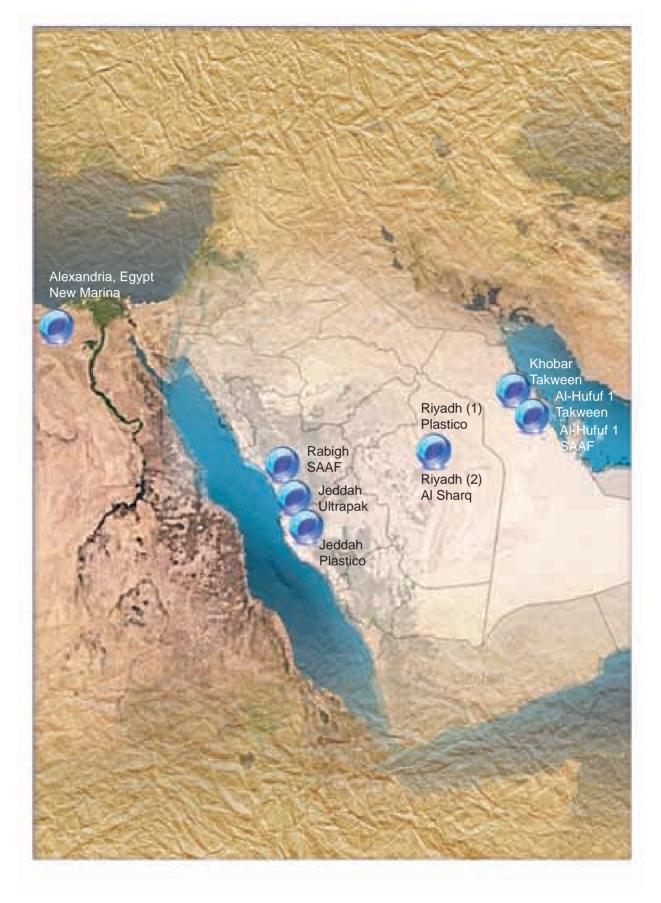


Annual Report 2 0 1 5

In the name of Allah the compassionate the most merciful







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



His Royal Highness Prince Mohammed bin Nayef bin Abdulaziz

The Crown Prince, Deputy Premier, and Minister of Interior

# His Royal Highness Prince Mohammed bin Salman bin Abdulaziz

Deputy Crown Prince, Second Deputy Premier, Minister of Defence, President of th Supreme Council of the Saudi Arabian Oil Company (Saudi Aramco)









His Royal Highness Prince Saud bin Nayef bin Abdulaziz

Governor of the Eastern Province of the Kingdom of Saudi Arabia



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#### **Corporate Vision**

Takween seeks to occupy a leading position in the transformational industries of wrapping polymers used in fast-circulated consumer goods and the manufacturing of consumer goods in the Middle East and world markets. The Company also seeks to become a leading and distinguished company with regard to realising profitable investments, developing and growing its activities, enhancing its relationships with its partners and customers so acquiring their satisfaction and loyalty.

#### **Corporate Mission**

Takween specialises in owning, developing and employing the latest polymer technology for the production of high quality product packs, as well as non-woven textiles used for fast-circulated consumer goods and consumer goods in the Middle East and the world. The Company's main focus is becoming the partner of choice for major world advanced textile producers. In addition, the Company seeks to accomplish its mission through understanding the needs of its customers and motivating its staff to meet the needs of the market and the customers by using the latest technologies and equipment to develop production and quality methods. The Company focuses on long-term partnership with its customers in world and local markets and has a positive influence on its stakeholders through professional work by optimising the use of its manufacturing facilities and constant supervision of its production lines in KSA and abroad.

#### **Corporate Values**

The core values of the Company mainly depend on working to achieve leadership in transformational industries in KSA, through the provision of various high quality products and contributing to the conservation of the environment. The strategy of the Company depends on a number of main elements through which it seeks to achieve its strategy:

- **1. Integrity and Respect:** The Company is keen on working with integrity and transparency and enhancing relationships based on mutual confidence and respect with customers and partners.
- **2. Quality and Excellence:** Upgrading the production efficiency of the Company according to the best quality standards to promote its financial results and revenues, provide best services to customers in KSA and abroad and enhance their satisfaction and loyalty to the Company.
- **3. Collaborative Team:** Attracting highly competent staff, securing a sound and collaborative work environment, ensuring staff welfare and training to perform their duties at optimal levels, developing our HR and focusing on staff training to achieve good management principles that combine Company growth with partner welfare.
- **4. Effectiveness and Efficiency:** To allocate resources though the most effective and efficient methods to avoid waste and achieve best results.
- **5. Social Responsibility:** To comply with all laws and regulations according to CSR standards and support social activities.
- 6. Environmental Responsibility: To comply with environmental standards in all our activities and operations.



Mr. Abdullah M. Al-Othman Chairman



Mr. Khalid A. Al-Rajhi Member





Mr. George Abraham Member







Dr. Solaiman A. Al-Tawijri Member



Mr. Mousa A. Al-Mousa Member



Mr. Abdulaziz S. Al-Rebdi Member











Mr. Abdullah M. Al-Othman Chairman

### Chairman's Message

With extreme pleasure, I would like to introduce to shareholders this 2015 Annual Report of Takween. It highlights achievements and successes in the plastic, polymers and non-woven industries which is value added to the industrial sector in the Kingdom.

The Board of Directors do their best to promote future prospects and have high ambitions for the growth of the Company's investment and equity.

I would like to extend my thanks and appreciation to our government, under the leadership of the Custodian of the Two Holy Mosques, and the Crown Prince and the Second Deputy Premier for their continuous support of the developmental and manufacturing projects. I would also like to extend my sincere thanks and gratitude to His Royal Highness Prince Saud bin Nayef bin Abdul Aziz Al Saud, Governor of the Eastern Province. May Allah Almighty bless them all for their efforts to support the Company's projects as part of the support for economic development in this integral part of our country.

The Board is also pleased to extend its thanks to the shareholders of the Company, for their continued confidence in Board of Directors, and thanks all employees.

Mr. Abdullah M. Al-Othman



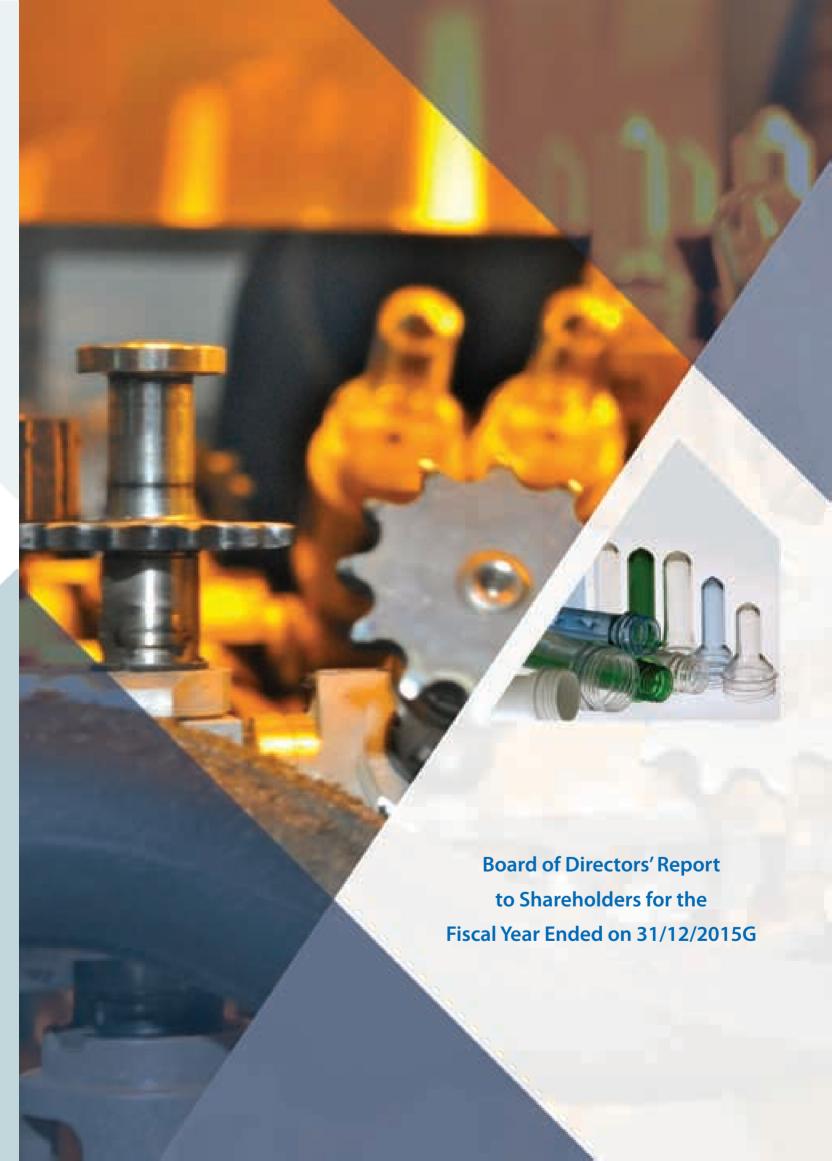














#### **Board of Directors' Report to Shareholders**

#### on the Fiscal Year 2015G

Messrs. Shareholders of Takween Advanced Industries, Peace Be Upon You.

We are pleased to present to you the annual report that shows the company's business and statement of financial position for the financial year ended on 12/31/2015G. It includes all the factors affecting the company's business, as stipulated in the applicable laws, and disclosure requirements contained in the regulations and laws issued by the Capital Market Authority.

#### Introduction:

Takween started its business some 22 years ago, under the name Plastico to produce many plastic packaging and packing products, cups, and plastic bottles. The company acquired Advanced Fabrics Company (SAAF), which specialised in manufacturing non-woven fabrics and Ultrapak Manufacturing Company (Ultrapak) specialised in producing PET preform products. In August 2014G, the company purchased one of the biggest factories in the Industrial City in Al Oyoun, which is established on an area of 43.200 square meters, for the expansion of its plastic business. In March 2015G, Takween acquired the plastic division from Savola Group, which was represented in the purchase of all shares of Savola Packaging Systems, including its two subsidiaries, Al Sharq Plastic Industries and New Marina Plastic Industries Company, Egypt. Production capacity for all factory units during 2015G was 323 thousand tons annually.

The company sells its manufactured plastic products to a variety of industrial sectors, such as the dairy, foods, juices and soft drinks industries. It covers the needs of all industries that utilize plastic containers. The company also sells its non-woven fabrics to the medical and health sectors. Many of the company's customers are pioneers in their respective sectors.

We are pleased to present to our valued shareholders the company's business activities, its financial position and the information that must be disclosed under the Corporate Governance Regulation as follows:















(1) Description of the types of principal activities of the company and its subsidiaries and a statement of each activity and its impact on the volume of the company's business, as well as its contribution to the outcomes.

Takween Company is classified as an industrial investment company. Its business is focused in two main industrial sectors and is distributed to five subsidiaries, four of which are located in the Kingdom of Saudi Arabia and one in the Arab Tower Industrial City in Alexandria, Egypt.

Following is a description of the types of activities and subsidiaries:

# First: Plastic Products Sector represented in the following subsidiaries:

- a. Saudi Plastic Packaging Systems Company (previously Savola Packaging Systems), which has two plants in Jeddah – Riyadh.
- Takween Plastic Packaging Products Company, which has two plants in Al Ahsa Al Guran – Al Oyoun.
- c. Al Sharq Plastic Industries Riyadh Plant.
- d. New Marina Plastic Industries Company, which has two plants in Arab Tower City – Alexandria, Egypt.
- e. Ultrapak Manufacturing Company Jeddah Plant.

#### **Products:**

- Plastic packaging and packing products of polystyrene sheet rolls used in the forming, immediate packing and packaging and in single use thermoformed cups used mainly in the dairy, foods and beverage industry.
- Thermoformed polystyrene cups and lids used for packing yogurt, juices, dairy, milk and juices.

- High Density Polyethylene bottles used in packaging milk, dairy, juices and other beverages.
- PET Preforms for packing juices and dairy products.
- Closures and lids used in dairy, various beverages and water bottles.
- Production of polypropylene, polystyrene and polyethylene sheet rolls.
- Production of polystyrene bags, cups packages and plates for single use.
- Production of jerry cans, packages, barrels and heavy duty bags made of polyethylene including buckets, dust bins and boxes.
- Production of PET Preforms with a capacity between 180 ml and 2.25 L for use at juices, soft drinks and water plants.
- Plastic Products Annual Production Capacity:
- Production capacity for all types of plastic products is around 281 thousand tons/ annually.

Second: Non-woven Fabrics Sector: Represented in Advanced Fabrics Company (SAAF), which has two plants at Al Ahsa and Rabigh:

#### **Products:**

- Non-woven fabrics and production of recycled polypropylene granules.
- Non-Woven Fabrics Annual Production Capacity:
- The total capacity of all type of non-woven fabrics is around (42) thousand tons / annually.

Third: Summary of the impact of every activity in terms of volume and contribution to the results during the year 2015G (in millions Saudi Riyals).



