TAKWEEN ADVANCED INDUSTRIES
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2018
WITH INDEPENDENT AUDITOR'S REVIEW REPORT

TAKWEEN ADVANCED INDUSTRIES
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2018

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Al-Bassam & Co.
Allied Accountants

PKF

INDEPENDENT AUDITOR'S REVIEW REPORT ON CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The Shareholders
Takween Advanced Industries
(A Saudi Joint Stock Company)
Al-Khobar, Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Takween Advanced Industries (the "Company") and its subsidiaries (collectively referred to as the "Group") as of March 31, 2018 and the related condensed consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standards No. 34, "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncement endorsed by Saudi Organization of Certified Public Accountants. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as endorsed in the Kingdom of Saudi Arabia. A review of condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standards No. 34, as endorsed in the Kingdom of Saudi Arabia.

PKF Al Bassam & Co.
Allied Accountants

Ibrahim Ahmed Al Bassam
Certified Public Accountant
License No. 337
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TAKWEEN ADVANCED INDUSTRIES
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2018

	Note	March 31, 2018 (Un-audited) SR '000	December 31, 2017 (Audited) SR '000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,101,629**	1,126,325
Intangible assets		**12,081**	12,965
Goodwill		**323,582**	323,582
Total non-current assets		**1,437,292**	1,462,872
Current assets			
Inventories	5	**289,535**	315,522
Trade receivables	6	**315,506**	293,450
Prepaid expenses and other receivables	7	**117,488**	58,459
Investments held at amortized cost		**7,004**	6,958
Cash and cash equivalents		**61,456**	41,583
Total current assets		**790,989**	715,972
TOTAL ASSETS		**2,228,281**	2,178,844
EQUITY AND LIABILITIES			
Equity			
Share capital	1	**950,000**	950,000
Statutory reserve		**-**	29,419
Other reserves		**(53,195)**	(53,415)
Accumulated losses		**(178,083)**	(186,216)
Total equity		**718,722**	739,788
LIABILITIES			
Non-current liabilities			
Medium and long term loans	8	**311,425**	356,822
Employee benefits	9	**39,307**	40,518
Total non-current liabilities		**350,732**	397,340
Current liabilities			
Current portion of medium and long term loans	8	**101,209**	96,684
Short-term loans	8	**808,472**	698,788
Trade payable and other liabilities		**249,146**	246,244
Total current liabilities		**1,158,827**	1,041,716
Total liabilities		**1,509,559**	1,439,056
TOTAL EQUITY AND LIABILITIES		**2,228,281**	2,178,844

The accompanying financial statements were authorized for issue by board of directors, on behalf of shareholders on May 8, 2018 and signed on their behalf by:

Dr. Wissam Younes Chief Financial Officer	Jameel A. Al-Molhem Managing Director	Abdulmoshen M. Al-Othman Deputy Chairman

The accompanying notes 1 to 17 form an integral part of these condensed consolidated interim financial statements.

TAKWEEN ADVANCED INDUSTRIES
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2018

	Note	**March 31, 2018 (Un-audited) SR '000**	March 31, 2017 (Un-audited) SR '000
Revenue	10, 11	**307,331**	302,419
Cost of revenue	10	**(280,925)**	(260,417)
Gross profit		**26,406**	42,002
Administrative expenses	10	**(10,513)**	(18,696)
Selling, marketing and distribution expenses		**(16,183)**	(18,397)
Research expenses		**(294)**	(254)
Operating (loss) income		**(584)**	4,655
Finance charges		**(10,975)**	(14,278)
Other income, net		**3,652**	2,056
Net loss before zakat and income tax		**(7,907)**	(7,567)
Zakat and income tax		**7,071**	(1,338)
Net loss for the period		**(836)**	(8,905)
Other Comprehensive income:			
Item that may be reclassified subsequently to statement of profit or loss			
Exchange differences on translation of foreign operation		**220**	175
Total comprehensive loss for the period		**(616)**	(8,730)
Loss per share (SR) based on loss for the period attributable to shareholders of the company			
Basic and diluted loss per share	12	**(0.01)**	(0.15)

The accompanying financial statements were authorized for issue by board of directors, on behalf of shareholders on May 8, 2018 and signed on their behalf by:

Dr. Wissam Younes	**Jameel A. Al-Molhem**	**Abdulmoshen M. Al-Othman**
Chief Financial Officer	**Managing Director**	**Deputy Chairman**

The accompanying notes 1 to 17 form an integral part of these condensed consolidated interim financial statements.

