



Alujain Corporation

Saudi Joint Stock Company



Board of Directors' Report 2015

BOARD OF DIRECTORS

- 1. KHALID A.Y. ZAINAL ALIREZA, (CHAIRMAN)**
- 2. ABDALLAH SADIQ DAHLAN**
- 3. ABDULLAH M. N. REHAIMI**
- 4. ADNAN KAMEL SALAH**
- 5. ALI ABDULLA KANOO**
- 6. KHALID IBRAHIM ZAGZOOG**
- 7. MATOUQ HASSAN JANNAH**
- 8. MOHAMMAD ALI AL-NAKI**
- 9. OMAR HASHIM KHALIFATI**

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BOARD OF DIRECTORS' REPORT FOR THE YEAR 2015

I. EXECUTIVE SUMMARY

The Board of Directors of Alujain Corporation (Alujain) is pleased to present the Company's annual report, audited consolidated financial statements for the year ended December 31, 2015 and brief on major developments and achievements during the year with the grace of God and efforts of its employees under the guidance and continued monitoring by the Board of Directors and the Chairman.

Alujain's main objective is to identify, evaluate, promote, develop and invest in major industrial projects in the petrochemicals, mining, metals and energy sectors in the Kingdom of Saudi Arabia. Pursuant to these objectives, the Company owns majority equity (57.4%) in National Petrochemical Industrial Company (NATPET) which operates a 400,000 tons per year Propylene & Polypropylene Complex (PP Complex) in Yanbu Industrial City, using Oleflex and Spheripol technologies. Alujain, Xenel and GOSI are the major shareholders in NATPET.

During 2015, Alujain reported a net profit of SR106.39 million, as compared to a net profit of SR167.38 million during 2014. The net profit decreased during current year mainly due to lower contribution margin (lower selling prices and lower sales quantities). The sales quantities were lower due to scheduled major planned shutdown during 1st quarter of 2015 and unplanned shutdowns during 3rd and 4th quarters of 2015. The other major reason for reduction in net profit in 2015 compared to 2014 is the insurance compensation of SR51 million received by the subsidiary during 2014.

The Net Profit of NATPET for the fiscal year 2015 was SR207.99 million, as compared to Net Profit of SR310.34 million during 2014. This decrease in net profit is mainly due to the explanation provided in the above paragraph. The production during 2015 was 340K metric tons of polypropylene which is 85% of design capacity, as compared to 360K metric tons during 2014 which was 90% of the design capacity. The sales during 2015 was SR1,460.50 million (333K metric tons) as compared to sales of SR2,132.70 million (367K metric tons) during 2014. In compliance with the standards issued by the Saudi Organization of Certified Public Accountants (SOCPA), the financial statements of Alujain are consolidated to include NATPET as a subsidiary.

Alujain is a major shareholder in Zain Industries Company Ltd. (Zain). Zain owns and operates its plant in Jubail Industrial City. Zain's main business includes production and marketing of Fast Moving Consumer Goods (FMCG), as well as insecticides, pesticides, fungicides etc. The sales for 2015 was SR30.45 million as compared to SR27.83 million during 2014, with a net profit of SR2.05 million as compared to a net profit of SR0.67 million during 2014.

II. FUTURE PLANS

1. NATPET entered into a 50-50 joint venture (JV) agreement with a leading global plastics compounder A. Schulman Inc. from the U.S.A on 19th Rajab 1433H (corresponding to 9th June 2012) to build a polypropylene compounding plant in two phases of around 100,000 MT per annum. The JV is a Limited Liability Company (Natpet-Schulman) with its registered office and plant in NATPET's industrial complex in Yanbu. NATPET - Schulman entered into an Engineering, Procurement & Construction (EPC) contract late November 2015 with a local contractor Gulf Resources Projects Company (GRP) for the construction of the building with a purchase order placed with Kirby to supply the pre-engineered building structure. Contracts to supply machines and equipment are being finalized. NATPET - Schulman plant is expected to be completed for startup in 18 months after the placement of machine supply orders which comes to around mid of 2017. SIDF has approved a loan of SR100 million for the project, and Murabaha financing facilities of SR 203 million (including SR100 million as Bridge finance