#### **Activities Sectors:**

	Production	n Capacity	•	Business ume	Impact on Results	
Description	Total Production Thousand tons annually	Percentage	Revenues	Percentage	Earning from Activity	Percentage
Plastic Products Sector	281	87%	1,392,6	81%	59,3	426,62%
Non-Woven Fabrics Sector	42	13%	325,9	19%	-45,4	- 326,62%
Total	323	100%	1,718,5	100%	13,9	100%

#### **Sectors per Geographical Distribution:**

	Production	n Capacity		Business ume	Impact on Results	
Description	Total Production Thousand tons annually	Percentage	Revenues	Percentage	Earnings from Activity	Percentage
Kingdom of Saudi Arabia	293	90,7%	1,616,9	94,1%	11,9	79,87%
Arab Republic of Egypt	30	9,3%	101,6	5,9%	3%	20,13%
Total	323	100%	1,718,5	100%	14,9	100%





### Most significant performance milestones during 2015G:

- In March 2015G, Takween acquired and finalised procedures for the purchase of Savola Packaging Systems. The commercial name was amended to Saudi Plastic Packaging Systems Company (Plastico).
- In October 2015G, the company finalised procedures for financing 100% of the purchase price of Savola Packaging Systems via Saudi Banks Consortium after the approval of Takween's shareholders at the Ordinary General Assembly in 01/03/2015G.
- In October 2015G, the company started an administrative and legal restructure, merger and change of ownership in some subsidiaries and the geographical re-distribution of commercial registrations for some plants. It is expected that this work will be finalised during 2016G.
- In July 2015G, the company started preparations to obtain initial industrial licensing for the Plastic Bottles Factory in Al Oyoun. This will be the biggest bottling factory in the company. Works are expected to be completed during 2016G.
- In December 2015G, Takween Advanced Industries Company Board of Directors recommended that the Extraordinary General Assembly increase the company capital through offering a Rights Issue to the amount of SAR600 million, subject to obtaining approval of official authorities. From this, the company aims for the optimal capital structure for the company and to decrease the total debt value. The Board also approved the appointment of HSBC, Saudi Arabia, as a financial advisor for the Rights Issue Offering.
- The company and its subsidiaries, continued to obtain ISO quality certification for its products, which are renewed on yearly basis, including ISO 9001 and ISO 22000 certificates and British Retail Consortium (BRC) food certification.

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

#### **First: Future Plans**

- Takween aims to benefit significantly from its leading position in various market segments, both locally and internationally and to implement further expansions through manufacturing more value-added products, following the acquisition of the plastic sector which was possessed by Savola Group. After the acquisition, Takween became the biggest producer in the plastic market sector in the Kingdom and Gulf region. The aim of the company is to improve and increase the plastic products mix, increase sales and boost the growth of profit margins and thereby enhance shareholders' value.
- Takween adopts a strategy based on carefully drawn expansion plans in all sectors; hence, it has developed expansion plans for all of its plants to increase production capacity, meet market requirements, add new plants, machineries and products, and develop products to help to optimise the cost of the product and enhance its quality and sales.
- Takween's consistent focus on research and development activities is the cornerstone of all innovations that have strengthened its market leadership. Future innovations will further strengthen this leading position and thus profitability.
- Takween's policies in dealing with its employees, clients, and suppliers are the main drivers of success. Such dealings are based on the principle of transparency, honesty, mutual interest, teamwork and other basic pillars upon which the company's goals, strategic plans and future forecasts are built.



# Second: Company's plans to apply international accounting standards:

- Pursuant to circulars issued by the Capital Market Authority No. (2978/4), dated 25/03/2014G, No. (S/1/12231/15), dated 12/08/2015G, and circular no. S/1/383/16) dated 13/01/2016G, Takween has prepared a plan approved by the Board of the Saudi Organization for Certified Public Accountants for the application of international accounting standards on the financial statements prepared for fiscal periods starting on 01/01/2017G and thereafter.
- The details of the plan have been included in the Board's report, in line with the executive procedures for the transformation to international standards (IFRS) as follows:

#### STEPS TO CONVERGENCE

# Identification of the area of impact of the project

- Accounting and Finance
- Marketing and Communication
- Subsidiaries and Business Units
- Information Systems
- Internal Audit and Risk Management
- Human Resources and Change Management

#### **Accounting and Finance**

- Identification of Key IFRS differences to SOCPA
- · IFRS accounting policies review
- Convergence of current SOCPA policies with IFRS
- IFRS training
- Changes to reporting packages and consolidation process
- · Changes to management information

#### **Marketing and communication**

- External IFRS communication plan for stakeholders and other users of financial statements
- Internal IFRS communication plan for employees and Board members

#### **Subsidiaries and Business Units**

- The need for IFRS impact assessments
- IFRS training
- IFRS reporting packages

#### **Information systems**

- · Impact of IFRS on overall systems
- Short term solutions over long term solutions
- IFRS business user requirements and functional specifications
- IFRS system changes and parallel runs Internal Audit and Risk Management
- Impact of IFRS on business and risk management policies
- · Control systems
- IFRS compliance tests
- · Liaison with external auditors

#### **Human Resources**

- Identification of resource constraints, if any
- Revisions to performance incentives
- IFRS training, change management and communication
- · Recruitment of staff with IFRS experience

Having identified all the areas of the business that could possibly be affected by the IFRS changes, the project needs to be implemented over a number of phases, which must all take place during the year 2016 to ensure compliance with the circular of CMA of 18/07/2013.

The project is to be phased over 2016 to systematically address each of the areas identified as those that may be impacted.





The approach to be adopted is a project management approach where a team is appointed to oversee the day-to-day operations of the project and to report back to senior management and the Board on a periodic basis, to ensure the smooth running of the project.

#### **Phase 1-Fact finding Stage**

- Clearly defined objectives and line of reporting of the project team
- Appointment of the team members
- · Confirm roles and responsibilities
- Gap analysis of current SOCPA and IFRS
- Gap analysis of current company policies with IFRS requirements
- Identification of IFRS that will have impact on the business
- Estimate resource required for phase 2

## Phase 2 – Can be clearly broken down into 3 sections

#### A. Project Team restructure

- Confirmation of the appointment of team members
- Appointment of new members as determined from findings in phase 1

### B. Component evaluation and issues resolution

- · Prepare component evaluations
- Impact analysis and decisions or accounting policies
- · Identify new data requirements

- Identify additional data requirements
- Identify and resolve accounting treatment issues

#### C. Financial Statement preparation

- Prepare IFRS SOCPA adjustments
- Post adjustments
- · Systems diagnosis
- Identify and calculate important GAAP differences (including documentation and adjusting journal entry calculation/support)

#### Phase 3 - Integrate Change

- · Impact analysis on recurring business
- Impact analysis on accounting/finance divisions
- Design and document IFRS reporting procedure
- · Change plan by business unit
- Systems design and development

## Third: Important Resolutions and Future Forecasts

- Starting implementation of merger procedures, administrative and legal restructuring, transfer of ownership, amendment of commercial registrations in a number of subsidiaries and finalising amendment of the ownership structure in such a way that Takween's ownership has reached 99% in all subsidiaries. The diagram below shows the future map for the merger of factories, sectors and locations:





- Implementing the procedures and requirements for the increase of share capital for submission to the Capital Market Authority after the completion of legal advisor due diligence of all company documents and finalising financial studies managed by the financial advisor. Such increase will contribute to decreasing debt volume and consequently reducing the financing expenditures, thereby having a positive impact on the company's profitability.
- Taking a number of precautionary measures to counter the increase in fuel, electricity and water prices, which may result in the increase in the prices of raw materials and other services, so that there is no significant impact on the company's profitability. Such measures include a review of sale prices, clients' contracts and squeezing of expenditures for the general benefit of the company and all other parties that deal with the company.
- Continuous support to both the Governance and Compliance and Risks Departments included in the company's organisational structure, as part of the Investors Relations and Legal Affairs Dept. due to their important role in the company.
- Working on updating internal laws and regulations, in line with the new companies' law which will be officially applied as of 01/05/2016G with submitting any required amendments to the General Assembly during 2016G.

# Fourth: Governance and Control of Compliance and Risks

The Company's Board of Directors recognises the importance of the existence of Governance and Risk and Compliance Control Functions in Takween Group. These Departments were established at the beginning of 2013G. The company's management was keen to support the work team, to prepare regulatory policies, regulations and procedures. It is keen to disseminate governance and compliance culture in all company business units, including the importance of evaluating risks; applying all rules related to Risk Management, participating in projects and company business development operations, as well as reducing potential occurrence of any type of risk.

In light of the external circumstances and variables, and since Takween is an industrial investment company, the company's business, its financial condition, results of operations and cash flows may be adversely and materially affected by elements set forth in this report. The company Board of Directors, at the present time, believes that most such elements are, but will be taken into account, should the situation change.

The types of risks that the company may face in line with its operations and the nature of business are as follows:

#### (A) Strategic Risks:

#### (1) Regional Situations

The region is witnessing some political instability, which may adversely affect competitiveness and the ability of the company to serve clients in such regions. However, the company seeks, as part of its strategic objectives and its risk management policy, to access new markets and diversify its income sources.

#### (2) Current Economic Conditions

Takween's operations and performance depend on worldwide and local economic conditions, which are affected by the global financial crises that prevail from time to time. Such conditions make it difficult for existing and potential clients to accurately forecast and plan future business activities and could cause them to reduce spending on the company's products, which could consequently affect its profitability. The company cannot predict the timing, strength or duration of any economic slowdown or subsequent economic recovery.

#### (3) Competitive Environment

The markets in which Takween operates are highly competitive. In 2015G, the company encountered pricing pressures in its markets in relation to the Advanced Fabrics products, which resulted in low prices of its products due to competition. Such decline in prices may result in losing business opportunities and squeezing the profit margins. Nevertheless, the company's policy focuses on the quality and distinction of its products and services more than competing in prices. Furthermore, the company has been able over time to partially offset pricing pressures in many of its other products by improving its cost structure and making the manufacturing processes more efficient by introducing new and innovative technology in many of the products.



## (B) Risks Relating to the Company's Operations

#### (1) Reliance on Key Suppliers

The company mostly relies on SABIC as its raw material supplier (e.g. Polypropylene, Polystyrene, polyethylene and PET). Other than the Polypropylene that is produced by other local companies, SABIC is the only local supplier of the main raw material used by the company and its subsidiaries. This reliance on SABIC's products may adversely affect either prices or Takween's capability to manufacture its products. Should SABIC cease to provide the required raw materials, the company's profitability may be affected. If the company decides to import raw materials from international markets, in order to avoid fees imposed on imports, it should obtain approval of the relevant authorities, which is difficult with the availability of the local products.

### (2) High Prices and Availability of Raw Materials

In light of the decision to increase fuel, electricity and water prices, resulting in the increase of prices of raw materials, electricity, fuel and support services and since Takween is an industrial company, its sales and profitability are dependent upon the availability and cost of raw materials, which are subject to price fluctuations. Many increases in prices have occurred in the past due to an increase of inflation rates and the costs of raw materials, and these are expected to recur. The company's performance depends in part on its capability to reflect changes in costs in products' selling prices. The company cannot guarantee stability of raw materials prices.

#### (3) Limited Expansion Capacity

company's capability to expand is contingent upon the availability of manufacturing floor space to add incremental manufacturing lines. Since Takween has acquired the Fabrics Plant and Savola Packaging Systems, such a risk factor does not exist in the company. However, it might be necessary to relocate the equipment to the new plants which were added and to relocate the Ultrapak factory from Jeddah to Al-Ahsa. The potential relocation may temporarily disrupt operations and may adversely affect the company's production performance. However, none of the company's plants, as well as its two subsidiaries, have experienced any significant stoppage of production operations other than the scheduled maintenance shutdowns.

### (4) Risks of Disruption of Operation and Unexpected Breakdown:

The company's business depends on the continuous and effective operation of the factories. The factories are planned to operate non-stop, around the clock, every day of the week. There are some risks that may adversely affect the operational efficiency of the company, such as natural disasters, breakdowns in machinery or computers, key personnel-related accidents and power or water outages. Disruption of production may lead to increased costs and reduced revenues and profits. The company cannot provide any guarantees of non-disruption in its operations despite the company's continued performance of periodic and preventive maintenance.

#### (5) Continuous Technological Changes

The company uses sophisticated and expensive technologies and systems to manufacture its products. The industry is characterised by frequent product improvements and evolving technologies. The company has in place research and development programs that aim at improving product quality, which could, at times, lead to earlier than planned redundancy of the company's technologies and systems, which may impair the company's capability to manufacture required products to its clients as anticipated.

#### **Market-Related Risks**

#### (1) Risks of International Sales

The company carries out its business with suppliers and clients in many countries, including England, Japan, United States of America, China and a number of East Asian and some Arab countries. The company's revenues and profits may be adversely affected by the economic conditions and/ or political conditions and changing laws or regulations in foreign countries, which is beyond the company's control. Any confusion in the local and international stock markets and financial markets affects adversely the local economy and global markets in which the company carries out its business. The company is currently unable to assess exactly or predict the future effects of other market disorders on the liquidity and consolidated statements of its financial position and the results of its operations and cash flow.