TAKWEEN ADVANCED INDUSTRIES
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2018

	Share capital SR '000	Statutory reserve SR '000	Other reserves SR '000	Accumulated losses SR '000	Total SR '000
Balance as at January 1, 2017	950,000	29,419	(48,479)	(17,981)	912,959
Net loss for the period	-	-	-	(8,905)	(8,905)
Other comprehensive income	-	-	175	-	175
Balance as at March 31, 2017 (Un-audited)	950,000	29,419	(48,304)	(26,886)	904,229
Balance as at January 1, 2018	**950,000**	**29,419**	**(53,415)**	**(186,216)**	**739,788**
Impact of IFRS 9 adoption (note 4.4)	**-**	**-**	**-**	**(20,450)**	**(20,450)**
Balance as at January 1, 2018 (after amendment)	**950,000**	**29,419**	**(53,415)**	**(206,666)**	**719,338**
Net loss for the period	-	-	-	**(836)**	**(836)**
Transfer (note 14)	-	**(29,419)**	-	**29,419**	**-**
Other comprehensive income	-	-	**220**	-	**220**
Balance as at March 31, 2018 (Un-audited)	**950,000**	**-**	**(53,195)**	**(178,083)**	**718,722**

The accompanying financial statements were authorized for issue by board of directors, on behalf of shareholders on May 8, 2018 and signed on their behalf by:

Dr. Wissam Younes	**Jameel A. Al-Molhem**	**Abdulmoshen M. Al-Othman**
Chief Financial Officer	**Managing Director**	**Deputy Chairman**

The accompanying notes 1 to 17 form an integral part of these condensed consolidated interim financial statements.

TAKWEEN ADVANCED INDUSTRIES
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2018

	March 31, 2018 (Un-audited) SR '000	March 31, 2017 (Un-audited) SR '000
OPERATING ACTIVITIES		
Net loss for the period before zakat and income tax	**(7,907)**	(7,567)
Adjustment for:		
Depreciation	**29,159**	31,692
Amortization of intangible assets	**884**	697
Interest income on investments held at amortized costs	**(46)**	-
Finance charges	**10,975**	14,247
Employee benefits	**1,160**	1,293
	34,225	40,362
Movement in working capital:		
Inventories	**25,978**	9,622
Trade receivables	**(42,526)**	27,894
Prepaid expenses and other receivables	**(59,029)**	(64,083)
Trade payable and other liabilities	**9,971**	(46,145)
Cash used in operations	**(31,381)**	(32,350)
Finance charges paid	**(10,666)**	(14,247)
Employee benefits paid	**(2,680)**	(1,595)
Net cash used in operating activities	**(44,727)**	(48,192)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(4,387)**	(10,437)
Additions to intangible assets	**-**	(559)
Net cash used in investing activities	**(4,387)**	(10,996)
FINANCING ACTIVITIES		
Change in short term loans	**109,684**	287,946
Change in medium and long term loans	**(40,872)**	(37,016)
Net cash from financing activities	**68,812**	250,930
Net change in cash and cash equivalents	**19,698**	191,742
Cash and cash equivalents at the beginning of the period	**41,583**	43,269
Foreign currency translation reserve	**175**	175
Cash and cash equivalent at the end of the period	**61,456**	235,186
NON-CASH TRANSACTIONS		
Impairment loss against trade receivables on adoption of IFRS 9	**20,450**	-

The accompanying financial statements were authorized for ~~issue by~~ board of directors, on behalf of shareholders on May 8, 2018 ~~and signed~~ on their behalf by:

Dr. Wissam Younes	**Jameel A. Al-Molhem**	**Abdulmoshen M. Al-Othman**
Chief Financial Officer	**Managing Director**	**Deputy Chairman**

The accompanying notes 1 to 17 form an integral part of these condensed consolidated interim 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 950 million divided into 95 million shares of SR 10 each.