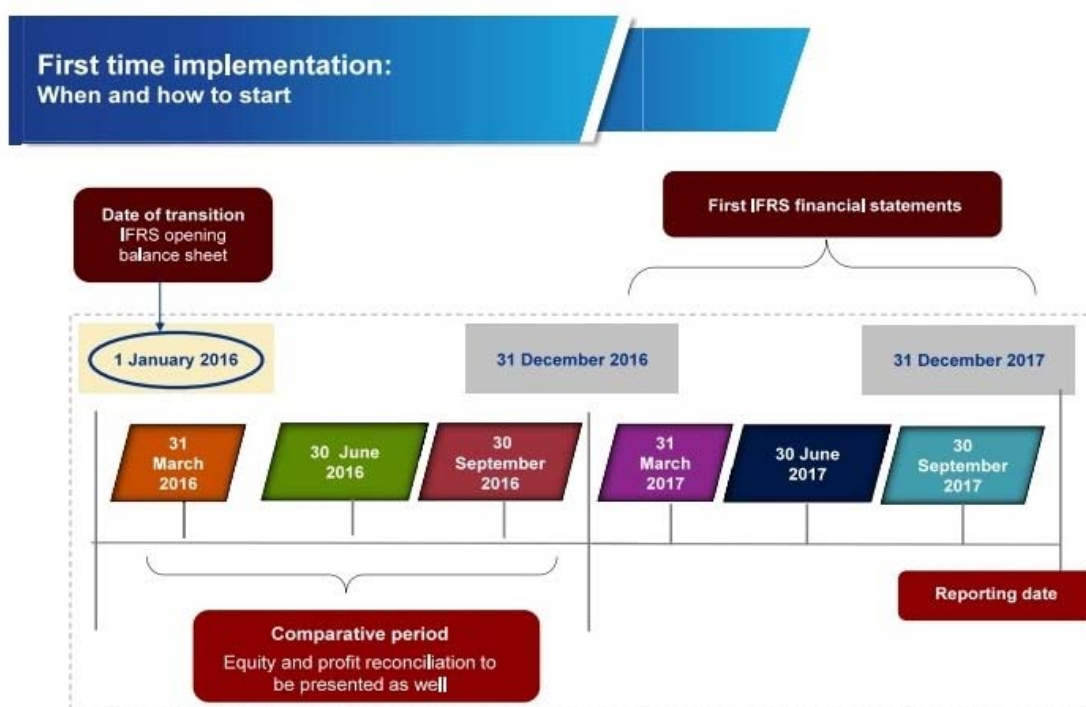
against SIDF loan) have been approved by SAMBA, documents are being finalized to sign the loan agreement.

Currently, Alujain does not have any active projects other than those mentioned above and is not planning to restructure or discontinue any of its activities.

2. NATPET Board recommended to its Shareholders to approve a cash dividend of SR 0.50 per share (5% of face value), which amounts to SR53.5 million. The eligibility for dividends shall be for the shareholders registered in NATPET shareholders' register at end of the day of its general assembly meeting. The dividend distribution date will be announced later. Alujain owns 57.4% of NATPET.

3. Convergence to International Financial Reporting Standards (IFRS)

Saudi Organization for Certified Public Accountants (SOCPA) approved an IFRS convergence plan by which all listed entities other than banks and insurance companies would be required to report under International Financial Reporting Standards starting from January 01, 2017. SOCPA intends to modify IFRS as issued by the International Accounting Standards Board (IASB) to make them suitable to Saudi environment. The convergence plan is expected to cover all accounting standards effective December 31, 2017. To comply with this requirement Alujain hired one of the big four accounting firms, to assist in implementation of the IFRS and preparing its financial statements for the years 2017 and 2016. The 2016 financial statements are required to be presented for comparison purposes with 2017 financial statements, starting from 1st quarter 2017. The IFRS implementation plan is shown below:



Status:

A joint team of Alujain and the accounting firm for the project was formed. The joint team has agreed on the implementation plan, the scope of work and identified the gaps between SOCPA standards and IFRS and is in the process of assessing the financial impact and reviewing the changes in its accounting policies, processes and procedures.

III. MAJOR EVENTS OF 2015

1. Alujain's subsidiary NATPET's PP plant underwent a scheduled major turnaround procedure (major maintenance) during 1st quarter 2015 in accordance with accepted industrial practices. There were also two unplanned shutdown incidents during 3rd and 4th quarters of 2015, both lasted for 6 days each. These unplanned shutdowns occurred due to unexpected technical problems. These shutdowns were already announced on Tadawul.
2. NATPET has distributed to its shareholders a cash dividend of SR0.50 per share (5% of face value), which amounts to SR53.5 million in 2015. Alujain owns 57.4% of NATPET.
3. Bonar-Natpet, NATPET's joint venture (JV), completed in 2015 its first full year of operations. Bonar-Natpet is a JV between NATPET and Low & Bonar PLC (listed on London Stock Exchange) of the United Kingdom to produce geotextile products for the fast growing civil engineering infrastructure markets in the Middle East and the Indian subcontinent. The plant has a capacity of 17,300 tons/year of staple fiber and 9,600 tons/year of nonwoven geotextiles. NATPET owns 50% stake in the JV while the remaining is held by the other partner. The JV is a Limited Liability Company, having its registered office and plant in Yanbu Industrial City adjacent to NATPET Polypropylene Complex, with a paid up capital of SR64 million, comprised of 6.4 million shares of SR10 per share as at December 31, 2014. The JV signed agreements with SIDF for an amount of SR76.6 million, secured against mortgage of Bonar-Natpet assets and corporate guarantees from both the partners. It also signed a bridge financing agreement with a commercial bank for SR76.6 million and received SR70 million.

During 2015, Bonar-Natpet sold 2,500 tons of Nonwoven and 7,440 tons of Fiber and reported sales of SR71 million, up from 23.5 million in 2014, which was not a full year of operations. Sales comprise of SR23.1 million for Nonwoven and SR48 million for Fiber. It reported a net loss of SR21 million in 2015 and NATPET recorded 50% being its share. As the JV's accumulated losses are more than 50% of its share capital, in compliance with Article 180 of the Companies' Law, the shareholders have absorbed SR12.0 million, where NATPET absorbed SR 6 million being its share of losses and increased its investment in the JV by SR 6 million by transferring the equivalent amount from "Due from Bonar-Natpet" in its books.