### (2) Risks of Currency Exchange and Interest:

The company deals in all of its international imports and exports in U.S. Dollar -linked Saudi Riyals and Euro. Any fluctuation between the value of the Saudi Rival and the U.S. Dollar and Euro may have a negative impact on the company's profits. Any negative shift in exchange rates in the markets that are not dominated by the U.S. Dollar could have a negative impact on the profitability of the company due to the linkage between the Saudi Riyal to the U.S. Dollar. Moreover, the fluctuations in interest rates between the Saudi banks (SIBOR) could increase the borrowing costs and have a negative impact on the results of operations. Therefore, the increase in short-term interest rates or Islamic Morabah (Profitability) Transactions will directly affect the amount of interest/costs paid by the company.

In addition, the results of the subsidiary in the Arab Republic of Egypt (New Marina) may be adversely affected due to a decrease in the Egyptian Pound price versus the Dollar, and increase of precautions in the Dollar transactions in accordance with the Egyptian monetary policy, which was a cause of low profitability during 2015G. It may adversely affect the company's profitability in the event of a continuous Pound low price or in the event of a shortage of the US Dollar in the Egyptian banks.

#### (D) Financial Risks:

## (1) Risks Related to Insurance Obligations:

The company's operations are subject to the risks related to its business in the field of manufacturing industries. Although the company maintains several types of insurance coverage, those insurance policies may not provide full insurance against all potential risks relating to the company's business. As a result of changing market conditions, the rates of insurance premiums and the deductibles in some insurance policies may increase substantially in some cases. This could lead to a significant increase in the operational costs, whereby profitability will be reduced.

### (2) Risks Related to Liquidity and Distribution of Dividends

Payment of dividends in the future will be dependent, amongst other things, on the

company's capability to make profits, its financial position, capital requirements, statutory reserves requirements, available credit of the company, liquidity, general economic conditions, and other factors relating to Board of Directors' sole discretion to declare dividends as it deems appropriate. The company does not make any assurance that any dividend will actually be paid, or any assurance as to the amount which will be paid in any given year. The distribution of dividends is subject to certain limitations contained in the company's Bylaws

#### (E) Risk of Compliance

Takween is keen to comply with the laws, regulations and standards and codes of conduct. This is in order to avoid non-compliance risks in the company, which could harm its reputation and make it susceptible to financial penalties and losses. Compliance risks that the company might face include the following:

### (1) Legislations, Laws, and Regulatory Environment

The company's business is subject to the laws and regulations in force in the Kingdom of Saudi Arabia in particular as well as other countries where it operates. Such laws and regulations are subject to change. Legal changes that may be caused by political, economic, technical or environmental factors may materially affect the company's operations and financial results. The company may adjust its products or operations to be consistent with any future changes in those laws and legislation, which may have an impact on the company's future revenues and cash flows.

In line with the information available to the company, there have been no signs to date of any change in the legislation and laws, which could have a material impact on the company's activities and future projects.

# (2) Compliance with Work Laws and Regulations:

All industrial firms, including the company, should comply with the Ministry of Labour regulations and resolutions as to required Saudization percentage of total manpower, which increases from year to year, and varies in big companies compared to medium companies. Takween is keen to comply with the regulations of the Ministry of Labour and, therefore, training and development of Saudi staff's skills and competencies constitute a



top priority for the company. The Board of Directors believes that there are no risk factors in this respect as the company is keen to hire Saudi nationals and adhere to Saudization.

#### (3) Environment and Public Safety

Forcing factories in the future to apply more stringent criteria to provide preventative safety requirements may increase the company's costs, which could adversely affect its operation and financial position. The company's business, financial results and financial position may be adversely affected in the event of physical loss or damage that may result from dealing with hazardous and toxic materials, or in the event of accidents

during production processes that are not covered by insurance policies. Takween in all its subsidiaries, is keen to comply with the highest safety criteria and requirements.

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

Takween is a Saudi joint stock company registered in the Kingdom of Saudi Arabia under Ministerial Resolution No. 391/Q dated 28/12/1431H (corresponding to 12/04/2010G). The company was listed on the Saudi Exchange (Tadawul) in February 2012G.

Following is a statement of assets, liabilities and financial results of the company:

#### Statement of Income (SAR million)

Description	2015G	2014G	2013G	2012G	2011G
Sales	1,718.5	767,7	731,2	669,66	694,13
Cost of Sales	(1,538.9)	(646,4)	(635.71)	(546,99)	(565,19)
Total Profit	179.6	121,3	95,31	122,66	128,93
R&D Expenses	(2,1)	(2,7)	(0,570)	(0,486)	(0,404)
S&D Expenses	(72.2)	(19,47)	(20,04)	(15,20)	(14,03)
Administrative Expenses	(91.6)	(42,28)	(28,07)	(22,22)	(24,68)
Financial Expenses	(49.2)	(15,22)	(12,62)	(8,68)	(11.17)
Other Income	12.3	19,89	13,33	1.27	1.21
Zakat	(3.9)	(6,21)	(2,96)	(2.02)	(3.52)
Net Profit (Loss)	(27.1)	55,3	44,4	75,32	76,15

#### Statement of Financial Position (SAR million)

Description	2015G	2014G	2013G	2012G	2011G
Current Assets	1,091.12	626,96	499,64	442,72	410,68
Fixed Assets	1,212.97	630,39	560,01	411,85	391,87
Intangible Assets	347.75	11,51	11,14	10,14	4,67
Total Assets	2.651.84	1,268.86	1,070.8	864,71	807,22
Current Liabilities	1,373.91	657,18	524,12	371,23	351,10
Total Liabilities	2,196.82	780,28	618,64	441,194	417,87
Shareholders' Equity	455.02	488,58	452,15	422,77	389,35
Liabilities and Shareholders' Equity	2.651.84	1,1268,86	1,070,8	864,71	807,22



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

#### 4.A 2015 Total Sales – Companies Existing in Saudi Arabia (SAR million)

				Geographica	l Distribution	า
Products	Year	Total Sales	Eastern Region	Central Region	Western Region	Exports
Companies (Plastico/ Ultrapak/ Al Sharq / Takween/ SAAF) Packing and Packaging Products, Health, Medical and PET Preform Products	2015G	1,718,5	127,4	740,2	203,9	647,3
	2014G	767.68	147.68	133	86	401

The comparison figures for the previous year (2014G) did not include the sales of Saudi Plastic Packaging Systems Company (Savola Packaging Systems previously) as its sales have been consolidated with Takween as of 01/01/2015G.

#### 4.B Diagram of Company Sales Analysis









# (5) Material differences of operating results compared to last year's results or any forecasts announced by the company

#### **Operating Results (SAR million)**

Item	2015G	2014G	Change (±)	Change %
Sales	1,718.5	767,7	+950.8	+123.9%
Cost of Sales	(1,538.9)	(646,4)	+892.5	+138.07%
Total Profit	179.6	121,3	+58.3	+48.06%
R&D Expenses	(2,1)	(2,7)	-0.6	-22.2%
S&D Expenses	(72.2)	(19,47)	+52.73	+270.8%
Administrative Expenses	(91.6)	(42,28)	+49.32	116.7%
Financial Expenses	(49.2)	(15,22)	33.98+	+223.26%
Other revenues	12.3	19,89	-7.59	-38.16%
Zakat	(3.9)	(6,21)	-2.31	-27.20%
Net Profit (Loss)	(27.1)	55.3	-28.2	-50.99%

The most important reasons for operating results variation from last year.

The net loss made compared to a net profit in the previous year is attributed to an increase

### The most important reasons for operating results variation from last year

The net loss made compared to a net profit in the previous year is attributed to an increase of sales cost, which represent 89,6% compared to 84,2% of sales in the previous year due to low prices of raw materials which were affected by low oil prices. This has led to low sales prices compared to the stock inventory average value of products at the end of the period.

2015G was affected by the increased losses of subsidiary Advanced Fabrics, SAAF, due to international competition in the price its products marketed in China, European countries and United States of America. This has contributed to low sales prices compared to the stock inventory average value of products at the end of the period.

In line with the accounting standards and following acquisition and purchase of Saudi Plastic Packaging Systems, (previously known as Savola), the company has complied with the principle of re-assessment of fixed assets at the end of 2015G, which contributed to the increase of the net loss of 2015G.

The increase of administrative and general expenses, sales and distribution expenses,

financing expenses, as well as the decrease of other revenues and recording foreign currency exchange differences have also contributed to the said net loss.

The current year 2015G also included consultancy and studies expenses related to the acquisition of Saudi Plastic Packaging Systems Company, (previously known as Savola).

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

There has been no deviation in the procedures for preparing the financial statements of the company from the accounting standards issued by SCOPA. The company is committed to preparing its financial statements for the year ended 31/12/2015G in line with these standards.

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



Takween has five subsidiaries as follows:

Subsidiary	Subsidiary Capital	Owner	ship %	Principal	Main Location	Country of
Name	(SR million)	2015G	2014G	Business	Wain Location	Incorporation
PET Plant (Ultrapak Manufacturing Company Limited)	25	99%	99%	Production of PET Preforms	KSA- Jeddah	KSA- Jeddah
Advanced Fabric Factory Company (SAAF)- Rabigh Branch	131.8	99%	99%	Production of polypropylene non-woven fabrics	KSA- Al Ahsa with branch in Rabigh	KSA- Al Ahsa with branch in Rabigh
Saudi Plastic Packaging Systems (Plastico)	342.4	99%	0,00%	Production of all plastic bottles, lids and sheet rolls	KSA- Jeddah/ Al Ahsa/ Jeddah/ Riyadh	KSA- Jeddah
Al-Sharq Plastic Industries	61.7	99%	0,00%	Production of polyethylene bags and rolls; single use polystyrene cups, packs and plates; jerry cans, packs, barrels, heavy duty bags, buckets, dust bins and plastic boxes	KSA- Riyadh	KSA- Riyadh
New Marina Plastic Industries	30 million Egyptian Pounds	99%	0,00%	Production of all plastic Packs and PET preform	Egypt - Alexandria	Egypt – Alexandria

# (8) Details of shares and issued debt instruments to every subsidiary

Takween's subsidiaries have not issued, during the financial year 2015G, any issues, shares or debt instruments within or outside the Kingdom.

# (9) Description of the Company's Dividend Distribution Policy

Articles 42 and 43 of the Company's Bylaw stipulate as follows:

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

 Set aside 10% of the net profits to form a statutory reserve, and the Ordinary General Assembly may stop such provisioning should the said reserve reach half of the share capital.

- From the remaining amount and after a resolution by the General Assembly approving distribution of dividends, a first payment, equivalent to no less than (5%) of the paid-up capital, shall be distributed to shareholders
- No more than 10% of the remaining net profit shall be distributed as bonuses to Board of Directors as approved by the relevant authorities. The remaining portion shall be distributed to shareholders as an additional share of profits.
- Dividends shall be paid to shareholders in the place and time specified by the Board of Directors in accordance with the instructions of the Ministry of Commerce and Industry.
- (10) Description of any interest in the class of shares eligible to vote and belonging to persons (other than members of the

Company's Board of Directors and senior executives and their relatives) who have informed the company of such rights under Article (45) of the Registration and Listing Rules and any change to those rights during the last fiscal year.

None during the year 2015G.

(11) Description of any interest, contractual securities and sub-

scription rights belonging to members of the Board of Directors and senior executives and their relatives in the shares or debt instruments of the company or any of its subsidiaries and any change to such interest or rights during the last fiscal year.

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

	Вс	oard Members	and Senior E	xecutives		
Name	No. of shares held at the beginning of the year	Percentage of holding at the beginning of the year	Net change during the year	Percentage of change during the year	Number of shares held at year end	Percentage of shares held at the year end
Abdullah Bin     Mohammed     Al Othman	620,799	1,774%	619,799	-99,84%	1,000	0,0029%
Abdulmohsen     Bin Mohammed     Al Othman	326,229	0,932%	- 316,229	-96,94%	10,000	0,0029%
Khalid Bin     Abdulrahman     Al-Rajhi	836,434	2,390%	1000	-0,120%	837,434	2,390%
4. George Antonious Abraham	1,166	0,0033%	-	-	1,166	0,003%
5. Dr. Sulaiman Bin Abdulaziz Saleh Al Tuwaijri	1,166	0,0033%	-1,166	-14,24%	1000	0,0029%
6. Abdulaziz Bin Saleh Al Rebdi	1.166	0,0033%	-	-	1,166	0,003%
7. Moussa Bin Abdulmohsen Al Moussa	1,166	0,0033%	830	71,19%	1,996	0,0057%

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



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

Outstanding Loans as at 31/12/2015G (SAR millions)

			Principal Amount	Amount	ij	+36	Loan	Receive		Loan
Loan Provider	Loan Date	Loan Period	Short Term	Long/ Medium Term	Installment Date	Installment Date	Balance as at January 2015G	from the Loan in 2015G	Paid in 2015G	as at December 2015G
Local Commercial Banks Short- Term Ioans and Bridge Loans	Jan-15	a year or less	2,112.4	,	·		498.3	2,112.4	1,799	811.7
Local Commercial Banks Long- Term and Medium Term Loans	Mar- 15	seven years	1	879.5	31/3/2016G	March 2022G		879.5		879.5
Saudi Industrial Development Fund (SIDF) Takween	Jun- 10	six years		29.2	Jan-10	May-16	7.8		5.3	2.5
SIDF ULTRAPAK	Dec- 12	seven	r	23.95	Dec-13	Oct-19	12.6		2.9	9.6
SIDF SAAF	Jan – 13	seven years	,	125,7	July-15	Nov-21	113.1	12.6	2.5	123.2