The Board of directors in a meeting held on December 17, 2015 had proposed to increase the share capital by SR 600 million by issuance of right shares to its 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 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 Company's registered office is located at Al Khobar, Kingdom of Saudi Arabia.

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 films;
- 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.

2. STRUCTURE OF THE GROUP

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

	Effective ownership	
	March 2018	December 2017
• Advanced Fabrics Factory Company ("SAAF")	**100%**	100%
• Ultra Pak Manufacturing Company ("Ultra Pak")	**100%**	100%
• Saudi Plastic Packaging Systems ("Saudi Packaging")	**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%

During 2017, as part of the restructuring of the Group's operations, the shareholders of the Group resolved to transfer the net assets in one of its branch i.e. "Plastico" (A branch related to Takween) to Saudi Plastic Packaging Systems ("Saudi Packaging") effective January 1, 2017. The book value of net assets transferred was SR 75.23 million. Also during 2017, the whole operation in one of the subsidiary "Ultra Pak" was transferred to Saudi Plastic Packaging Systems ("Saudi Packaging") effective January 1, 2017. The book value of net assets transferred was SR 104.63 million.

3. BASIS OF PREPARATION

3.1 Statement of compliance

The condensed consolidated interim financial statements for the three months' period ended 31 March 2018 have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants (SOCPA). The accompanying condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and hence should be read in conjunction with the Group's annual financial statements for the year ended December 31, 2017. The Group has adopted IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" from 1 January 2018, and accordingly, the accounting policies for these new standards are disclosed in the note 4.

3.2 Preparation of the condensed consolidated interim financial statements

The condensed consolidated interim financial statements have been prepared on the historical cost convention except for the defined benefit obligation which is recognized at the present value of future obligation using the projected unit credit method.

The principal accounting policies applied in the preparation of condensed consolidated interim financial statements are consistent with those of the previous financial year and the respective corresponding interim reporting period, except for the adoption of new and amended standards as set out below in note 4.

The preparation of condensed consolidated interim financial statements in conformity with IFRS required management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts in the condensed consolidated interim financial statements. These critical accounting judgements and key sources of estimations were the same as those described in the last annual financial statements except for new significant judgements and key sources of estimations related to the application of IFRS 15 and IFRS 9.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies applied by the group.

4.1 Basis of consolidation

The condensed consolidated interim financial statements incorporate the financial statements of the Takween Advanced Industries and of its subsidiaries (the "Group") as detailed in note 2. Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.1 Basis of consolidation (Continued)

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the condensed consolidated interim statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Condensed consolidated interim statement of profit or loss and each component of other comprehensive income are attributed to the shareholders of the Company. Total comprehensive income of subsidiaries is attributed to the shareholders of the Company.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

4.2 New Standards, Amendments to Standards and Interpretations

The Group has adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers from January 1, 2018, the effect of application of these standards have been fully explained in note 4.4. A number of other new standards, amendments to standards are effective from January 1, 2018 but they do not have a material effect on the Group's condensed consolidated interim financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 New standards, amendments and revised IFRS in issue but not yet effective

Following are the new standards and amendments to standards which are effective for annual periods beginning after January 1, 2019 and earlier application is permitted; however, the Group has not early adopted them in preparing these condensed consolidated interim financial statements.

