortization	8,222	1,917
Write off of intangible assets	9,871	-
Travel and entertainment	4,383	2,527
Professional and other services	4,067	832
Others	9,249	3,541
	107,290	91,585

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16. Selling and distribution expenses

	2016 SR '000	2015 SR '000
Transportation	30,457	39,137
Employee related costs	14,179	17,765
Provision for doubtful debts	458	8,891
Others	6,893	6,427
	51,987	72,220

17. Other expenses (income), net

	2016 SR '000	2015 SR '000
Foreign exchange loss	24,236	-
Gain on disposal of property and equipment	-	(53)
Realized gain on investment held for trading	-	(14,165)
Reversal of excess provision for bad debts	(9,328)	-
Others	(2,772)	1,909
	12,136	(12,309)

18. Zakat

a) Zakat status

Zakat returns for the Group companies have been filed independently and paid for all years through 2010 and the zakat certificates have been received till 2015. Zakat for the Company and its subsidiaries has been filed on a consolidated basis by the Group for 2011 and onwards and zakat certificates have been received.

The Company and its subsidiaries' assessments have been agreed up to different years. The Company and its subsidiaries' have received additional assessments for certain year and have filed objections against these assessments. Total additional zakat against for which objection have been filed amount to SR 9.4 million, Management is confident of favorable outcome against these assessments. Further, the Group's management is of the view that any zakat charge in respect of newly acquired companies (refer note 3) relating to period before acquisition date will be paid by the previous owners. Accordingly, provision for this zakat has not been recognized in these consolidated financial statements.

b) The principal elements of zakat base are as follows:

	2016 SR '000	2015 SR '000
Non-current assets	1,545,030	1,560,726
Non-current liabilities	461,671	822,917
Spare parts	39,003	76,005
Opening shareholders' equity	455,021	488,582
Net loss before zakat and income tax	(55,286)	(23,235)

Some of these amounts have been adjusted in arriving at the zakat charge for the year.

c) The movement in zakat provision is as follows:

	2016 SR '000	2015 SR '000
January 1	14,667	7,912
(Reversal) provision for the year	(1,421)	3,887
Liability assumed under business combination	-	2,868
Payments during the year	(4,546)	-
December 31	8,700	14,667

The charge for the year is as follows:

	2016 SR '000	2015 SR '000
(Reversal) charge for the year	(1,421)	3,887
	(1,421)	3,887

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19. Income tax payable

	2016 SR '000	2015 SR '000
January 1	-	917
Provision for the year	3,425	-
Paid during the year	-	(896)
Prior year tax	-	(21)
Foreign currency translation	(1,667)	-
December 31	1,758	-

20. Earning per share

Loss per share is computed by dividing net loss for the year by the weighted average number of shares outstanding during year ended December 31, 2016 totaling 49.05 million shares (2015: 38.15 million shares).

The weighted average number of shares as at December 31, 2016 and 2015 has been determined as follows:

	December 31 2016	December 31 2015
Weighted average number of outstanding shares before right issues	38,150,000	35,000,000
Add: Effects of right issue	10,902,740	3,150,000
Weighted average number of shares outstanding after right issue	49,052,740	38,150,000

Weighted average number of shares and earnings (loss) per share for the year ended December 31, 2015 has been restated due to effect of the right issue during the year.

Loss per share from the continuing main operations is computed by dividing the operating income less zakat and income tax and finance charges for the year by the weighted average number of shares outstanding.

(Loss) earnings per share from other operations is computed by dividing the other income for the year by the weighted average number of shares outstanding

21. Operating lease arrangements

	2016 SR '000	2015 SR '000
Payments under operating lease expense during the year	**10,236**	7,545

Operating lease payments represent rentals payable by the Group for certain employees' housing, office space, warehouses and factory lands. Leases, except for lands, are negotiated for an average term of one year and rentals are fixed over the lease period. Leases for lands are negotiated for a period of 20 to 30 years and rentals are fixed over the lease period. Commitments for minimum lease payments under non-cancelable operating leases are as follows:

	2016 SR '000	2015 SR '000
Year 1	**3,062**	10,885
Year 2	**2,052**	2,396
Year 3	**2,657**	2,396
Year 4	**3,520**	2,396
Year 5	**3,520**	2,396
After 5 years	**15,091**	25,115
	29,902	45,584

22. Segmental information

Business segments:

Consistent with the Group's internal reporting process, business segments have been approved by management in respect of the Group's activities. The Group's principal activities are related to the following main business segments:

- Disposable polystyrene cups, lids and other plastic related products: These includes plastic packing and packaging products of polystyrene sheet rolls used in forming, immediate packing and packaging, in thermoformed and polystyrene cups and lids, high density bottles used in dairy, food and beverage industry; and
- Non-woven fabrics: These includes the composite fabrics, for use in health, industrial and medical sectors, aolohol resistant and anti-static electricity fabrics used for surgical drapes, medical and protective gownsuse and fabrics made for health usages, such as children and adult diapers and women's diapers.