- On 16 January 2013G, the Saudi Industrial Development Fund (SIDF) approved to grant SAAF, a subsidiary of Takween, a loan in the amount of SAR125.7 million. The loan is payable on semi-annual installments over a seven-year period starting from 1436H, secured by mortgage of the project's fixed assets, in addition to a corporate guarantee by Takween that covers the entire SIDF loan, while keeping the mortgage over fixed assets for each of SAAF, Takween and Ultrapak (Takween's subsidiary) until
- 01/03/2015G. Takween's Ordinary General Assembly approved the company obtaining from a number of banks and financial institutions, Morabah facilities that conforms to the Islamic (Shariah) provisions, in a maximum amount of one billion and six hundred million (1.600.000.000) Saudi Rivals. subject to the terms and conditions deemed appropriate by the Board of Directors. The loan will be utilised for the repayment of the value of acquiring Saudi Plastic Packaging Systems - Plastico (previously known as Savola) and the current loans on Plastico and a number of its subsidiaries after the completion of acquisition, facility-related costs and fees, and the financing of company working capital. To that end, the Board may take all measures and procedures necessary to obtain such facilities, including obtaining required approvals, negotiating with banks and signing all facilities-related agreements and documents. The Board may vest any
- of his members with these authorities. The facilities terms include obtaining a corporate guarantee from Al Othman Holding Company, which is a related party. The Chairman of the Board, Mr. Abdullah Mohammed Al Othman and the Managing Director, Mr. Abdulmohsen Mohammed Al Othman, own a percentage of the said company.
- Financing from commercial banks is dependent on the company's solvency, volume of its commercial transactions and ongoing cash flows
- On 11/03/2015G, Takween announced the signing of Morabah facilities agreement to obtain facilities that conform to the Islamic Shariah provisions, from a group of Saudi banks, in line with the following details:
  - 1. Loan was signed on 11-03-2015
  - 2. Financing is through a syndicate of Saudi banks consisting of Arab National Bank, Samba Financial Group and Bank Al Bilad.
  - Loan amount of SAR 1.3 billion (SAR 910 million for the acquisition financing and SAR 390 million for the working capital financing).
  - 4. Term of financing is seven years for the acquisition financing (including a grace period of one year effective as the date of signing and repayment takes place over the six years following the signing date) and three years for the working capital financing.





- 5. The purpose of the loan is to pay the purchase price of the acquisition and repay the outstanding loans of acquiring Saudi Plastic Packaging Systems Plastico (previously known as Savola) and its subsidiaries after completion of the acquisition; and to finance the working capital of the company. It should be noted that the payment of the purchase price and transfer of ownership is currently in progress.
- 6. Loan guarantee is a pledge of Plastico shares and revenue account of Plastico as well as the revenue accounts of its subsidiaries; promissory notes, and a corporate guarantee by Al Othman Holding Company, which is a related party as both the Chairman, Mr. Abdullah Al Othman, and the MD, Mr. Abdullmohsen Al Othman, own shares in it.

The company issued the required guarantees and registered the mortgage in favour of the Arab National Bank in the Unified Center for Mortgages Registration as follows:

S/N	Date of Registration	Debtor's Name	Description		
01	26/04/2015G	Ultrapak Manufacturing Co. (Ultrapak)	Mortgage and conversion of profit accounts		
02	26/04/2015G	Advanced Fabrics Factory Co. (SAAF)	Mortgage and conversion of profit accounts		
03	28/04/2015G	Takween Advanced Industries	Conversion of the benefits of Al Othman Agricultural Production Contract to the bank		
04	28/04/2015G	Takween Advanced Industries	Mortgage and conversion of profit accounts		
05	27/08/2015G	Savola Packaging Systems Company	Mortgage and conversion of profit accounts		
06	27/08/2015G	Al Sharq Plastic Industries	Mortgage and conversion of profit accounts		
07	01/09/2015G	Takween Advanced Industries	Mortgage of Takween shares in Savola Packaging Systems		
08	01/09/2015G	Advanced Fabrics Factory Co. (SAAF)	Mortgage of SAAF shares in Savola Packaging Systems		
09	20/10/2015G	Saudi Plastic Packaging Systems (Plastico)	Conversion of company's supplies contracts to the bank		

(13) Description of the categories and numbers of any convertible debt instruments and any contractual securities, subscription right memoranda or similar rights issued or granted by the company during the financial year ended 31.12.2015G with explanation of any compensation obtained by the company in return.

Except as otherwise disclosed, the company, during the year 2015G, has neither issued nor granted any convertible debt instruments or contractual securities or memoranda of rights to subscribe or similar rights. The company has not obtained any compensation in return.

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

Except as otherwise disclosed, the company has neither issued nor granted during 2015G any convertible debt instruments, contractual securities or memoranda of right to subscribe or similar rights.

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

There are no redemption, purchase or revocation transactions made by the company or its subsidiaries for any redeemable debt instruments during 2015G.

(16) Number of Board meetings during the year 2015G and attendance record of every meeting outlining the names of attendees

The Board held 3 meetings during 2015G. Below is the list of the attendees and the Board has taken a number of resolutions under article 24 of the company's Bylaw, including the approval of the initial financial statements.

✓ Attended

Did not attend

Members of the Board	First Meeting 17/02/2015G	Second Meeting 02/04/2015G	Third Meeting 27/10/2015G	Attendance Percentage
1. Abdullah Bin Mohammed Al Othman	<b>V</b>	$\checkmark$	$\checkmark$	100%
2. Abdulmohsen Bin Mohammed Al Othman	$\overline{\checkmark}$	$\overline{\checkmark}$	$\overline{\checkmark}$	100%
3. Khalid Bin Abdulrahman Al Rajhi	<b>V</b>	$\overline{\checkmark}$	$\overline{\checkmark}$	100%
4. George Antonios Abraham	<b>V</b>	$\overline{\checkmark}$	$\overline{\checkmark}$	100%
5. Dr. Sulaiman Bin Abdulaziz Al Tuwaijri	<b>V</b>	$\checkmark$	$\checkmark$	100%
6. Abdulaziz Bin Saleh Al Rebdi	$\overline{\checkmark}$	$\overline{\checkmark}$	$\overline{\checkmark}$	100%
7. Moussa Bin Abdulmuhsen Al Moussa	<b>V</b>	$\checkmark$	$\overline{\checkmark}$	100%





# (17) Description of any transaction between the company and a related party

Below is a description of the approved transactions with related parties to which the company is a

party and on which the CPA legal accountant submitted his report to the Fifth Ordinary General Meeting held on 08/04/2105G in accordance with article 69 of the Companies' Law. Business and Contracts are approved and renewed annually by the General Assembly.

Description of Business and Contracts	Contract Period	Contract Value (SAR million) in 2015G	Paid during 2015G (SAR million)	Balance as at 31/12/2015G (SAR million)
A contract to provide IT management services with Strategic Solution Business Systems (SSBS) Company, which is a related party and an affiliate of Al Othman Holding Company, in which the Chairman Abdullah Mohammad Al Othman and the Managing Director Abdul Mohsen Mohammed Al Othman own a percentage.	Three years	4.2	4.2	0
A contract to purchase plastic bottles and packs with Al Othman Agricultural Production Industries Company (NADA), which is a related party and an affiliate of Al Othman Holding Company, in which the. Chairman Abdullah Mohammad Al Othman and the Managing Director Abdul Mohsen Mohammed Al Othman own a percentage.	Five Years	70.1	48.2	21.9
A contract to provide employees housing and general support and maintenance services with Al Othman Agricultural Production Industries Company (NADA), which is a related party and an affiliate of Al Othman Holding Company, in which the. Chairman Abdullah Mohammad Al Othman and the Managing Director Abdul Mohsen Mohammed Al Othman own a percentage.	Yearly	4.11	4.11	-
A contract to provide security services with Properties Securities Establishment, which is a related party and an affiliate of Al Othman Holding Company, in which the. Chairman Abdullah Mohammad Al Othman and the Managing Director Abdul Mohsen Mohammed Al Othman own a percentage.	Yearly	0.486	0.486	0
A contract for renting the land of Takween Plastic Plant and a contract for renting the land of Advanced Fabrics Company (SAAF) for a period of 20 years staring 01/4/2005G with Mohammed Bin Abdullah Al Othman, a related party (a shareholder of Al Othman Holding Company and first degree relative to two board members). The two contracts are approved on yearly basis by the General Assembly.	20 Years	0.0143	0.0143	0
A contract to obtain travel tickets for Takween's companies and employees with Al Othman Travel and Tourism Company, which is a related party and an affiliate of Al Othman Holding Company, in which the Chairman Abdullah Mohammad Al Othman and Managing Director Abdul Mohsen Mohammed Al Othman own a percentage.	Yearly	2. 3	1.9	0

Description of Business and Contracts	Contract Period	Contract Value (SAR million) in 2015G	Paid during 2015G (SAR million)	Balance as at 31/12/2015G (SAR million)
Contract for expansion/ preparation works for Takween Factory in Al Ahsa and contracting works which include (electrical, mechanical and constructional works, floors, air-conditioning, development of support services buildings installations, modification and development of the administration building, which is part of the preparation works), with Mohammed Al Othman Contracting Company owned by Mohammed Bin Abdullah Al Othman, a related party (shareholder of Al Othman Holding Company and a first degree relative to two board members.	One transaction	41.05	34.03	7,02
A contract for engineering supervision on the expansion and preparations works for Takween Factory in Al Ahsa with Abdulaziz Al Othman and Partners Engineering Office, as one of its partners is a shareholder of Al Othman Holding Company, a related party.	One transaction	2.15	1.075	1.075
A contract to purchase the Fabrics Plant in Al Ahsa Industrial City, which is an affiliate of Al Ahsa Development Company. Abdulmohsen Al Othman, Takween board member, is a board member of Al Ahsa Development Company.	One Transaction	-	-	3.5
Assignment fees paid to the Industrial Cities Authority by Al Ahsa Development Company, in which Abdulmohsen Bin Mohammed Al Othman, Takween board member, is a board member.	One Transaction	-	-	0.864
A contract to provide IT management services with Strategic Solution Business Systems (SSBS) Company, which is a related party and an affiliate of Al Othman Holding Company, in which the Chairman Abdullah Mohammad Al Othman and the Managing Director Abdul Mohsen Mohammed Al Othman own a percentage.	Supply during the year of Information Technology Equipment	1.1	1.1	0
Repayment of expenses and fees for SAAF office in China by Al Othman Holding Company, which is a related party, in which Chairman of the Board Abdullah Mohammed Al Othman and the Managing Director, Abdulmohsen Bin Mohammed Al Othman own a percentage.	One Transaction	0.422	0.422	
Provision of industrial supplies from Al Othman Industrial Marketing Company IMCO, which is a related party and an affiliate of Al Othman Holding Company, in which the Chairman Abdullah Bin Mohammed Al Othman and the Managing Director own a percentage.	One Transaction	0.112	0.112	0



Except as stated above, the company does not presently have any commercial transactions with any of its directors, executive managers or those who hold a share of 5% or more in the company, or any of their relatives or those who have direct or indirect financial interest in these transactions. They do not have any powers which give them the right to vote on such transactions.

It is noteworthy that all of these contracts with related parties are made on a commercial basis, without any preferential terms and in the interests of the company. They do not adversely impact the company's performance or constitute a financial burden on it, but rather they increase the profitability to shareholders. In addition, the prices specified in such contracts provide savings to the company compared to similar services in the local market. Therefore, they are in the interest of shareholders and considered to be at preferential rates to the company.

Under the provision of articles 69 and 70 of the Companies' Law, and in line with the disclosure of conflict of interests policy adopted by the company in the field of organising the relationship between the company and its directors and senior

executives as outlined in Article 7 of Takween's conflict of interests policy and regulation, the Directors (related parties) have informed the Board of their personal interest in the transactions made for the company. This was documented in the 11th item of the 19th Minutes of Meeting of the Board of Directors held on 16/02/2016G. The said transactions are the same as those transactions approved by the Ordinary General Assembly held on 08/04/2015G and documented in the Minutes of Meeting of the General Assembly. All transactions and any additional transactions during the year 2015G and approved by the Board and with which the CPA limited examination report dated 16/2/2015 is attached will be referred to the next General Assembly for approval.

(18) Information related to any works and contracts in which the company is a party, and in which a company's board member or the Chief Executive Officer or the Chief Financial Officer or any person relating to any of them has an interest.





Business/Contracts	Name of Company	Type of Relationship	Name of Stakeholder	Position
Information Services Agreement	Strategic Business Solutions Company	A subsidiary to Al Othman Holding Company	Abdullah Mohammed Al Othman Abdulmohsen Mohammed Al Othman	Chairman  Managing  Director
Supply agreement of Plastic packaging Products	Al Othman Company for Agricultural Production	A subsidiary to Al Othman Holding Company	Abdullah Mohammed Al Othman Abdulmohsen Mohammed Al Othman	Chairman  Managing  Director
Lease Agreement of Employees Residence	Nada Residential Compound	A subsidiary to Al- Othman Holding Company	Abdullah Mohammed Al Othman Abdulmohsen Mohammed Al Othman	Chairman  Managing  Director
Travel Tickets Issuance Transactions	Mohammad Al Othman Travel and Tourism Agency Company	A subsidiary to Al- Othman Holding Company	Abdullah Mohammed Al Othman Abdulmohsen Mohammed Al Othman	Chairman  Managing  Director
Engineering Supervision, Preparation Works for Al Oyoun Factory	Abdulaziz Al Othman and Partners Office	A subsidiary to Al Othman Holding Company	Abdullah Mohammed Al Othman Abdulmohsen Mohammed Al Othman	Chairman  Managing  Director
Preparation works for Al Oyoun Factory	Mohammed AI Othman Contracting Company	First Degree Relative	Abdullah Mohammed Al Othman Abdulmohsen Mohammed Al Othman	Chairman  Managing  Director

Except as stated above. Takween's Advanced Industries Board of Directors declares that during the year 2015G, there was no business, works or contracts in which the company is a party and in which a Board Member, the CEO or the CFO or any person having a relationship with any of them, may have interest.