New and revised IFRSs	Description	Effective for annual periods beginning on or after
IFRS 16	Leases	January 1, 2019
IFRS 3, IFRS 11, IAS 12 and IAS 23	Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019
IAS 28	Long-term Interests in Associates and Joint Ventures	January 1, 2019
IAS 19	Plan Amendment, Curtailment or Settlement	January 1, 2019

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the consolidated financial statements of the Group in the period of initial application.

IFRS 16 will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2019. The application of IFRS 16 is effective January 1, 2019 and may have a significant impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of its leases. However, it is not practicable at this stage to provide a reasonable estimate of effects of the application of IFRS 16 until the Group performs a detailed review.

4.4 Changes in accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements as at December 31, 2017, except for the policies explained below that are related to the IFRS became effective on January 1, 2018. The Group has adopted IFRS 9 "financial instruments" and IFRS 15 "Revenue from Contracts with Customers" effective January 1, 2018. IFRS 9 set out the requirements for the recognition and measurement of financial assets and financial liabilities and IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. The key changes to the Group's accounting policies resulting from the adoption of IFRS 9 and IFSR 15 are set as follows:

a) IFRS 9 Financial instruments

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.4 Changes in accounting policies (Continued)

a) IFRS 9 Financial instruments (Continued)

Classification and measurement of financial assets and financial liabilities

The standard eliminates the existing IAS 39 categories of held-to-maturity, loan and receivables and available-for-sale. The classification of financial assets under IFRS 9 is generally based on the business model in which the financial asset is managed together with its relevant contractual cash flow characteristics. IFRS 9 largely retains the existing requirements in IAS 39 for classification and measurement of financial liabilities.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied under the modified retrospective approach.

Classification of financial assets

Under IFRS 9, on initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). However, the Group as of the reporting date only holds financial assets measured at amortized cost.

Financial Asset at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Classification of financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the Effective Interest Rate (EIR).

Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model associated with its financial assets. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39. The impairment methodology is generally dependent on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach as required by IFRS 9.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.4 Changes in accounting policies (Continued)

a) IFRS 9 Financial instruments (Continued)

Impairment (continued)

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Trade receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost. An increase of SR 20.45 million in the allowance for impairment on these receivables was recognized on transition to IFRS 9. The increase in allowance resulted in an adjustment to accumulated losses at January 1, 2018.

Impact of changes in accounting policies due to adoption of new standard

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9:

	Measurement category IAS 39	Measurement category IFRS 9	Original carrying value under IAS 39	Adjustments	New carrying value under IFRS 9
			SR '000	SR '000	SR '000
Financial assets					
Trade receivables	Amortized cost (Loans and receivables	Amortized cost	293,450	(20,450)	273,000
Other receivables	Amortized cost (Loans and receivables	Amortized cost	42,868	-	42,868
Investments held at amortized cost	Amortized cost (Held to maturity)	Amortized cost	6,958	-	6,958
Cash and bank balances	Amortized cost (Loans and receivables	Amortized cost	41,583	-	41,583
			384,859	(20,450)	364,409
Financial liabilities					
Trade payables and other liabilities	Amortized cost	Amortized cost	246,244	-	246,244
Short term loans	Amortized cost	Amortized cost	698,788	-	698,788
Medium and long term loans	Amortized cost	Amortized cost	453,506	-	453,506
			1,398,538	-	1,398,538

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.4 Changes in accounting policies (Continued)

b) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The Group recognizes revenue when a performance obligation is satisfied, i.e. customer obtains control of the goods at a point of time which is on delivery and acknowledgement of goods by the customer, and this is in line with the requirements of IFRS 15. Accordingly, there were no material effect of adopting IFRS 15 "Revenue from contracts with customers" on the recognition of revenue of the Group.

The details of the new significant accounting policies in relation to the Group's sales of goods set out below.

The company has different types of products i.e. Disposable polystyrene cups, lids, Non-woven fabrics and other plastic-related products. Customers obtain control of products when the goods are delivered to and have been accepted at their premises. Invoices are generated and revenue is recognized at that point in time. Credit invoices are usually payable within 30 - 120 days. Invoice is generated and recognized as revenue net-off applicable discounts which relate to the items sold.