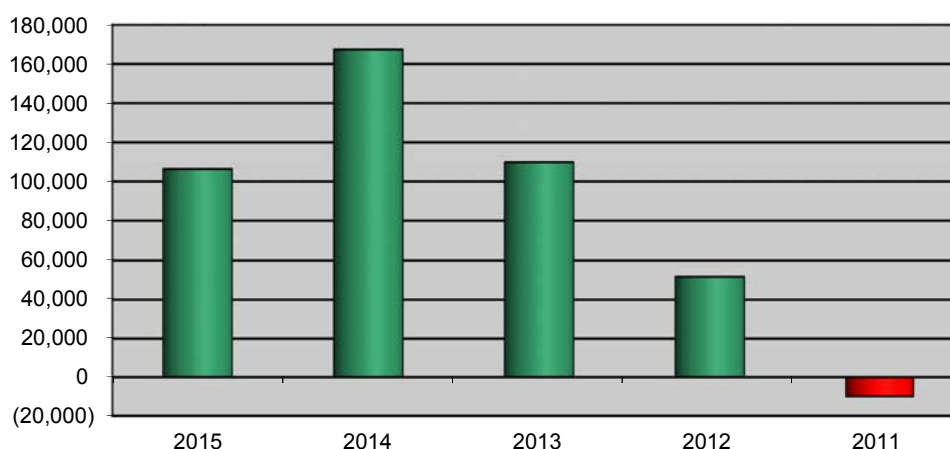
IV. FINANCIAL HIGHLIGHTS

A. FIVE-YEARS PROFIT OR (LOSS) SUMMARY

	Year ended December 31				
	2015 (SR '000)	2014 (SR '000)	2013 (SR '000)	2012 (SR '000)	2011 (SR '000)
Sales	1,460,503	2,132,699	1,876,203	2,111,941	1,471,866
Cost of sales	(1,087,003)	(1,698,541)	(1,532,349)	(1,819,521)	(1,313,054)
Gross profit	373,500	434,158	343,854	292,420	158,812
Operating expenses	(77,687)	(78,164)	(84,166)	(77,406)	(64,293)
Net operating income (loss)	295,813	355,994	259,688	215,014	94,519
Insurance compensation	0	51,079	50,229	0	0
Financial charges	(60,002)	(69,546)	(79,977)	(100,163)	(95,094)
Net other income (expenses)	(28,501)	(22,987)	(22,684)	(15,200)	(7,091)
Profit (Loss) before Zakat	207,310	314,540	207,256	99,651	(7,666)
Zakat	(12,322)	(14,953)	(8,703)	(1,564)	(1,557)
Profit (Loss) Before Minority Interest	194,988	299,587	198,553	98,087	(9,223)
Minority Interest*	(88,602)	(132,206)	(88,734)	(46,409)	(729)
Net Profit (Loss)	106,386	167,381	109,819	51,678	(9,952)

* Minority interest represents 42.6% share of other shareholders in NATPET.

Five-Year Net Profit / (Loss) Chart
(Amounts in SR '000)



B. MAJOR DIFFERENCE IN OPERATING RESULTS COMPARED TO LAST YEAR

The current year's Profit and Loss (P&L) Summary reflects consolidated results with sales of SR1,460.50 million (333K metric tons of polypropylene), a gross profit of SR373.50 million and a net profit of SR106.39 million, as compared to sales of SR2,132.70 million (367K metric tons), gross profit of SR434.16 million and a net profit of SR167.38 million in 2014. The 2015 net income before Zakat and minority interest is SR207.31 million as compared to SR314.54 million during 2014. The net profit decreased during 2015 as compared to 2014 mainly due to lower selling prices and lower sales quantities. The sales quantities were lower mainly due to the Scheduled/Planned Turnaround during first quarter 2015 and unplanned shutdowns during 3rd and 4th quarter 2015. The financial charges were also lower by SR 9.5 million during 2015. The subsidiary received insurance compensation of SR 51 million during 2014, which is part of the net profit of 2014.

Two years comparative consolidated operating results

	Year ended on December 31		
	2015 (SR '000)	2014 (SR '000)	Net Changes (SR '000)
Sales	1,460,503	2,132,699	(672,196)
Cost of sales	(1,087,003)	(1,698,541)	611,538
Gross profit	373,500	434,158	(60,658)
Operating expenses	(77,687)	(78,164)	477
Net operating income (loss)	295,813	355,994	(60,181)
Financial charges	(60,002)	(69,546)	9,544
Net other income (expenses)	(28,501)	28,092	(56,593)
Profit (Loss) before Zakat	207,310	314,540	(107,230)
Zakat	(12,322)	(14,953)	2,631
Profit (Loss) Before Minority	194,988	299,587	(104,599)
Minority Interest*	(88,602)	(132,206)	43,604
Net Profit (Loss)	106,386	167,381	(60,995)

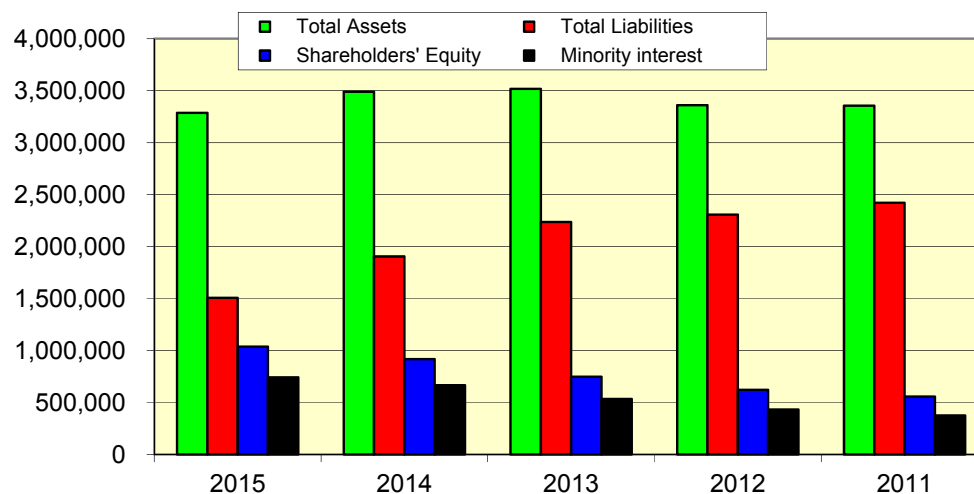
* Minority interest represents 42.6% share of other shareholders in NATPET.