(19) Statement of any arrangements or agreement of assignment under which a company's board member or a senior executive has assigned any salary or remuneration.

There are no arrangements or agreement of assignment during the year 2015G.

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

There are no arrangements or agreement of assignment during the year 2015G.

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

The company has paid the following entitlements to a number governmental agencies as follows:



# A. the company has paid the following entitlements to a number governmental agencies as follows:

S/N		Amount in (SAR millions)	Summary and Reason
1	General Organization for Social Insurance (GOSI)	5.9	The employees subscription in pensions and risks per GOSI regulation
2	SIDF	20.88	Repayment of SIDF loans and the loan's follow up fees calculated by SIDF
3	Saudi Stock Market – TADAWUL	0.330	Shareholders register service fees and shares register reports request and Tadawulaty services
4	Passports/ Labor Office	3.7	Fees for visas and Iqamas of workers and work permits in accordance with the established approved costs
5	Zakat and Income Tax Authority	3.15	Payment under Zakat Status Settlement Account and finalising the annual company Zakat assessment
6	Customs Authority	4.9	Customs duties on the imports of the company
	Total	38.82	

#### **B. Zakat Status**

Zakat base is calculated in accordance with the regulations in force in the Kingdom of Saudi Arabia, at the end of each fiscal year and is added to the Zakat provision shown in the financial statements, from which the company is paying when settling Zakat returns with Zakat and Income Tax Authority. The company settled its Zakat position until the end of the Fiscal Year 2014G, and obtained the Zakat assessment and assessment certificate that is valid until the end of April 2016G. There are no outstanding appeals with the Zakat and Income Tax Authority.

The following table shows Zakat status as at the end of financial year 2015G.

Description	Amount (SR million)
Zakat Provision Balance as at 01/01/2015G	12,034
Additions during the year 2015G	6,335
Payments during the year 2015G	(3,153)
Zakat Provision Balance on 31/12/2015G	15,216

# (22) A statement of investments or reserves established for the benefit of company's employees.

There are no investments or reserves established for the benefit of company's employees during the year 2015G.

# (23) The Board of Directors Declarations:

Takween's Advanced Industries Company Board declares that:

- 1) Proper books of account have been maintained.
- 2) The internal control system is sound in design and has been effectively implemented.
- 3) There is no significant doubt concerning the issuer's ability to continue its activities.







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

#### A. Provisions of Corporate Governance Regulations that have been applied and those which were applied and the reasons of not applying them:

The company adheres to apply with the provisions of the Corporate Governance Regulations issued under the CMA Board Resolution No. 1-212-2006, dated 12/11/2006G, and subsequent resolutions of the mandatory application of a number of articles. The table below shows the corporate governance non-binding clauses and paragraphs that have not been applied by the company until 31/12/2015G, and the reasons for not applying are outlined below:

Non-binding paragraphs of the Corporate Governance Regulations which are still not implemented by the company and the reasons for not applying them:

Article	Paragraph Number	Statement	Reasons for non-Application
Article 6 Voting Rights	Paragraph (b)	In voting in the General Assembly for the nomination to the Board Members, the accumulative voting method shall be applied	The company's articles of association has not provided for a cumulative voting method. This item was presented to shareholders in the Extraordinary General Assembly held on 18/04/2012G, but it did not pass at the vote. The Company Bylaws will be amended after applying the new Companies' Law.

#### B. The names of the joint stock companies of which Takween directors are board members

Joint stock companies in which Board Directors are board members as of 31 December 2015G:

Members of the Board of Directors	Name and description of company
Abdullah Bin Mohammed     Al Othman	<ul> <li>Saudi United Cooperative Insurance Company (Walaa) (Listed)</li> <li>GIP Financial Services – Bahrain (Closed)</li> <li>Al Othman Holding Company (Closed)</li> </ul>
2. Abdulmohsen Bin Mohammed Al Othman	<ul> <li>- Al Ahsa Development Company (Listed)</li> <li>- Bayan Real Estate Company (Closed)</li> <li>- Al Othman Holding Company (Closed)</li> </ul>
3. Khalid Bin Abdulrahman Al-Rajhi	<ul> <li>Saudi Cement Company (Listed)</li> <li>Al-Bilad Bank (Listed)</li> <li>Saudi United Cooperative Insurance Company (Walaa) (Listed)</li> </ul>
4. George Antonios Abraham	- Al Othman Holding Company (Closed)
5. Dr. Sulaiman Bin Abdulaziz Al Tuwaijri	<ul> <li>Saudi United Cooperative Insurance Company (Walaula) (Listed)</li> <li>Amiantit (Listed)</li> <li>Chemical Development Company (Listed)</li> <li>Property Company (Closed)</li> </ul>
6. Abdulaziz Bin Saleh Al Rebdi	<ul> <li>Saudi United Cooperative Insurance Company (Walaa) (Listed)</li> <li>Abdullah Al Othaim Markets Company (Listed)</li> <li>Al Hammadi Development and Investment Company (Listed)</li> <li>Al Obaikan Glass Company (Closed)</li> <li>Abdu Muhsen Al Hukair Tourism and Development Group Company (Listed)</li> </ul>
7. Moussa Bin Abdulmuhsen Al Moussa	- Saudi Steel Pipes Company (Listed)



# C. Takween Composition of the Board of Directors and classification of its members (Executive/Non-executive/Independent)

Under Article 17 the Bylaws, the company's Board of Directors is composed of seven Directors, categorised as at 31/12/2015G as follows:

Composition of the Board of Directors and classification of its members						
Name	Title	Status				
Abdullah Bin Mohammed Al Othman	Chairman	Non-executive				
2. Abdulmohsen Bin Mohammed Al Othman	Managing Director	Executive				
3. Khalid Bin Abdulrahman Al Rajhi	Director	Non-executive				
4. George Antonios Abraham	Director	Non-executive				
5. Dr. Sulaiman Bin Abddulaziz AL Tuwaijri		Independent				
6. Abdulaziz Bin Saleh Al Rebdi	Director	Independent				
7. Moussa Bin Abdulmuhsen Al Moussa	Director	Independent				

# D. Brief description of the Board Committees' authorities names, duties and responsibilities, chairmen, members and number of meetings:

The Company's Board Committees were formed, and members were re-elected with the advent of the second Board, tenure as follows:

#### **D-1** Executive Committee

D-1-1 The Executive Committee is formed as follows:

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

# D-1-2 Duties and responsibilities of the Executive Committee and its term are as follows:

Duties of the committee are as follows:

- Practise all powers, responsibilities and duties of the Board in the interim periods between Board's meetings.
- Discuss and take decisions on urgent matters.
- Review of strategic planning operations and handling; ensure strategic plans are translated into tangible actions directed to achieving the company's goals and review relevant recommendations with regard to resource distribution used for strategic planning.
- Review and make recommendations on strategic plans that address operational priorities, including expansion in new markets and countries, or exit from current markets and countries.
- Prepare and review Board recommendations that are related to long and short term financial goals.
- Review important financial issues and metrics, including financing suitability for Takween and its subsidiaries.
- Review and prepare Board recommendations on company profits policy.
- Review and make recommendations to the Board of Directors with regard to the strategic decisions relating to the



- opportunities available to the company, which aim to improve the quality of products and services offered by the company and rationalise the costs related thereto.
- Periodic review of capital expenditures.
- The committee's term will expire with the existing Board term.

#### D-1-3 Committee Meetings

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

#### **D-2 Audit Committee**

D-2-1 The Audit Committee is formed as follows:

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

# D-2-2 Duties and main responsibilities of the Audit Committee and its term:

The duties of the committee are as follows:

- Ensure that financial reports have been prepared in accordance with accounting policies followed by the company.
- Identify and review the accounting problems that affect the financial reporting process and understand the extent of their impact on the health of such reports.
- Study the draft financial statements before submission to the Board of Directors and express an opinion and recommendations.
- Prepare recommendations to the Board of Directors with respect to the appropriateness of applied accounting policies to the nature of the company, and the evaluation of financial reports issued by the company and the nature of the review process.
- Prepare recommendations to the Board of Directors with respect to the Annual Report of the company prior to approval by the Board.

- Develop recommendations regarding the establishment, improvement and deployment of the control environment within the company.
- Prepare an assessment for internal control systems.
- Make recommendations on the selection of the auditor, which include a review by the committee of his professional competence and independence and perceived risks emanating from the conflict of interests, and determine auditor's fees.
- Conductanannual review of the performance of the auditor, and make recommendations relating to his appointment, re-appointment or termination of his contract.
- Work with the auditor to coordinate the preparation of the audit plan and procedures for the current year, taking into account the current circumstances of the company and any changes occurring in the conditions required by the legal supervisory authorities.
- Discuss significant findings and recommendations arrived at by the auditor and the degree of management response, as well as the corrective actions carried out by the management on the basis of such recommendations.
- Develop specific recommendations to the policy of the company with respect to services performed by the auditor, which are represented in regular audit services and non-audit services, which include consulting and training programs and the like, which may affect his independence in the performance of regular audit services.
- Develop recommendations for company policy regarding the identification of the period necessary for changing the auditor.
- Develop recommendations for the establishment of the company's internal audit function, its budget, appointing the function's head, as well as the degree of independence of internal auditors.
- Prepare an evaluation of the performance of the Internal Audit Function and prepare recommendations for improving its effectiveness.
- Discuss deviations and errors contained in the reports prepared by the Internal Audit Function and make sure that Management takes the appropriate corrective actions.
- Ensure that the executive management adopts the company's rules and regulations and ensure that there are not any irregularities.



 The committee's term will expire with the existing Board term.

#### **D-2-3** Committee Meetings

The Audit committee held 4 meetings during the year and all committee members attended the meetings. The Audit Committee made some recommendations by correspondence in accordance with item 24 of the Bylaws

# D-3 Nominations and Remunerations Committee

D-3-1 The Nominations and Remunerations Committee is formed as follows:

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

D-3-2 Duties and responsibilities of the Nominations and Remunerations Committee and its term:

The duties of the committee are as follows:

- Annual review of the requirements of the appropriate skills needed for the Board membership and prepare a description of the capabilities and qualifications required for the membership of the Board.
- Review the structure of the Board of Directors and submit recommendations on potential changes.
- Identify the vulnerabilities and strengths of the Board and propose remedies that are consistent with the company's interests.
- Determine independence criteria of the Board members and verify annually the independence of the Director and the absence of any conflict of interests if the Director serves as an incumbent Director to the Board of another company.
- Prepare recommendations to the Board of Directors with regard to identifying specific criteria for the selection of persons for the position of Chief Executive Officer and key department heads.
- Prepare a preliminary assessment of the persons nominated for the post of Chief Executive Officer and heads of departments and units of the company

- and the development of appropriate standards and procedures for performance evaluation.
- Organize training programs for executive managers, which are related to the topics of corporate governance and ethical behavior.
- Draw up a policy for the remuneration and incentives of the company's Board members and executive managers, aiming to boost value of the company.
- The Committee's term will expire with the existing Board term.

#### D-3-3 Committee Meetings

The committee held four meetings during the year and were attended by all of its members.

#### **D-4** Investment Committee

D-4-1 The Investment Committee is formed as follows:

Investment Committee				
Committee Members	Position			
Abdullah Bin Mohammed     Al Othman	Chairman			
Abdul Mohsen Bin     Mohammed Al Othman	Member			
3. George Antonios Abraham	Member			

D-4-2 Duties and responsibilities of the Investment Committee and its term

The duties of the Committee are as follows:

- Assist the Board of Directors in performing its duties related to the review of investment policies and criteria.
- Study the investment opportunities and their compatibility with the company's strategy.
- Look for higher-yielding investment opportunities, including but not limited to contracting to manage the local stocks portfolios, buy units in the local stocks funds, buy units in real estate funds, engage in subscriptions of new companies and initial public offerings (IPOs) - buy and sell real estate, etc.
- Monitor and evaluate the company's existing and future investments and oversee the consulting business related to the work of the committee.



Any other duties as directed by the Board of Directors.

The committee's term will expire with the existing Board term.

#### D-4-3 Committee Meetings

The Committee held two (2) meetings during the year and attended by all of its members.

**Details** remunerations of compensations paid to Board members and five senior executives who received the highest remunerations and compensations, including CEO and CFO.

