TAKWEEN ADVANCED INDUSTRIES
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2016

TAKWEEN ADVANCED INDUSTRIES
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS WITH AUDITORS' REPORT
AS AT 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.

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

Ibrahim Ahmed Al-Bassam
License No. 337
16 Jumada' II, 1438
March 15, 2017

TAKWEEN ADVANCED INDUSTRIES
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED BALANCE SHEET
AS AT 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
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	**Azhar Kenji**	**Abdulmoshen M. Al-Othman**
Chief Financial Officer	Chief Executive Officer	Managing Director

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

TAKWEEN ADVANCED INDUSTRIES
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF INCOME
FOR THE 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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Imran Yar	**Azhar Kenji**	**Abdulmoshen M. Al-Othman**
Chief Financial Officer	Chief Executive Officer	Managing Director

TAKWEEN ADVANCED INDUSTRIES
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 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)

TAKWEEN ADVANCED INDUSTRIES
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTIUNED)
FOR THE 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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Imran Yar
Chief Financial Officer

Azhar Kenji
Chief Executive Officer

Abdulmoshen M. Al-Othman
Managing Director

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

TAKWEEN ADVANCED INDUSTRIES
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE 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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Imran yar
Chief Financial Officer

Azhar Kenji
Chief Executive Officer

Abdulmoshen M. Al-Othman
Managing Director

The accompanying notes form 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.

1 ORGANIZATION AND ACTIVITIES (Continued)

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 POLICIES

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Business combination and goodwill (Continued)

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Use of estimates and judgments (continued)

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Property, plant and equipment (continued)

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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.

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.

3. BUSINESS COMBINATION (Continued)

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 RECEIVABLES, 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 3)	**-**	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

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

6. INVENTORIES, NET (Continued)

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

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

8 PROPERTY, PLANT AND EQUIPMENT (Continued)

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:

	2016 SR '000	2015 SR '000
Cost		
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

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

11. MEDIUM AND LONG TERM LOANS (Continued)

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.

11. MEDIUM AND LONG TERM LOANS (Continued)

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

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	2015
	SR '000	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

16. SELLING AND DISTRIBUTION EXPENSES

	2016	2015
	SR '000	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	2015
	SR '000	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.

18. ZAKAT (Continued)

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

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	325,863	1,718,467
Operating income (loss)	47,995	(34,302)	13,693
Net loss	(2,438)	(24,684)	(27,122)
As of December 31, 2015			
Property, plant and equipment	788,265	424,710	1,212,975
Total assets	1,979,464	672,384	2,651,848
Total liabilities	1,750,646	446,181	2,196,827

22 SEGMENTAL INFORMATION (continued)

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

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.