C. SUMMARY OF FINANCIAL POSITION

	As at December 31				
	2015 (SR '000)	2014 (SR '000)	2013 (SR '000)	2012 (SR '000)	2011 (SR '000)
ASSETS					
Current assets	856,843	1,106,122	987,956	678,542	522,836
Non-current assets	2,429,913	2,382,891	2,528,427	2,681,252	2,832,468
Total Assets	3,286,756	3,489,013	3,516,383	3,359,794	3,355,304
LIABILITIES AND EQUITY					
Current liabilities	525,245	646,636	747,157	611,030	648,333
Non-current liabilities	981,404	1,258,154	1,488,736	1,696,095	1,773,704
Total Liabilities	1,506,649	1,904,790	2,235,893	2,307,125	2,422,037
Shareholders' Equity	1,037,482	917,499	747,739	621,120	557,208
Minority interest *	742,625	666,724	532,751	431,549	376,059
Total Liabilities & Shareholders' Equity	3,286,756	3,489,013	3,516,383	3,359,794	3,355,304

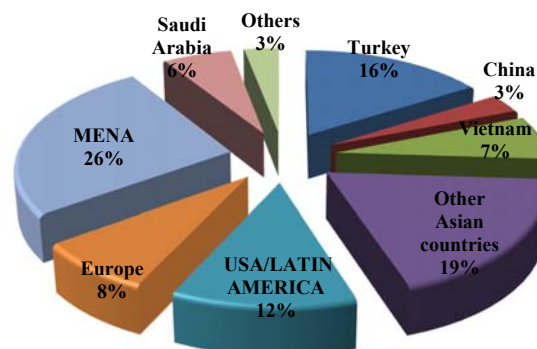
*Minority interest represents 42.6% share of other shareholders in NATPET.

**Five-Year Balance Sheet Chart
(Amounts in SR '000)**



D. GEOGRAPHICAL ANALYSIS OF CONSOLIDATED SALES

Essentially, the company's revenue comes from its subsidiary selling its products in and out of Saudi Arabia, as presented in the chart.



V. ZAKAT AND OTHER AMOUNTS ACCRUED/PAID TO THE GOVERNMENT

ZAKAT STATUS

On a standalone basis, Alujain made total provision of SR0.81 million during 2015 estimated Zakat expenses. The accrued Zakat balance is SR1.24 million. The other issues are summarized below:

- The Company obtained the final Zakat certificate for the years ended December 31, 2002. The Zakat returns for 2003 through 2014 have been filed with the Department of Zakat and Income Tax (DZIT) and obtained the respective restricted Zakat certificates.
- The Company has filed appeals against the DZIT's assessments for the years 2003 thru 2012. The assessed additional zakat liability is SR 29 million. The Company has lodged bank guarantees for SR22 million for the assessed additional liabilities for the years 2003 thru 2010 in accordance with the relevant regulations. The lodged bank guarantees will be returned back once a favourable decision is issued in the Company's favour. The additional liability is not payable until the time appeal procedures are completed.

The additional liability is mainly arising from DZIT's not allowing a deduction for amounts invested in the local and offshore entities. This matter is currently under debate at various levels of the appeal. In accordance with the Company's accounting policy mentioned in the note 2 to the audited financial statements, additional liability payable, if any, at the finalization of assessments is accounted for when such amounts are determined. As mentioned above, the additional liability is not payable until the time appeal procedures are completed.

AMOUNTS PAID TO THE GOVERNMENT

On a standalone basis, following is a summary of amounts paid and accrued by Alujain to the Government:

	Paid (SR '000)	Accrued (SR '000)
Zakat	309	1,245
General Organization for Social Insurance	280	-
Tadawul	404	23
Registration, visas and other expenses	28	-
Total amounts paid to the Government	1,021	1,268

VI. SUBSIDIARY COMPANY

National Petrochemical Industrial Company (NATPET):

NATPET is a closed joint stock company incorporated in the Kingdom of Saudi Arabia with its head office in Jeddah and Polypropylene Complex in Yanbu Industrial City to produce Polypropylene and its derivatives. The authorized and paid up capital comprised 107 million shares of SR10 per share as at 31 December 2015, having a name plate production capacity of 400,000 tons per year of polypropylene.

NATPET's downstream manufacturing interests are comprised of a non-woven geotextiles joint venture in collaboration with Low & Bonar based in Netherland and an under construction joint venture to produce Polypropylene compounds in collaboration with A. Schulman Inc. based in Netherland.

Alujain currently holds 57.4% of the total equity of NATPET.

NATPET's Major Achievements

1. ISO 9001:2015 Quality Management System certification (certification on revised 2015 standard, NATPET amongst the top).
2. RC 14001:2013 Responsible Care Management System Certification from ABS USA. (successful surveillance).
3. ISO 14001:2004 Environment Management System. (successful surveillance).