In line with the company records as of 3/12/2015G:

E-1: Details of Board of Directors Remunerations (SAR million)							
Name	Title	Salaries	Allowances and Compensations	Remunerations	Incentive Plans	Total	
Abdullah Bin     Mohammed     Al Othman	Non-executive	-	0.018	0.000	0.075	0.093	
2. Abdulmohsen Bin Mohammed Al Othman	Executive	1	0.009	0.000	-	1.009	
3. Khalid Abdulrah- man Al-Rajhi	Non-executive	-	0.015	0.000	0.075	0.090	
George Antonios     Abraham	Non-executive	-	0.021	0.000	0.075	0.096	
5. Dr. Sulaiman Bin Abdulaziz Al Tuwaijri	Independent	-	0.015	0.000	0.075	0. 090	
6. Abdulaziz Bin Saleh Al Rebdi	Independent	-	0.016	0.000	0.075	0.091	
7. Moussa Bin Abdulmuhsen Al Moussa	Independent	-	0.015	0.000	0.075	0. 090	





#### E - 2 List of compensations and remunerations for five senior executives who received highest remunerations and compensations, including CEO and CFO

Description of compensations and remunerations for five senior executives	Value (Million Riyals)
Salaries	3,529
Remunerations and Allowances	1,164
Rewards	0,075
Incentive Plans	0
Total	4,693.075

#### F. Any penalty or reserve restriction imposed on the company by CMA or any other supervisory, regulatory or judicial authority

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

#### G. Results of the annual audit for the effectiveness of the company's internal control procedures

#### First: Basis of internal control and implementation of control process within the company

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

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

The Audit Committee follows up the commitment to implement the internal audit program approved

by the Board of Directors for the control of operational performance of the company and its subsidiaries. The committee discusses also the annual audit plan and its results, through the reports raised by the Head of Internal Audit Function to the committee. The Audit Committee ensured that the Head of Internal Audit Function and his team are empowered to perform their duties during the year 2015G, and examine the work of all sections and departments of the company and its subsidiaries.

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

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

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



## Second: Results of the annual audit of internal control effectiveness:

#### Scope of Work:

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

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

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

The Audit Committee emanating from the Board of Directors oversees the internal audit work of the group and examines adequacy and effectiveness of the internal control system. The Audit Committee held four meetings, which discussed most of the work of internal audit. The Committee implemented many internal and periodic audits focusing on the group's operations. All necessary actions have been taken to tackle most of the issues identified in the internal audit reports.

# Following are the most significant fundamental procedures and observations:

The effectiveness of internal audit reports and observations during the year 2015G, has comprehensively contributed to improving performance in different units and departments of the company and its subsidiaries, and has taken informative and corrective action in a number of

units and departments. Following are the most significant observations of the internal audit:

- Sales and Trade Receivables: The internal audit reports stated the importance of coordination between the Sales Department and the Finance Department to approve clients' accounts, the necessity of finalising some clients' sales contracts, updating the credits terms and limit, as well as finalizing preparation of the credit policy required by the concerned committees.
- Inventory: The internal audit recommended the necessity of continuous physical inventory, monthly follow up of inventory movement, including raw materials and ready-to-sell items, and finalising the encoding of materials and all products using the bar code and unifying products numbers in all factories. The internal audit also recommended implementation of the recommendations of the Executive Committee not to exceed the allowed limit for all types of inventory and control incoming and outgoing items via the automated system.
- Products Costs List: It has been directed that it is necessary to closely follow up the initial services rendered to production sections, in light of applying the automated system for the direct or indirect cost of production.
- Human Resource: The internal audit directed that HR personnel training on SAP computer system should be improved to avoid errors in personnel salaries and basic information.
- Safety and Security: It is important to update the Safety and Security system, to link the security control to the company automated server and to display personnel data to security guards, in order to examine personnel checkin and check-out measures. This will help the company reduce accident rates by virtue of the continuous follow up on initiatives and by providing Safety and Security with competent personnel.
- Training and Development: Internal audit reports recommended the importance of continuous training for all personnel, including management to maintain the efficiency of work and maintain the value of the company assets.
- Monitoring the Automated System (GRC)
  Risks: The internal audit recommended that it
  is necessary to support Risks Department in
  order to complete risk assessments program
  requirements and follow up on the consultancy
  office (Earnst and Young) observations on the
  automated system risks in the shortest time
  possible.



# Following the internal audit report and the management is acting upon

- Ongoing update of policies and procedures:
- The ongoing workshop, represented by the team composed of Internal Audit, Risks, Compliance and Legal Affairs is continuing to review the policies and procedures for all sections and departments and to update all regulations. This follows the requirements of the new Companies' Law, which will be applied during 2016G, organising meetings and inviting participation to ensure compliance to policies and procedures.
- The company believes in the importance of dialogue and compliance of all employees with policies and procedures, putting the interest of the company first, taking into account all possible factors.
- Accomplishments during this year include the Information Systems policies and procedures; updating Human Resources Policy and bylaw; amending the organisational structure following the administrative merger after acquisition of Savola Packaging Systems and finalising the appointment of company's leading personnel.
- Update of authority procedures in the light of management changes in the company

- and business expansion: Updating company's governance regulations and policies is underway for submission to the General Assembly.
- Development of Governance Practices: The Investor Relations and Legal Affairs Department continues to play its supervisory role to ensure that administrative and management processes and decisions are characterised by responsibility and transparency and serve the interest of all shareholders, while observing the statutory instructions and legislations and best practices in this area. The company is continually working to update governance policies and procedures in line with any new regulatory instructions in this regard.
- (25) The Auditor's report did not include any reservations on the annual financial statements for the fiscal year ended on 31/12/2015G.
- (26) Recommendation from the Board of Directors to replace the auditor prior to the term for which he is appointed:

There is no recommendation from the Board in 2015G.





### In Conclusion

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

The Board is also pleased to extend its gratitude to all company shareholders and investors for their trust vested in us to serve the company. Thanks also to all employees of the company for their sincere efforts exerted in the performance of their responsibilities and duties.

May Allah bless us all

**Board of Directors** 











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Licence No. 46/11/323 issued 11/3/1992

#### INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Takween Advanced Industries (the "Company") and its subsidiaries (collectively the "Group") which comprise the consolidated balance sheet as at December 31, 2015 and the related consolidated statement of income, cash flows and changes in equity for the year then ended and the attached notes, 1 through 24, which form an integral part of the consolidated financial statements.

#### Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements, in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia, and in compliance with article (123) of the Regulations for Companies and the Company's bylaws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. Management has provided us with all the information and explanation that we require relating to our audit of these consolidated financial statements.

#### Auditors' responsibility

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 Saudi Arabia. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Opinion**

In our opinion, the consolidated financial statements taken as a whole:

- 1) Present fairly, in all material respects, the financial position of the Group as at December 31, 2015, and of the results of operations and its cash flows for the year then ended, in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Group; and
- 2) Comply with the requirements of the Regulations for Companies and the Company's bylaws with respect to the preparation and presentation of the financial statements.

For KIPMG Al Fozan & Partners

Khalil Ibrahim Al Sedais
License No. 371

Al Khobar, February 17, 2016 Corresponding to: Jumada I 8, 1437H



# CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2015 (Expressed in Saudi Riyals in thousands)

	Note	2015	2014
ASSETS			
Current assets			
Cash and cash equivalents	5	106,794	31,037
Investments held for trading		-	56,291
Trade receivables, net	6	412,732	217,560
Inventories, net	7	456,705	275,178
Prepaid expenses and other current assets	8	114,891	46,893
Total current assets		1,091,122	626,959
Non-current assets			
Fixed assets	9	1,212,975	630,396
Intangible assets	10	347,751	11,509
Total non-current assets		1,560,726	641,905
Total assets		2,651,848	1,268,864
LIABILITIES			
Current liabilities			
Short term borrowings		811,686	508,494
Current portion of medium and long term loans	12	217,617	10,775
Accounts payable and other liabilities	11	329,940	129,996
Zakat payable	18	14,667	7,912
Total current liabilities		1,373,910	657,177
Non-current liabilities			
Medium and long term loans	12	781,992	113,205
End-of-service benefits	13	40,925	9,900
Total non-current liabilities		822,917	123,105
Total liabilities		2,196,827	780,282





# CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2015 (Expressed in Saudi Riyals in thousands)

	Note	2015	2014
SHAREHOLDERS' EQUITY			
Share capital	1	350,000	350,000
Statutory reserve	14	29,419	29,419
Retained earnings		82,041	109,163
Foreign currency translation reserve		(6,439)	-
Total shareholders' equity		455,021	488,582
Total liabilities and shareholders' equity		2,651,848	1,268,864

The consolidated financial statements appearing on pages 1 to 24 were approved by the Board of Directors on February 16, 2016, corresponding to Jumada I 7, 1437H and have been signed on its behalf:

Corresponding to:

Marwan Jreige Azhar Kenji Abdulmohsen M. Al-Othman
Chief Financial Officer Chief Executive Officer Managing Director

The accompanying notes, 1 through 24, form an integral part of these consolidated financial statements.





# CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in Saudi Riyals in thousands)

	Note	2015	2014
Sales	15	1,718,467	767,679
Cost of sales		(1,538,853)	(646,389)
Gross profit		179,614	121,290
General and administrative expenses	16	(91,585)	(42,278)
Selling and marketing expenses	17	(72,220)	(19,472)
Research expenses		(2,116)	(2,682)
Operating income		13,693	56,858
Financial charges		(49,237)	(15,221)
Realized gain on investments held for trading		14,165	10,086
Unrealized gain on investments held for trading		-	9,471
Other (expenses) / income, net		(1,856)	337
Net (loss) / income before Zakat		(23,235)	61,531
Zakat	18	(3,887)	(6,208)
Net (loss) / income		(27,122)	55,323
EARNINGS PER SHARE			
(Earnings per share from operating income (SR	19	0.39	1.62
(Loss) / earnings per share from other income – net (SR)	19	0.35	0.57
(Earnings per share from net (loss) / income (SR	19	(0.77)	1.58
Weighted average number of shares		35,000,000	35,000,000

The accompanying notes, 1 through 24, form an integral part of these consolidated financial statements.





# CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in Saudi Riyals in thousands)

	Note	2015	2014
Cash flows from operating activities:			
Net (loss) / income for the year		(27,122)	55,323
Adjustments to reconcile net (loss) / income to net cash provided by operating activities:			
Depreciation	9	138,103	62,245
Amortization of intangible assets	10, 12	9,169	1,003
Finance charges	10, 12	49,237	15,221
End-of-service benefits charged during the year	13	12,533	3,036
• • •	6	8,891	•
Provision against doubtful receivables	7	5,930	1,748
Provision for slow moving and obsolete inventories  Gain on disposals of fixed assets	1	•	(107)
•		(53)	(107) (9,471)
Unrealized gain on investments held for trading	18	2 007	, ,
Zakat charge	10	3,887	6,208
Realized gain on investments held for trading		(14,165)	(10,086)
		186,410	125,120
Changes in operating assets and liabilities:			
Accounts receivable		52,556	(19,772)
Inventories		70,343	(83,380)
Prepaid expenses and other current assets		1,622	(10,361)
Accounts payable and other liabilities		(2,244)	71,899
Cash generated from operating activities		308,687	83,506
Finance charges paid		(49,237)	(12,680)
End-of-service benefits paid		(10,241)	(622)
Proceeds from disposal / (purchase) of investments held for trading, net		70,456	(31,922)
Zakat paid		-	(2,187)
Net cash provided by operating activities		319,665	36,095





# CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in Saudi Riyals in thousands)

	Note	2015	2014
Cash flows from investing activities			
Purchase of fixed assets		(132,387)	(114,906)
Proceeds from disposals of fixed assets		324	257
Additions to intangible assets	10	(45,782)	(1,761)
Acquisition of subsidiary, net	4	(864,400)	-
Net cash used in investing activities		(1,042,245)	(116,410)
Cash flows from financing activities:			
Change in short term borrowings		(109,931)	38,649
Receipts of medium and long term loans		919,043	-
Repayments of medium and long term loans		(10,775)	24,640
Directors' remuneration		-	(1,400)
Dividends paid		-	(17,500)
Net cash provided by financing activities		798,337	44,389
Net change in cash and cash equivalents		75,757	(35,926)
Cash and cash equivalents at the beginning of the year		31,037	66,963
Cash and cash equivalents at the end of the year		106,794	31,037

The accompanying notes, 1 through 24, form an integral part of these consolidated financial statements.





#### CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in Saudi Riyals in thousands)

		<b>.</b>		Foreign currency	
	Share capital	Statutory reserve	Retained earnings	translation reserve	Total
January 1, 2014	350,000	23,887	78,272	-	452,159
Net income for the year	-	-	55,323	-	55,323
Transfer to statutory reserve	-	5,532	(5,532)	-	-
Directors' remuneration	-	-	(1,400)	-	(1,400)
Dividends	-	-	(17,500)	-	(17,500)
December 31, 2014	350,000	29,419	109,163	-	488,582
Net loss for the year	-	-	(27,122)	-	(27,122)
Exchange differences on					
translating foreign operations	-	-	-	(6,439)	(6,439)
	350,000	29,419	82,041	(6,439)	455,021

The accompanying notes, 1 through 24, form an integral part of these consolidated financial statements.





# 1. ORGANIZATION AND PRINCIPAL 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 Company acquired 100% ownership of Saudi Plastic Packaging Systems (formerly Savola Packaging Systems Company Limited) along with its two subsidiaries, Al-Sharq Company for Plastic Industries Limited and New Marina for Plastic Industries Company (S.A.E.), effective January 1, 2015. The newly acquired subsidiaries have been consolidated as part of these consolidated financial statements (note 4).