Transition

Changes in accounting policies resulting from the adoption of IFRS 15 have been applied under modified retrospective approach. However, there were no material effect of adopting IFRS 15 on the date of initial application.

5. INVENTORIES

	March 31, 2018 (Un-audited) SR '000	December 31, 2017 (Audited) SR '000
Finished goods	**86,781**	94,753
Raw and packaging materials and work in progress	**186,879**	207,674
Spare parts	**39,189**	38,205
	312,849	340,632
Allowance for inventories	**(23,314)**	(25,110)
	289,535	315,522

6. TRADE RECEIVABLES

	March 31, 2018 (Un-audited) SR '000	December 31, 2017 (Audited) SR '000
Trade receivables	**369,250**	310,334
Trade receivables - related parties	**2,812**	21,202
	372,062	331,536
Allowance for impairment	**(56,556)**	(38,086)
	315,506	293,450

7. PREPAID EXPENSES AND OTHER RECEIVABLES

	March 31, 2018 (Un-audited) SR '000	December 31, 2017 (Audited) SR '000
Advances to suppliers	**61,678**	7,641
Rebate receivable	**41,077**	34,747
Prepaid expenses	**10,175**	7,950
Margin against bank guarantees and letter of credits	**1,483**	3,499
Other receivables	**3,075**	4,622
	117,488	58,459

8. BORROWINGS

	March 31, 2018 (Un-audited) SR '000	December 31, 2017 (Audited) SR '000
Medium and long-term loans	**412,634**	453,506
Short-term loans	**808,472**	698,788

a) Medium and long-term loans

	March 31, 2018 (Un-audited) SR '000	December 31, 2017 (Audited) SR '000
Commercial loan	**314,756**	348,999
Saudi Industrial development fund ("SIDF") Loans	**97,878**	104,507
	412,634	453,506
Less: current portion	**101,209**	96,684
	311,425	356,822

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.). 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 (as illustrated in note 2, the Plastico has been transferred to Saudi Packaging during 2017 as part of group restructuring) and two of its subsidiaries i.e. Advanced Fabrics Factory Company (SAAF) and Ultra Pak Manufacturing Company (Ultrapak) (which has also been transferred to Saudi Packaging during 2017 as part of group restructuring (note 2)) and a corporate guarantee from Al-Othman Holding Company, an affiliate.

In 2016, 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 for the period ended June 30, 2017 and is in the process of obtaining a waiver for the year ended December 31, 2017. Accordingly, this loan continues to be classified as non-current.

8. BORROWINGS (Continued)

a) Medium and long-term loans (Continued)

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, 1435H (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, 1436H (December 7, 2014) and final payment is due on Safar 15, 1441H (October 14, 2019). During 2017, the loan was transferred to Saudi Packaging as a part of restructuring of the Group operations as explained in note 2. On February 26, 2018, an agreement was signed with SIDF reflecting the transfer of the loan.

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, 2016 made to SIDF and is in the process of obtaining a waiver for 2017. Accordingly, management has disclosed the loan as current portion and non-current portion based on terms of contract of loan / repayment schedule.

b) Short term loans

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

9. EMPLOYEE BENEFITS

	March 31, 2018 (Un-audited) SR '000	December 31, 2017 (Audited) SR '000
Opening Balance as at January 1,	**40,518**	38,165
Expense charge for the period / year	**1,469**	7,941
Remeasurement loss	**-**	6,102
Employee benefits paid	**(2,680)**	(11,690)
	39,307	40,518

Charge to condensed consolidated interim statement of profit or loss for the period / year:

9. EMPLOYEE BENEFITS (Continued)

	March 31, 2018 (Un-audited) SR '000	December 31, 2017 (Audited) SR '000
Current service cost	**1,160**	6,704
Interest cost	**309**	1,237
	1,469	7,941