The Group's revenue, operating income, net loss, property, plant and equipment, total assets and total liabilities, by business segment, are as follows:

	Disposable polystyrene cups, lids and other plastic related products SAR '000	Non-woven fabrics SAR '000	Total SAR '000
For the year ended December 31, 2016			
Revenues	**1,191,568**	**224,028**	**1,415,596**
Operating income (loss)	**41,687**	**(16,089)**	**25,598**
Net loss	**(36,860)**	**(20,430)**	**(57,290)**
As of December 31, 2016			
Property, plant and equipment	**790,833**	**416,783**	**1,207,616**
Total assets	**1,743,559**	**598,664**	**2,342,223**
Total liabilities	**1,007,898**	**397,524**	**1,405,422**
For the year ended December 31, 2015			
Revenues	**1,392,604**		
Operating income (loss)	**47,995**		
Net loss	**(2,438)**		
As of December 31, 2015			
Property, plant and equipment	**788,265**		
Total assets	**1,979,464**		
Total liabilities	**1,750,646**		

Geographical segments:

The Group's revenue, operating income, net loss, property plant and equipment, total assets and total liabilities, by geographical segment, are as follows:

	Kingdom of Saudi Arabia SAR '000	Arab Republic of Egypt SAR '000	Total SAR '000
For the year ended December 31, 2016			
Revenues	**1,318,658**	**96,938**	**1,415,596**
Operating income	**13,121**	**12,477**	**25,598**
Net loss	**(47,534)**	**(9,756)**	**(57,290)**
As of December 31, 2016			
Property, plant and equipment	**1,194,654**	**12,962**	**1,207,616**
Total assets	**2,279,562**	**62,661**	**2,342,223**
Total liabilities	**1,375,854**	**29,568**	**1,405,422**
For the year ended December 31, 2015			
Revenues	1,616,873	101,594	1,718,467
Operating income	13,093	600	13,693
Net loss	(22,354)	(4,768)	(27,122)
As of December 31, 2015			
Property, plant and equipment	1,154,323	58,652	1,212,975
Total assets	2,537,150	114,698	2,651,848
Total liabilities	2,144,230	52,597	2,196,827

23. Contingencies and commitments

At 31 December, the Group had the following contingencies and commitments:

	2016 SAR '000	2015 SAR '000
Letters of credit for purchase of raw material and fixed assets	**15,650**	113,148
Letter of guarantees	**4,867**	46,483
Capital commitments against purchase of property, plant and equipment	**31,208**	22,372

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24. Financial instruments and risk management

Financial instruments carried on the balance sheet include cash and cash equivalents, loans, other current assets, investments, trade and other receivables, trade payables, due to and due from related parties and other liabilities.

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group has no significant concentration of credit risks. Cash and cash equivalents are placed with national banks with sound banking reputation. Trade and other accounts receivable are mainly due from local customers and related parties and are stated at their estimated realizable values.

Interest rate risk is the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group's interest rate risk arises mainly from short term and long term debts, which are at floating rates of interest.

Management monitors the changes in interest rates and believes that the fair value and cash flow interest rate risks to the Group are not significant.

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to realize the values of financial assets at an amount close to its fair value. As at December 31, 2016, the Group's current liabilities exceed its current assets. The Group is managing its future cash flow requirements through cash inflows from operations, proceeds from issuance of right shares (note 1) and unavailed credit facilities (note 11). Further, management also monitors on a regular basis that sufficient funds are available to meet the Group's future commitments.

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 Riyal, Egyptian Pound and United States Dollar. Other transactions in foreign currencies other than Egyptian Pound and US Dollar are not material. Although there is significant devaluation in Egyptian pound, management believes that its overall impact on the Group's exposure is not significant. Currency risk is management on regular basis.

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 accompanying financial statements are prepared under the historical cost method, differences may arise between the book values and the 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.

25. Comparative figures

Certain figures for the year 2015 have been reclassified to conform to the presentation of the current year.

26. Approval of the financial statements

These consolidated financial statements were approved by the Board of Directors for issuance on March 15, 2017.


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