The consolidated financial statements include the financial statements of the Company and its subsidiaries ("the Group") as listed below: individual commercial registration, are:

- 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; and
- Manufacturing of, and wholesale and retail trading in, plastic containers and polyethylene cups, rolls and bags.

At an Extraordinary General Assembly Meeting, held on February 10, 2015, the shareholders of Saudi Plastic Packaging Systems (formerly Savola Packaging Systems Company Limited)

#### Advanced Fabrics Company ("SAAF")

- Ultrapak Manufacturing Company ("Ultrapak")
- Saudi Plastic Packaging Systems ("Saudi Packaging") (formerly Savola Packaging Systems Company Limited)
- Al-Sharq Company for Plastic Industries Limited ("Al-Sharq")
- New Marina for Plastic Industries Company (S.A.E.) ("New Marina")

#### **Effective ownership**

oop		
2015	2014	
100%	100%	
100%	100%	
100%	-	
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

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. BASIS OF PREPARATION

#### Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with the generally accepted accounting standards in 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.

#### **Basis of measurement**

The accompanying consolidated financial statements have been prepared on an historical cost basis, except for investments held for trading, which are measured at fair value, using the accrual basis of accounting and the going concern concept.

#### Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries, as at December 31 each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Company.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as 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, that being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases.

All intra-Group balances, transactions, income and expenses and profits and losses resulting from intra-Group / Company transactions that are recognized in assets, are eliminated in full. Also, any unrealized gains and losses arising from intra-group transactions are eliminated on consolidation.





#### **Functional and presentation currency**

These consolidated financial statements are presented in Saudi Riyals (SR), which is the functional and reporting currency of the Group. All amounts have been rounded to the nearest thousand, unless otherwise stated.

#### Use of estimates and judgments

The preparation of 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 financial statements are as follows:

#### Impairment of accounts and other receivables

A provision for impairment of trade 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 the year.

#### **Provisions and contingencies**

A provision for incurred liabilities is recognized when the Group has a present legal or constructive obligation 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. This is assessed at each balance sheet date and disclosed in the Group's financial statements under contingent liabilities.

#### Useful lives of fixed assets

The management determines the estimated useful lives of fixed assets 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 the change in depreciation charges, if any, are adjusted in current and future periods. During the year, total production capacity of the machinery was revised. These changes in accounting estimates 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 2.3 million and the carrying value of these assets would have been lower 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.

# 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements.

Certain reclassifications have been made to prior year balances to be consistent with the current year presentation. The current year results may not be an accurate reflection of the results for future years due to any potential impact of the current local and global market and economic conditions.

#### **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 any non-controlling interests of the acquiree. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquirer's identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in





accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the group are assigned to those units or groups of units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. When subsidiaries are sold, the difference between the selling price and the net assets, plus cumulative translation differences and goodwill, is recognized in the consolidated statement of income.

#### 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 of the goods. Sales is recorded net of returns, trade discounts and volume rebates. Other income is recognised when earned.

#### **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 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.

#### Research expenses

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

# General and administrative and selling and distribution expenses

General and administrative expenses include direct and indirect costs not specifically part of production costs as required under generally accepted accounting principles. Allocations between general and administrative expenses



and cost of sales, when required, are made on a consistent basis.

Selling and distribution expenses principally comprise costs incurred in the distribution and sale of the Group's products. All other expenses are classified as general and administrative expenses.

#### Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits, and liquid investments with original maturities of three months or less, which is available to the Group with no restrictions. The statement of cash flow is prepared using the indirect method.

#### **Investments**

Investments in marketable equity securities are classified according to the Group's intent with respect to those securities. Marketable equity securities, held to maturity, are stated at amortized cost, adjusted for the related premium or discount. Marketable equity securities held for trading are stated at fair value and unrealized and realized gains and losses thereon are included in the consolidated statement of income. Marketable equity securities available for sale are stated at fair value and unrealized gains and losses thereon are included in consolidated shareholders' equity while realized gains / losses are included in the consolidated statement of income.

#### **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, labour 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.

#### **Fixed assets**

Fixed assets are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for enhancement is capitalized. Depreciation is provided over the estimated useful lives of the 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:

Buildings, leasehold and other	Rate %
improvements	2-5
Plant, machinery and equipment	3 – 33.33
Vehicles	20 – 25
Furniture, fixtures and office equipment	6.25 – 33.3

Depreciation of machinery owned by SAAF, which has homogeneous production, is depreciated using the unit of production method since the actual reduction in the value of the asset is mainly related to the units produced and not the life of the asset.





Gains and losses on disposal of an item of fixed asset are determined by comparing the proceeds from disposal with the carrying amount of the fixed asset's item being disposed and is recognized net within "other income" in the consolidated statement of income.

#### **Borrowings**

Borrowings are recognized at the proceeds received, net of transaction costs incurred. Borrowing costs that are directly attributable to the construction of a qualifying asset are capitalized up to stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed and, otherwise, such costs are charged to the consolidated statement of income.

#### **Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the qualifying asset. Other borrowing costs are recognized as an expense in the period in which they are incurred.

#### **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 the 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 and assets held for sale, are reviewed at the date of the 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 is calculated as the difference between the carrying amount and estimated recoverable amount, discounted using an appropriate rate.

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

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.

#### Offsetting

Financial assets and liabilities are offset and reported net in the consolidated balance sheet when there is a legally enforceable right to set off the recognized amounts and when the Group intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

#### Intangible assets

Intangible assets anticipated to provide identifiable future benefits are classified as non-current assets. Intangible assets comprise software and system development costs and right to use leased land. Enterprise resource planning (ERP) system development costs represent costs incurred to implement new systems and are amortized over a 5-year period, from the date



it is fully implemented. The right to use leased land is amortized over the lease period using the straight-line method.

#### **Dividends**

Dividends are recognized as liabilities 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.

#### 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 rate of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies on 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 a reporting currency other than Saudi Riyals are translated into Saudi Riyals as follows:

- (i) Assets and liabilities for the balance sheet are translated at the closing exchange rate on the date of that consolidated balance sheet.
- (ii) Income and expenses for consolidated statement of income are translated at average exchange rate for the year, and
- (iii) Components of the shareholders' equity accounts are translated at the exchange rate in effect on the dates the related items originated.

Cumulative adjustments resulting from the translations of the financial instruments of the foreign subsidiaries into Saudi Riyals are reported as a separate component of the consolidated statement of equity.

#### **End-of-service benefits**

End-of-service benefits, calculated in accordance with provisions of local laws applicable to the

relevant subsidiaries, are provided for in the consolidated financial statements based on the employees' length of service, using the current benefits of employees as at the balance sheet date.

#### Zakat and income tax

The Saudi based subsidiaries of the Group are subject to the Regulations of the Department of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Zakat for the Company and its subsidiaries is filed with the DZIT on a consolidated basis. 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 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 recognised 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.

#### 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 the lower of the fair market value of assets and present value of minimum lease payments. Finance charges are allocated to the 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.



#### 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 is subject to risks and returns that are different from those of segments operating in other economic environments.

#### Statutory reserve

In accordance with Regulations for Companies in Saudi Arabia and the Bylaws of the Company, the Group has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 50% of the share capital. This reserve is not available for dividend distribution.

#### Accounts payable and accruals

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

#### Earnings per share

Earnings per share are computed by dividing income from main operations and net income for the year by the weighted average number of shares of 35 million, as of December 31, 2015 and 2014. Diluted earnings per share is calculated by dividing income from main operations and net income for the period by weighted average number of issued shares at December 31, 2015 and 2014 used in the basic earnings per share calculation, adjusted for the effects of all dilutive potential ordinary shares.

#### 4. BUSINESS COMBINATION

The Group signed a non-binding memorandum of understanding ("MOU"), with Savola Group, a Saudi Joint Stock Company, on July 22, 2014 in relation to the proposed acquisition of Saudi Plastic Packaging Systems (formerly Savola Packaging Systems Company Limited (SPS), a wholly owned subsidiary of Savola Group, along with two wholly owned subsidiaries of SPS (Al-Sharq Company for Plastic Industries Limited





and New Marina for Plastic Industries Company). The Group reached an agreement with Savola Group after completing a detailed due diligence and signed an agreement on December 30, 2014 to purchase the entire shareholding of Saudi Packaging along with its two subsidiaries for a total purchase price of SR 910 million (note 12). 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. As a result of this business acquisition and control acquired through sale agreement, the Company has

consolidated newly acquired subsidiaries with effect from January 1, 2015. 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. Acquisition related cost amounting to SR 8.4 million has been expensed and grouped under general and administrative expenses.

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

	Initial fair values SR '000	Final fair value SR '000
ASSETS		
Cash and cash equivalents	45,600	45,600
Accounts receivable	237,852	264,115
Inventories	251,659	261,519
Prepaid expenses and other current assets	73,777	65,901
Fixed assets	525,395	616,317
Intangible assets	8,686	8,686
TOTAL ASSETS	1,142,969	1,262,138
LIABILITIES		
Short term borrowings	413,123	413,123
Accounts payable and other current liabilities	205,056	205,056
Current portion of medium and long term loans	26,958	26,958
Medium and long term loans	1,850	1,850
End-of-service indemnities	28,733	28,733
TOTAL LIABILITIES	675,720	675,720
NET IDENTIFIABLE ASSETS	467,249	586,418
Acquisition consideration paid	910,000	910,000
Goodwill recognized from business acquisition	442,751	323,582

Following the purchase price allocation carried out by management during the year, an amount of SR 119.17 million has been allocated to mainly to fixed assets from initial goodwill of SR 442.75 million. The final purchase price allocation was

based on the independent valuation of certain assets. The goodwill recognized on the acquisition is attributable mainly to the synergies expected to be achieved from integrating these companies into the Group's existing business.



#### 5. CASH AND CASH EQUIVALENTS

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

	2015	2014
Cash in hand	366	136
Cash at bank	106,428	30,901
	106,794	31,037
6 TRADE RECEIVABLE net		

	2015	2014
Trade receivables – third parties	406,414	203,192
Trade receivables – related parties (Note 15)	21,958	22,125
Due from related parties (Note 15)	1,673	665
	430,045	225,982
Provision for doubtful receivables	(17,313)	(8,422)
	412,732	217,560

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

	2015	2014
Balance at beginning of the year	8,422	6,674
Provision recognized during the year	8,891	1,748
	17,313	8,422

#### 7. INVENTORIES, net

	2015	2014
Finished goods	138,766	113,168
Raw and packing materials and work in progress	247,864	123,628
Spare parts	76,005	38,136
Goods-in-transit	-	246
	462,635	275,178
Provision for obsolesence and slow moving inventories	(5,930)	-
	456,705	275,178

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

	2015	2014
Balance at beginning of the year	-	-
Provision recognized during the year	5,930	-
	5,930	-



#### 8. PREPAID EXPENSES AND OTHER CURRENT ASSETS

	2015	2014
Prepaid expenses	22,817	7,444
Rebate receivables	49,422	19,869
Advances to suppliers	18,082	11,050
Margin against bank guarantees and letters of credit – Note 22	19,713	-
Other debit balances	4,857	8,530
	114,891	46,893

#### 9. FIXED ASSETS

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

Ultrapak warehouse and administration building are situated on land rented at a nominal rent from Jeddah Chamber of Commerce & Industry, for a period of fourteen years from Rabi I 27, 1419H (July 22, 1998). This lease agreement has been extended up to April 30, 2016. The management of Ultrapak anticipates extending the lease upon its expiry.

Under the terms of a land lease agreement with Jeddah Industrial City ("JIC"), Savola 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, 2015.

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.

At December 31, 2015, certain fixed assets with net book value of SR 603.07 million (2014: SR 627.5 million) were pledged as collateral to certain credit facilities. Refer note 12.

Capital work-in-progress at December 31, 2015 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, 2015 amounted to SR 0.8 million (2014: SR 0.3 million).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in Saudi Riyals in thousands)

# 9. FIXED ASSETS (continued)

	Buildings and leasehold improvements	Plant, machinery and equipment	Vehicles	Furniture, fixtures and office equipment	Capital work in progress ("CWIP")	2015 Total	2014 Total
Cost							
Balance at January 1, 2015	147,333	853,709	6,434	11,142	67,853	1,086,471	953,885
Additions during the year - note 15	4,006	40,612	ľ	584	59,435	104,637	132,387
Assets acquired under business combination	131,791	467,361	2,567	3,282	11,316	616,317	1
Transfers / reclassified from CWIP	2,174	17,259	ľ	ı	(19,433)	1	390
Disposals for the year	1	I	(352)	(368)	1	(748)	(191)
Balance at December 31, 2015	285,304	1,378,941	8,649	14,612	119,171	1,806,677	1,086,471
Accumulated Depreciation							
Balance at January 1, 2015	23,773	419,723	5,200	7,379	1	456,075	393,871
Charges for the year	11,180	124,257	894	1,772	1	138,103	62,245
Disposals during the year	1	1	(80)	(368)	1	(476)	(41)
Balance at December 31, 2015	34,953	543,980	6,014	8,755	1	593,702	456,075
Net Book Valu <u>e</u>							
At December 31, 2015	250,351	834,961	2,635	5,857	119,171	1,212,975	
At December 31, 2014	123,560	433,889	1,234	3,763	67,853		630,396
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The Company's buildings and production facilities are constructed on a parcel of land in Al-Hasa 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).