Principal actuarial assumptions:

	December 31, 2017
Discount factor used	3%
Salary increase rate for the first year	4%
Rates of employees turnover	Heavy

Sensitivity analysis on present value of defined benefit obligations plan are as below;

	December 31, 2017	
	Percentage	Amount SR ('000)
Discount rate:		
Increase	+ 0.5 %	37,844
Decrease	- 0.5 %	41,390
Expected rate of salary:		
Increase	+ 0.5 %	41,412
Decrease	- 0.5 %	37,806

The actuarial valuation study has been conducted using projected unit credit method.

10. RELATED PARTIES TRANSACTIONS AND BALANCES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

During the period, the Group entered into the following transactions with related parties that are not members of the Group:

Nature of transaction	**March 31, 2018 (Un-audited) SR '000**	March 31, 2017 (Un-audited) SR '000
Purchase of air tickets	**1,271**	550
IT services	**1,125**	1,608
Expenses incurred for affiliates	-	46
Rentals	-	866
Revenue	**16,224**	17,461
Accommodation, food and other miscellaneous expenses	**107**	909

11. 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, alcohol resistant and anti-static electricity fabrics used for surgical drapes, medical and protective gowns use and fabrics made for health usages, such as children and adult diapers and women's diapers.

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

	Disposable polystyrene cups, lids and other plastic-related products	**Non-woven Fabrics**	**Total**
	SR '000	**SR '000**	**SR '000**
For the three months ended March 31, 2018 (Un-audited)			
Revenue	**236,501**	**70,830**	**307,331**
Operating income (loss)	**4,062**	**(4,646)**	**(584)**
Net profit (loss)	**3,561**	**(4,397)**	**(836)**
As of March 31, 2018 (Un-audited)			
Property, plant and equipment	**720,430**	**381,199**	**1,101,629**
Total assets	**1,658,303**	**569,978**	**2,228,281**
Total liabilities	**1,068,959**	**440,600**	**1,509,559**

	Disposable polystyrene cups, lids and other plastic-related products	Non-woven Fabrics	Total
	SR '000	SR '000	SR '000
For the three months ended March 31, 2017 (Un-audited)			
Revenue	251,029	51,390	302,419
Operating income (loss)	10,700	(6,045)	4,655
Net loss	(1,641)	(7,264)	(8,905)
As of March 31, 2017 (Un-audited)			
Property, plant and equipment	775,912	410,449	1,186,361
Total assets	1,944,198	595,116	2,539,314
Total liabilities	1,233,845	401,240	1,635,085

11. SEGMENTAL INFORMATION (Continued)

The Group's operations are conducted in Saudi Arabia, and the Arab Republic of Egypt. Selected financial information for the period / year then ended summarized by geographic area, was as follows:

	Kingdom of Saudi Arabia	**Arab Republic of Egypt**	**Total**
	SR '000	**SR '000**	**SR '000**
For the three months ended March 31, 2018 (Un-audited)			
Revenue	**287,492**	**19,839**	**307,331**
Operating (loss) income	**(2,278)**	**1,694**	**(584)**
Net (loss) income	**(2,504)**	**1,668**	**(836)**
As of March 31, 2018 (Un-audited)			
Property, plant and equipment	**1,090,459**	**11,170**	**1,101,629**
Total assets	**2,160,175**	**68,106**	**2,228,281**
Total liabilities	**1,476,387**	**33,172**	**1,509,559**

	Kingdom of Saudi Arabia	Arab Republic of Egypt	Total
	SR '000	SR '000	SR '000
For the three months ended March 31, 2017 (Un-audited)			
Revenue	282,877	19,542	302,419
Operating income	2,685	1,970	4,655
Net (loss) income	(10,962)	2,057	(8,905)
As of March 31, 2017 (Un-audited)			
Property, plant and equipment	1,173,964	12,397	1,186,361
Total assets	2,462,651	76,663	2,539,314
Total liabilities	1,593,747	41,338	1,635,085

The Company's foreign subsidiary is subject to certain restrictions on outward foreign currency remittance.

12. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. With regard to diluted loss per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

Loss per share are represented as follows:

	March 31, 2018 (Un-audited)	March 31, 2017 (Un-audited)
Basic/ Dilutive loss per share (SR)	**(0.01)**	(0.15)
Loss for the period (SR '000)	**(836)**	(8,905)
Weighted average number of outstanding shares	**95,000,000**	58,141,209

13. FINANCIAL RISK MANAGEMENT

The Group's principal financial liabilities comprise trade and other payables and loans. The Group's principal financial assets are cash and cash equivalents and trade and other receivables. The main financial risks arising from the Group's financial instruments are market risk, credit risk and liquidity risk. Management reviews and agrees policies for managing each of these risks which are summarized below:

Market risk:

Market risk is the risk that changes in market prices, such as interest rates and foreign currency exchange rates may affect the Group's income. The Group was exposed to market risk, in the form of interest rate risk and foreign currency risk as described below, during the period under review. There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

Foreign currency risk management:

Foreign currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates. The Group's major financial assets and financial liabilities are denominated in Saudi Riyal, US Dollars (USD), Euro (EUR), Emirates Dirham (AED), and Egyptian Pounds (EGP). Saudi riyals are pegged to the US Dollar, consequently balances in those currencies are not considered to represent a currency risk. Management monitors the fluctuations in Euro, Egyptian Pound currency exchange rates with Saudi Riyals and manages its effect on the financial statements accordingly. The Group did not have any significant foreign currency denominated monetary assets or liabilities at the reporting date except for assets and liabilities in Egyptian Pound, for which it was exposed to foreign currency fluctuations. Consequently, no foreign currency sensitivity analysis has been presented.

13. FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency risk management:

Following balances are exposed to foreign currency risks;

	Currency	March 31, 2018 (Un-audited) SR '000	December 31, 2017 (Audited) SR '000
Cash and cash equivalent	USD	**14,665**	16,892
	EUR	**3,409**	1,584
	EGP	**1,834**	5,549
	AED	**10**	565
		19,918	24,590
Trade receivables	EGP	**16,555**	10,986
	USD	**96,227**	77,494
	EUR	**8,579**	7,665
		121,361	96,145
Trade payable and other liabilities	EGP	**(244)**	(5,856)
	USD	**(10,689)**	(13,227)
	EUR	**(5,552)**	(5,542)
	AED	**(116)**	(197)
	CHF	**(47)**	(12)
	GBP	**-**	(9)
	BHD	**(18)**	(18)
		(16,666)	(24,861)
Short-term loans	EGP	**(16)**	(3,159)
	USD	**(4,172)**	(5,690)
		(4,188)	(8,849)
Net statement of financial position exposure		**120,425**	87,025

Interest rate and liquidity risk management:

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

13. FINANCIAL RISK MANAGEMENT (Continued)

Interest rate and liquidity risk management (Continued):

The following table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows:

March 31, 2018	**Interest rate**	**Within one year**	**One year to five years**	**Total**
		SR '000	**SR '000**	**SR '000**
Trade payable and other liabilities	Interest free	**249,146**	**-**	**249,146**
Short term loans	2.75%	**808,472**	**-**	**808,472**
Medium and long term loan	4.5-5%	**101,209**	**311,425**	**412,634**
		1,158,827	**311,425**	**1,470,252**

December 31, 2017	Interest rate	Within one year	One year to five years	Total
		SR '000	SR '000	SR '000
Trade payable and other liabilities	Interest free	235,693	-	235,693
Short term loans	2.75%	698,788	-	698,788
Medium and long term loan	4.5-5%	96,684	356,822	453,506
		1,031,165	356,822	1,387,987

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has interest bearing loans at March 31, 2018.