4. ISO 22000:2005 – Food safety management system for food grade PP resin (new certification)
5. ISO 17025:2005 Laboratory Accreditation Certificate (successful surveillance).
6. OHSAS 18001:2007 Health & Safety Management System (successful surveillance).
7. Active Participation for the organization of Responsible Care conference at GPCA.
8. NATPET nomination for the best Responsible care Project and best responsible care champion by GPCA RC award 2015 participation.
9. Other ISD achievements:
 - Zero noncompliance from Regulatory Authorities on any environment concern.
 - Zero Fatality on occupational health & safety incident.
 - 4.79 Million Safe Man-hours worked since last Lost Time Incident (LTI) as on 30 Nov 2015.
 - Successfully renewed the NATPET radiation practice license from regulatory authorities.
 - Beach cleaning campaign conducted in Yanbu in collaboration with Royal Commission environmental department where school children, NATPET employees and other stakeholders participated.

VII. ASSOCIATE COMPANY

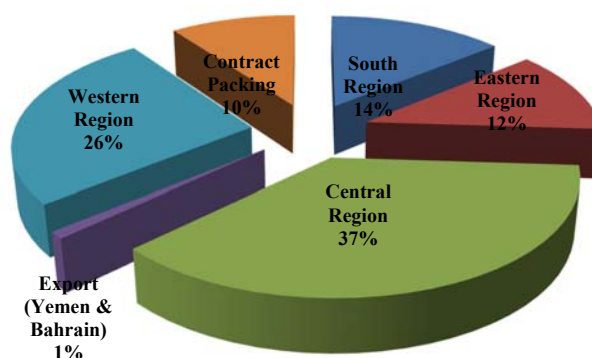
Zain Industries Company Ltd (Zain):

Zain is a Saudi Limited Liability Company incorporated in the Kingdom of Saudi Arabia with its head office in Jeddah and plant in Jubail Industrial City, with a paid up capital of SR60 million, comprised of 6,000 shares of SR10,000 per share as at 31 December 2015. Its main objective is to produce homecare products (spray starch, air-fresheners, anti-static spray, bleach, fabric softener, oven cleaner, furniture polish, stainless steel polish etc.), insecticides and agricultural pesticides, herbicides, fungicides etc. of all kinds and forms, beside the general health products. Alujain holds 49.38% ownership in Zain.

Zain's sales during 2015 is SR30.45 million as compared to SR27.83 million during 2014, with a net profit of SR2.05 million (2014 profit was SR0.67 million).

Geographical Analysis of Sales:

Zain sold its products in and out of Saudi Arabia, as shown in this chart.



VIII. SUMMARY OF LOANS

The Company does not have any loans from lenders except the loans taken by its subsidiary NATPET as detailed below:

(all amounts are in thousand Saudi Riyals):

Description of loan	Terms of loans	Original loans	Loan repayments		Outstanding balances
			Prior years	Current year	
Islamic Commercial/Bridge Banks	Bridge Loan, 10 Yrs.	1,232,841	1,232,841	0	0
Islamic Facility Agreement/ Commercial Banks (Re-financing)	Term loan, 8 Yrs.	1,000,000	145,180	76,860	777,960
Public Investment Fund loan	Term loan, 10 Yrs.	750,000	300,000	75,000	375,000
Saudi Industrial Development Fund (SIDF)	Upfront Fees, 10 Yrs.	400,000	280,000	80,000	40,000
Others	No fixed repayment period	21,645	0	0	21,645
Total		3,404,486	1,958,021	231,860	1,214,605

The SIDF loan is secured by a mortgage over the fixed assets of the PP Complex and corporate guarantees from its shareholders wherein Alujain's guarantee is 57.4%.

IX. INDEPENDENT AUDITORS' REPORT

Alujain received an unqualified opinion from its independent auditors Ernst & Young (EY) for the year ended on December 31, 2015 and the report states that the consolidated financial statements taken as a whole present fairly, in all material respects, in conformity with the accounting standards generally accepted in Saudi Arabia and comply, in all material respects, with the requirements of the Regulations for Companies and the Company's By-Laws.

X. BOARD OF DIRECTORS

A. CONSTITUTION OF THE BOARD OF DIRECTORS

During 2015 the Board of Directors consisted of nine members as per below table, which also lists their directorships in other joint stock Companies.

Names	Membership	Directorships in other joint stock companies
Khalid A. Y. Zainal Alireza	Executive	Saudi Cable Company
Matouq Hassan Jannah	Non-executive	
Khalid Ibrahim Zagzoog	Executive	
Abdallah Sadiq Dahlan	Independent	
Ali Abdulla Kanoo	Independent	
Adnan Kamel Salah	Independent	
Omar Hashim Khalifati	Independent	
Mohammad Ali Al-Naki	Independent	
Abdullah Mohammed N. Rehaimi	Independent	The Savola Group & Saudi Cable Company

B. MEETINGS

During 2015 the Board of Directors held 3 meetings as follows:

Directors	Mtg # 88		Mtg # 89		Mtg # 90		Total Present	Total Proxy	Attendance Percentage
	28/04/15		19/10/15		22/12/15				
	Present	Proxy	Present	Proxy	Present	Proxy			
Khalid A.Y. Zainal Alireza	✓		✓		✓		3		100%
Matouq Hassan Jannah	✓		✓		✓		3		100%
Khalid Ibrahim Zagzoog	✓		✓		✓		3		100%
Abdallah Sadiq Dahlan	✓		✓		✓		3		100%
Ali Abdulla Kanoo	✓		-	✓	-	✓	1	2	33%
Adnan Kamel Salah	✓		✓		✓		3		100%
Omar Hashim Khalifati	✓		✓		✓		3		100%
Mohammad Ali Al-Naki	-	✓	-	✓	-	✓	-	3	0%
Abdullah M. N. Rehaimi	✓		-	✓	-	✓	1	2	33%

C. BOARD COMMITTEES

1. *Audit Committee:*

i) *Mandate:*

The duties and responsibilities of the Audit Committee include the following:

- a) To supervise the Company's internal audit department to ensure its effectiveness in executing the activities and duties specified by the Board of Directors.
- b) To review the internal audit procedure and prepare a written report on such audit and its recommendations with respect to it.
- c) To review the internal audit reports and pursue the implementation of the corrective measures in respect of the comments included in them.
- d) To recommend to the Board of Directors the appointment, dismissal and the remuneration of external auditors; upon any such recommendation, regard must be made to their independence.
- e) To supervise the activities of the external auditors and approve any activity beyond the scope of the audit work assigned to them during the performance of their duties.
- f) To review together with the external auditor the audit plan and make any comments thereon.
- g) To review the external auditor's comments on the financial statements and follow up the actions taken about them.
- h) To review the interim and annual financial statements prior to presentation to the Board of Directors; and to give opinion and recommendations with respect thereto.
- i) To review the accounting policies in force and advise the Board of Directors of any recommendation regarding them.

ii) *The Results of the annual review of the effectiveness of Internal Audit procedures:*

The Audit Committee oversees the work of the internal audit in the Company to ensure the adequacy and effectiveness of the internal control system in general and with respect to the fairness of the financial statements in particular. It also provides an ongoing evaluation of the internal control system and its effectiveness, and deals with any serious observations, in context with the goals of the Board of Directors to obtain a reasonable assurance about the soundness of the design and effectiveness of the same.

In this context the Committee has discussed during the fiscal year 2015 the periodic reports prepared by the internal audit and reported to the Board of Directors on actions and recommendations as it deemed appropriate, and met with the external auditors and executive management to discuss matters related to the work of the Company.

The Annual review of the effectiveness of the Internal Control system has not shown any intrinsic weakness in the Company.

The Audit Committee and Board of Directors have confirmed the effectiveness of the internal control procedures that the Company's objectives have been achieved, and the published financial statements have been prepared in reliable and dependable manner in accordance with the accounting standards and related regulations and laws.

Financial statements are prepared in accordance with the accounting standards generally accepted in Saudi Arabia. However, a plan has been established to switch over to IFRS (International Financial Reporting Standards), which is under implementation and the Company will prepare its 2017 financial statements as per IFRS as adopted by SOCPA (Saudi Organization of Certified Public Accountants). The subsidiary is also working on a similar plan to adopt IFRS effective January 01, 2017.

iii) *Audit Committee Members:*

Members	Executive/ Non-executive/ Expert	Shareholder	Position
Omar Hashim Khalifati	Non-executive	✓	Chairman
Ali Abdulla Kanoo	Non-executive	✓	Member
Adnan Kamel Salah	Non-executive	✓	Member
Mohammed Ashraf Tumbi	Finance Expert	-	Member

Mr. Mohammed Ashraf Tumbi was appointed as Audit Committee member during Alujain Board meeting of October 19, 2015.

iv) *Meetings:*

The Committee held 3 meetings during 2015 as follows:

	Mtg # 59	Mtg # 60	Mtg # 61	Total Attendance	Attendance Percentage
	19/04/15	19/10/15	14/12/15		
Omar Hashim Khalifati	✓	✓	✓	3	100%
Ali Abdulla Kanoo	-	-	-	-	0%
Adnan Kamel Salah	✓	✓	✓	3	100%
Muhammad Ashraf Tumbi	NA	NA	✓	1	33%

2. *Nomination and Remuneration Committee:*

i) *Summary of functions and responsibilities:*

The duties and responsibilities of the Nomination and Remuneration Committee include the following:

- a) Recommend to the Board of Directors appointments to membership of the Board in accordance with the approved policies and standards; the Committee shall ensure that no person who has been previously convicted of any offense affecting honor or honesty is nominated for such membership.
- b) Annual review of the requirement of suitable skills for membership of the Board of Directors and the preparation of a description of the required capabilities and qualifications for such membership, including, inter alia, the time that a Board member should reserve for the activities of the Board.
- c) Review the structure of the Board of Directors and recommend changes.
- d) Determine the points of strength and weakness in the Board of Directors and recommend remedies that are compatible with the Company's interest.
- e) Ensure on an annual basis the independence of the independent members and the absence of any conflict of interest in case a Board member also acts as a member of the Board of Directors of another company.
- f) Draw clear policies regarding the indemnities and remunerations of the Board members and top executives; in laying down such policies, the standards related to performance shall be followed.

ii) *The Nomination and Remuneration Committee Members:*

Members	Executive/Non-executive/ Expert	Position
Khalid Ibrahim Zagzoog	Executive	Chairman
Ahmed Saad Gabbani	HR Expert	Member
Matouq Hassan Jannah	Non-Executive	Member

iii) *Meetings:*

The Committee had 2 meetings during the year 2015 as per the following attendance. There is no remuneration paid to any of the Committee members including its Chairman.