#### **10. INTANGIBLE ASSETS**

	2015	2014
Goodwill – refer note 4	323,582	-
Computer software and system development costs	24,169	11,509
	347,751	11,509

The movement in computer software and system development costs during the year ended December 31 is as follows:

Cost	2015	2014
Balance at the beginning of the year	13,641	12,270
Acquired through business combination - Note 4	8,686	-
Additions during the year	7,562	1,761
Disposals	-	(390)
	29,889	13,641
Amortization		
Balance at the beginning of the year	2,132	1,129
Charge for the year	3,588	1,003
	5,720	2,132
Net book value	24,169	11,509

#### 11. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2015	2014
Accounts payable	253,495	87,727
Accrued expenses and other liabilities	71,352	20,098
Due to related parties - Note 15	5,093	4,690
Capital expenditure payable	-	17,481
	329,940	129,996

#### 12. MEDIUM AND LONG TERM LOANS

	2015	2014
Commercial loan	906,473	-
Saudi Industrial Development Fund ("SIDF")		
loans	135,305	133,510
	1,041,778	133,510
Less: loan appraisal fees	(42,169)	(9,530)
	999,609	123,980
Less: current portion	(217,617)	(10,775)
	781,992	113,205



Opening balance
Appraisal fee paid during the year
Amortization during the year

2015	2014
9,530	1,710
38,220	9,400
(5,581)	(1,580)
42,169	9,530

Commercial loan - During the year, the Group entered into Murabaha Facilities Agreement of SR 910 million with the Arab National Bank ("the lead bank"), on behalf of Murabaha Facilities Participants, for financing the acquisition of Savola Packaging Systems Company Limited along with its two subsidiaries, Al-Sharq Company for Plastic Industries Limited and New Marina for Plastic Industries Company (S.A.E.) (refer note 4). 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, Advanced Fabrics Company (SAAF) and Ultrapak Manufacturing Company and a corporate guarantee from Al Othman Holding Company, an affiliate. The Group is in breach of certain covenants of long term loan. However, management has taken necessary remedial action, including obtaining a waiver from the lead bank. Accordingly, this loan continues to be classified as non-current. The loan appraisal is deferred and being amortized over the term of the loan.

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 fixed assets 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 12 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). During the year, an amount of SR 12.5 million (2014: SR 113.1 million) was drawn down by the SAAF. The Group is non-compliant with certain covenants of these loans. Accordingly, an amount of SR 123.2 million has been reclassified as current portion. The management is in process of taking necessary remedial action.

Aggregate maturities of medium and long term



loans outstanding at December 31, 2015 before adjusting loan appraisal fees are as follows:

	2015	2014
2015	-	10,775
2016	217,617	11,813
2017	136,917	14,356
2018	138,916	27,538
2019	181,813	25,898
After 2020	366,515	43,130
	1,041,778	133,510

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 1,356,625. 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.

#### 13. END-OF-SERVICE BENEFITS

	2015	2014
January 01	9,900	7,486
Liability assumed under business combination	28,733	-
Charge for the year	12,533	3,036
Payments during the year	(10,241)	(622)
December 31	40,925	9,900

In accordance with the Regulations for Companies in Saudi Arabia, the Group has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 50% of the share capital. This reserve is not available for dividend distribution. However, it can be used to increase the Group's capital or to mitigate its losses, if any.

#### 15. 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
Al Hasa Development Company	Affiliate
Senior executives	Directors

#### 14. STATUTORY RESERVE





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

Name of the related parties	Nature of transaction		2015	2014
Al Othman Travel Agency	Purchase of air tickets		2,353	-
System of Strategic Business	IT services		5,247	4,200
Al Othman Industrial Marketing Company	Purchase of materials		112	-
Clean Environment Technologies	Technical services		32	4,000
Al Othman Holding Company	Expenses incurred by the Group		427	-
MOC Constructions	Advance for civil works		28,414	-
Al Othman Agri Products and Processing Company	Sales during the year		70,143	71,962
Al Othman Agri Products and Processing Company	Expenses charged to the Group		4,561	4,178
Mr. Mohammed Al Othman	Rent expense – refer note 9		143	96
Al Hasa Development Company	Purchase of fixed assets		-	31,500
Remuneration of Directors	Meeting expenses		-	1,400
Due from related parties			2015	2014
Al Othman Agri Products and Pr	occesing Company		21,958	22,125
Others	ocessing Company		1,673	665
Others		_	23,631	23,609
		=	•	•
Due to related parties			2015	2014
Al Hasa Development Compan	M		4,300	4,300
Al Othman Travel Agency	y		793	390
7 a Samuar Haver/Igoriey			5,093	4,690
		=		.,550

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



#### 16. GENERAL AND ADMINISTRATIVE EXPENSES

## For the year ended December 31

	2015	2014
Employee related costs	53,231	27,463
Communication and other office expenses	15,471	8,228
Acquisition related costs	8,405	-
Depreciation	5,661	776
Amortization	1,917	1,003
Travel and entertainment	2,527	849
Professional and other services	832	1,141
Facility costs	774	948
Others	2,767	1,870
	91,585	42,278

#### 17. SELLING AND MARKETING EXPENSES

## For the year ended December 31

	2015	2014
Transportation	39,137	12,458
Employee related costs	17,765	3,671
Provision for doubtful debts	8,891	1,748
Others	6,427	1,595
	72,220	19,472

#### **18. ZAKAT**

#### a) Zakat status

Zakat returns for the Group companies have been filed independently and paid for all years through to 2010 and the Zakat certificates have been received till 2014. Zakat for the Company and its subsidiaries has been filed on a consolidated basis by the Group for 2011 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

years and have filed objections against these assessments. Total additional Zakat against for which objection has been filed amounts to SR 9.4 million, management is confident of a favourable outcome against these assessments. Further, management is of the view that any Zakat charge in respect of newly acquired companies (refer note 4) relating to period before acquisition date will be paid by the previous owners. Accordingly, provision for this Zakat has not been recognised in these consolidated financial statements.



#### b) The principal elements of Zakat base are as follows:

	2015	2014
Non-current assets	1,560,726	641,905
Non-current liabilities	822,917	123,105
Spare parts	76,005	38,136
Opening shareholders' equity	488,582	452,159
Net (loss) / income before Zakat	(23,235)	61,531
Dividends paid	-	17,500

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:

	2015	2014
January 1	7,912	3,891
Provision for the year	3,887	5,436
Liability under business combination	2,868	-
Under provision for previous year	-	772
Payments during the year	-	(2,187)
December 31	14,667	7,912

The charge for the year is as follows:

	2015	2014
Charge for the year	3,887	5,436
Under provision for previous year	-	772
	3,887	6,208

#### 19. EARNINGS PER SHARE

The earnings per share is calculated by dividing operating income, other income (net) and net (loss) / income for the year by weighted average number of shares of 35 million at December 31, 2015 (2014: 35 million).

The Board of Directors in their meeting held on December 17, 2015, proposed to increase the share capital by Saudi Riyals 600 million by issuance of rights shares to its existing shareholders and is in the process of finalizing the issue price and completing all necessary legal requirements. The rights issue is limited to the shareholders who are registered in the shareholders register at the close of trading on the Extraordinary General Assembly day, which will be determined later by the Group after obtaining the regulatory approvals.



#### 20. OPERATING LEASE ARRANGEMENTS

	2015	2014
Payments under operating lease expense during the year	7,545	3,921

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:

2015	2014
13,765	773
13,765	773
13,765	773
13,765	773
13,765	773
30,286	14,329
99,111	18,194
	13,765 13,765 13,765 13,765 13,765 30,286

#### 21. 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 include plastic packing and packaging products of polystyrene sheet rolls used in forming, immediate packing and packaging, thermoformed and polystyrene cups and lids, high density bottles used in the dairy, food and beverage industry, and
- Non-woven fabrics: these include barrier fabrics for use in health, industrial and medical sectors, alcohol resistant and anti-static fabrics used for surgical drapes, medical protective gowns and fabrics made for health usage such as children's and adults' diapers and feminine care products.





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 SR 000	Non-woven fabrics SR 000	Total SR 000
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			
Fixed assets	788,265	424,710	1,212,975
Total assets	1,979,464	672,384	2,651,848
Total liabilities	1,750,650	446,181	2,196,827
For the year ended December 31 2014			
Revenues	455,739	311,940	767,679
Operating income	33,179	23,679	56,858
Net income	31,644	23,679	55,323
As of December 31, 2014			
Fixed assets	186,127	444,269	630,396
Total assets	536,971	731,893	1,268,864
Total liabilities	396,138	384,144	780,282





#### Geographical segments:

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

	Kingdom of Saudi Arabia SR 000	Arab Republic of Egypt SR 000	Total SR 000
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			
Fixed assets	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

	Kingdom of Saudi Arabia SR 000	Arab Republic of Egypt SR 000	Total SR 000
For the year ended December 31 2014			
Revenues	767,679	-	767,679
Operating income	56,858	-	56,858
Net income	55,323	-	55,323
As of December 31 2014			
Fixed assets	630,396	-	630,396
Total assets	1,268,864	-	1,268,864
Total liabilities	780,282	-	780,282

#### 22. CONTINGENCIES AND COMMITMENTS

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

	2015	2014
Letters of credit for purchase of raw material and fixed assets	113,148	317
Letter of guarantees	46,483	30,497
Capital commitments	22,372	10,043



## 23. 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 and 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 reputations. 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 an enterprise 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

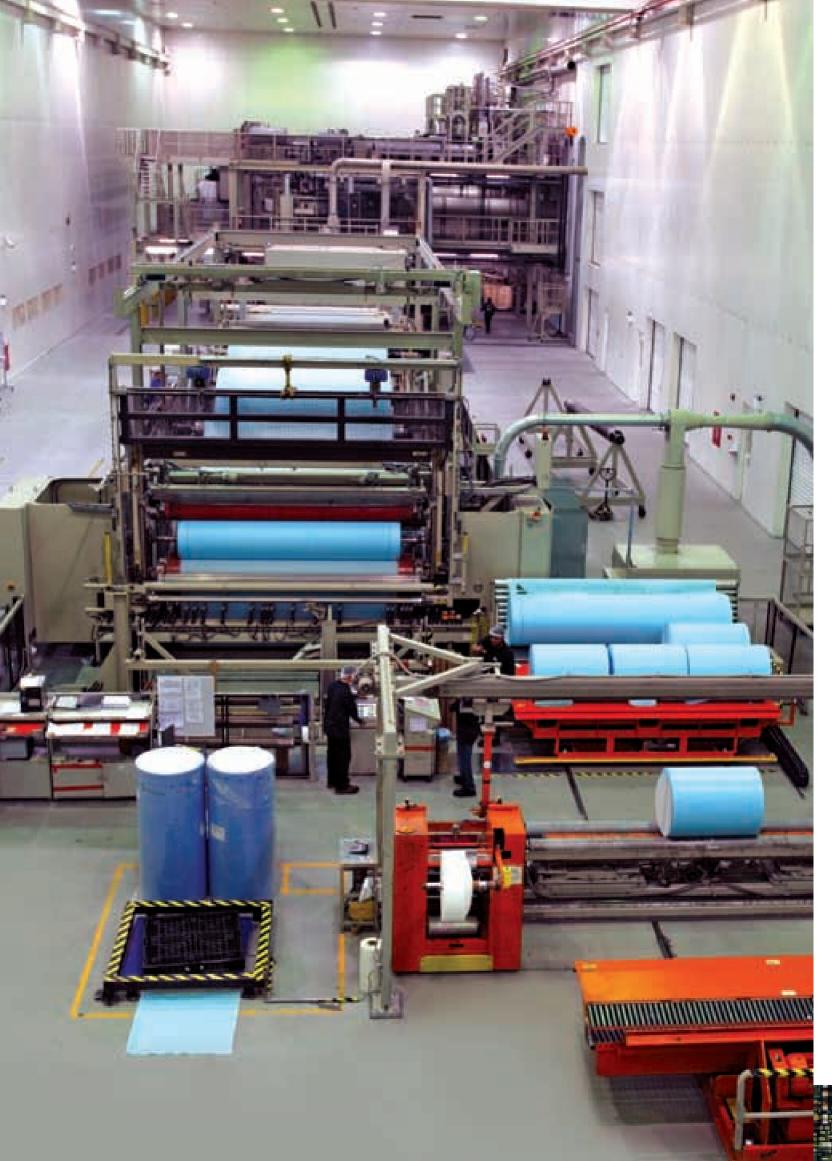
at December 31, 2015, the Group's current liabilities exceed its current assets. The Group is managing its future cash flow requirements through cash inflows from operations, proposed issuance of rights shares (note 19) and unavailed credit facilities (note 12). Further, management also monitors, on 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 Riyals, Egyptian Pounds and United States Dollars. Other transactions in foreign currencies other than the Egyptian Pound and US Dollar are not material. Although there is significant devaluation in the Egyptian Pound, management believes that its overall impact on the Group's exposure is not significant. Currency risk is managed on a 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 value of the Group's financial assets and liabilities are not materially different from their carrying values.

# 24. APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors for issuance on February 17, 2016.





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