The Group is exposed to interest rate risk because entities in the Group borrow funds at floating interest rates. The group does not hedge its exposure to movements in interest rates. Management limits the Group's interest rate risk by monitoring changes in interest rates.

As at March 31, 2018 the Group's current liabilities exceed its current assets. The Group is managing its future cash flow requirements through the cash inflows from operations and unavailed credit facilities. Management is confident of its ability to renew these facilities as they become due and avail new facilities as required.

Credit risk:

Credit risk is the risk that one party may fail to discharge an obligation and cause the other party to incur a financial loss. The Group has no significant concentration of credit risk. Cash and cash equivalent 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 amortized cost.

13. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued):

The maximum exposure to credit risk at the reporting date was

Description	March 31, 2018 (Un-audited) SR '000	December 31, 2017 (Audited) SR '000
Trade receivables	369,250	310,334
Trade receivables – related parties	2,812	21,202
Other receivable	45,635	42,868
Investments held at amortized cost	7,004	6,958
Cash at bank	61,138	41,307
	485,839	422,669

The Group seeks to manage its credit risk with respect to banks by only dealing with reputable banks. With respect to credit risk arising from the financial assets of the Group, including receivables from employees and bank balances, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these assets in the condensed consolidated interim statement of financial position.

Capital management:

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from the previous period/year.

The capital structure of the Group consists of equity and debt, comprising share capital, statutory reserve, accumulated losses, other reserves and loans. The Group is not subject to any externally imposed capital requirements.

Fair value of financial instruments:

The directors consider that the carrying values of the financial instruments reported in the statement of financial position approximate their fair values.

14. STATUTORY RESERVE

During the period, the board of directors in their meeting dated March 20, 2018 has recommended to utilize the statutory reserve against accumulated losses, which was later approved by the shareholders in the annual general meeting held on April 17, 2018. Accordingly, the balance of statutory reserve was adjusted against the accumulated losses.

15. CONTINGENCIES AND COMMITMENTS

The Group had the following contingencies and commitments:

	March 31, 2018 (Un-audited) SR '000	December 31, 2017 (Audited) SR '000
Letters of credit	13,531	10,445
Letters of guarantee and others	3,329	4,442
Capital commitments against purchase of property, plant and equipment	17,720	11,968

16. PRIOR PERIOD RECLASSIFICATIONS

Certain comparative figures for period ending March 31, 2017 have been reclassified to conform with the presentation in the current period. The details and impacts of major re-classification on figures of comparative balances are as follows.

Reclassification of balances reported under consolidated statement of profit or loss and other comprehensive income

a) For the period ended March 31, 2017, the scrap sales were presented as revenue. For better presentation the Group chooses not to present it as revenue instead to present these scrap sales and its cost as a net amount in other income and accordingly comparative figures of revenue and cost of revenue and related notes has been adjusted to reflect such reclassification.

b) For the period ended March 31, 2017, the rent expense on account of finished goods warehouses and freight costs for sales were presented as a part of cost of revenue. For better presentation the Group chooses not to present it as cost of revenue instead to present these costs as selling marketing and distribution expenses and accordingly comparative figures of cost of revenue and selling, marketing and distribution expenses and related notes has been adjusted to reflect such reclassification.

c) For the period ended March 31, 2017, employee costs for warehouse employees and supply chain management was presented as administrative expenses. For better presentation the Group chooses not to present it as administrative expenses instead to present these costs as selling, marketing and distribution expenses and accordingly comparative figures of administrative expenses and selling, marketing and distribution expenses and related notes has been adjusted to reflect such reclassification.

The reclassifications made by the Group are as follows

	March 31, 2017	
	Debit	Credit
	SR '000	SR '000
Revenue	2,303	-
Cost of revenue	-	7,671
Administrative expenses	-	1,926
Selling, marketing and distribution expenses	7,419	-
Research expenses	106	-
Finance charges	31	-
Other income, net		262

17. APPROVAL OF THE FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved by the Board of Directors for issuance on May 8, 2018.