Members	Mtg # 7	Mtg # 8	Total Attendance	Percentage
	25/05/2015	27/12/2015		
Khalid Ibrahim Zagzoog	✓	✓	2	100%
Ahmed Saad Gabbani	✓	✓	2	100%
Matouq Hassan Jannah	✓	✓	2	100%

D. MOVEMENT OF SHARES OWNED BY DIRECTORS & THEIR IMMEDIATE FAMILY MEMBERS

The following table includes a description of any interest related to the members of the Board of Directors, including their wives and minor children, in the stocks or credit instruments of the Company:

Name	At start of the year		Net changes		At end of the year	
	Quantity	%	Quantity	%	Quantity	%
Khalid A.Y. Zainal Alireza	957,216	1.383%	-	-	957,216	1.383%
Matouq Hassan Jannah	1,200	0.002%	-	-	1,200	0.002%
Khalid Ibrahim Zagzoog	2,900	0.004%	-	-	2,900	0.004%
Abdallah Sadiq Dahlan	1,000	0.001%	-	-	1,000	0.001%
Ali Abdulla Kanoo	4,520	0.007%	-	-	4,520	0.007%
Adnan Kamel Salah	2,000	0.003%	-	-	2,000	0.003%
Omar Hashim Khalifati	22,060	0.032%	-	-	22,060	0.032%
Mohammad Ali Al-Naki	1,000	0.001%	-	-	1,000	0.001%
Abdullah M. N. Rehami	3,700	0.005%	-	-	3,700	0.005%

E. MOVEMENT OF SHARES OWNED BY SENIOR EXECUTIVES & THEIR IMMEDIATE FAMILY MEMBERS

The following table includes a description of any interest related to the members of the Senior Executives, including their wives and minor children, in the stocks or credit instruments of the Company:

Name	At start of the year		Net changes		At end of the year	
	Quantity	%	Quantity	%	Quantity	%
Marwan N. Nusair President & COO	2,400	0.003%	375	0.001	2,775	0.004%
Rajiv Thakur VP – Business Development	Nil	Nil	Nil	Nil	Nil	Nil
Saleem Akhtar VP – Finance	Nil	Nil	Nil	Nil	Nil	Nil

XI. REMUNERATION/COMPENSATION OF CHAIRMAN, BOARD OF DIRECTORS, AND TOP EXECUTIVES

	Board Members		Highest paid senior executives including COO & VP-Finance*
	Executive (2 persons)	Non-executive/ Independent (7 persons)	
Salaries and compensation	720,000	-	1,216,200
Allowances	18,000	42,000	434,820
Periodic and annual bonuses	250,000	-	400,000
Incentive plans	-	-	-
Other Compensations	-	935,000	456,204
Total	988,000	977,000	2,507,224

* Remuneration for 3 executives including COO, VP – Finance and VP – Business Development. Alujain has less than 5 executives.

Remuneration of Audit Committee

Position	Meeting Fees
Chairman	24,000
Members	8,000
Total	32,000

XII. TRANSACTIONS WITH RELATED PARTIES

A portion of the Company's general and administrative expenses and shared services including project-related costs are charged by affiliates by way of sharing the cost of some common services. Prices and terms of payment are approved by management.

(a) Summary and nature of transactions:

Party	Board Member	Contract Period	Nature of dealing	Amount (SR '000)
Hidada Company Limited	Khalid A.Y. Zainal Alireza	One year (perpetual)	Joint expenses charged by the group	58
Saudi Cable Company	Khalid A.Y. Zainal Alireza Abdullah M.N. Rehaimi	One year (perpetual)	Joint expenses charged to the group	3
			Sales charged by the group	264
Xenel Industries Ltd.	Khalid A.Y. Zainal Alireza	One year (perpetual)	Shared services charged to the group	6,198
Safra Company Limited	Khalid A.Y. Zainal Alireza Khalid Ibrahim Zagzoog	One year (perpetual)	Joint expenses charged to the group	237
			Purchase of material by the group	4,470
Zain Industries Co.	Marwan Nusair	One year (perpetual)	Joint expenses charged by the group	60
Natpet Schulman Specialty Plastic Compound Co.	Matouq Hassan Jannah	One year (perpetual)	Joint expenses charged by the group	271
Bonar Natpet	Matouq Hassan Jannah	One year (perpetual)	Joint expenses charged by the group	5,482
			Sales charged by the group	41,803
		One year	Absorbed losses & investment increased by transferring from 'due from affiliate'.	6,000

(b) There were no transactions between the Company and its senior executives except as presented in section XI & XII above during 2015.

XIII. PROFIT DISTRIBUTION POLICY

The annual net profits achieved – after deducting all general expenses & other costs – shall be distributed as follows:

- 10% of the net profits shall be set aside to form a statutory reserve, and the ordinary general assembly may stop such a procedure when the said reserve amounts to half of the Company capital.
- From the balance, a first payment not less than 5% of the paid capital, shall be distributed as dividends to the shareholders.
- A percent of not more than 10% of the net profits shall be allocated, after that, as a remuneration for the members of the board of directors, provided, however, that the member remuneration shall not exceed the amount determined by the instructions issued by the Ministry of Commerce to this effect.
- Then, the balance shall be distributed among the shareholders as an additional share of the profits, or it may be carried forward to the following years, in the way agreed upon by the general assembly.

The dividends to be distributed among shareholders shall be paid in the place and at the time determined by the board of directors, taking into consideration the instructions issued by the Ministry of Commerce in this regards.

XIV. POTENTIAL BUSINESS RISKS

The Group's activities expose it to a variety of potential business risks, market risks, financial risks (including currency risk, fair value and cash flow interest rate risks and price risk), credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures. The risk management is carried out by senior management under policies approved by the board of directors.

Risk	Probable Impact	How it is handled/mitigated
Currency risk	Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is subject to fluctuations in foreign exchange rates in the normal course of its business.	The Group does not undertake significant transactions in currencies other than Saudi Riyals, US Dollars and to a lesser extent Euros. Management monitors such exposures on a regular basis. However, there were no significant foreign exchange contracts outstanding at December 31, 2015.
Fair value and cash flows interest rate risk	Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of the financial instruments. The Group is subject to interest rate risk on its interest bearing assets and liabilities including security deposits, long term loans and derivative financial instrument.	The management limits the Group's interest rate variation risk through interest rate swaps, in which the Group agrees to exchange, at specified interval, the difference between fixed and variable interest rates. The interest amounts are calculated by reference to an agreed-upon notional principal amount.
Price risk	The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.	The Group is not exposed to equity securities price risk because of investments held by the Group and classified on the balance sheet as available for sale investment and investments in Murabaha Funds. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio

Credit risk	Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The largest receivable balance (one off-taker) accounts for 48% of outstanding trade accounts receivable at December 31, 2015 (2014: 50%)	Cash is placed with banks with sound credit ratings. Credit risk is managed by monitoring the off-taker balance and ensuring timely collection of the due balance. All other trade receivables are secured via one of the following methods: advance payments, letter of credits through recognized banks, credit insurance.
Liquidity risk	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 an inability to sell a financial asset quickly at an amount close to its fair value.	Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments.
Fair value	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 Group's financial instruments are compiled under the historical cost convention, except for derivative financial instruments, and available for sale investment, differences can arise between the book values and fair value estimates. Management believes that the fair values of the Group's financial assets and liabilities are not materially different from their carrying values.
Raw material price variation	The Raw material prices may vary adversely, which are related to international gas and petroleum derivative prices.	The prices are beyond the control of the Group.
Economic Risk	The finished product is sold in international market and any global or regional recession may impact the financial performance.	The Group sales activities are not restricted to any particular region, but are spread across the globe. So any fluctuation in prices is beyond the control of the Group.
Operational risk	The Group's activities expose it to a variety of operational risks at the plants operated by its subsidiaries/associate companies, which are defined as "any circumstances or situation when equipment failure poses a threat to (1) Health & Environment and (2) production loss & repair cost".	These risks are managed based on a "template decision making matrix", to minimize potential adverse effects on the Group's operational performance. The Group also consults its vendor, licensor & third party experts, if needed.
Legal risks	Being subjected to legal issues such as imposition of anti-dumping tax or anti-trust laws by countries where the subsidiaries' products are sold could affect the Group sales.	The Group develops its strategies based on the changing global market conditions and remains vigilant to initiate appropriate measures to overcome such situations.

XV. CORPORATE GOVERNANCE

The Company is committed to apply all rules listed in Corporate Governance Regulations. It is following all the provisions of Corporate Governance regulations except as detailed below:

Corporate Governance Rules	Reasons
Article: 6 Voting Rights	Implemented, except the sections mentioned below:
Article 6 - b1) In voting in the General Assembly for the nomination to the board members, the accumulative voting method shall be applied.	The Company is abiding by its Articles of Association and proposed amendment to its Articles of Association in its Extra-ordinary General Assembly meeting No.5 held on 23rd April 2012 to introduce the accumulative voting method, but the shareholders have rejected the proposal.

<p>Article 6 - d) Investors who are judicial persons and who act on behalf of others - e.g. investment funds - shall disclose in their annual reports their voting policies, actual voting, and ways of dealing with any material conflict of interests that may affect the practice of the fundamental rights in relation to their investments.</p>	<p>No judicial persons or representatives of investment funds attended the last Ordinary General Assembly and hence no reports or updates.</p>
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XVI. BOARD DECLARATIONS

1. The Company's financial statements were prepared in accordance with the accounting principles generally accepted in the Kingdom of Saudi Arabia and such accounting principles are applied on consistent basis.
2. The board declares that:
 - a. Proper books of account have been maintained.
 - b. The system of internal control is sound in design and has been effectively implemented; and
 - c. There are no significant doubts concerning the issuer's ability to continue as a going concern.
3. The external auditors have given an unqualified opinion on the financial statements for the period ended on December 31, 2015, hence no reservations shown in audit report issued by the external auditors.
4. There were no penalties or preventive restrictions imposed on the company during 2015.
5. Neither the Company nor its subsidiary has issued or redeemed any debt or financial instruments such as stock options or stock rights that may be converted into shares.
6. There were no material contracts awarded to any related parties including the CEO, COO and CFO or any person related to any of them during the year, except as detailed in section XII - "Related Party Transactions" of this report.
7. The details of all issued shares and debt instruments, including the subsidiary are detailed in relevant sections of this report. There were no outstanding loans during the year, except the loans taken by the subsidiary, as mentioned in section VIII.
8. There were no loans given to any of its directors.
9. The Company has not made any deals relating to its own stocks.
10. There were no share dealings entered by the Company with any of its directors or immediate members of their families.
11. No waiver of rights has been received from any shareholder.
12. The Company has not made any investments or created reserves for its employees, except for, as is required by Saudi Labor Law and Company policies.

XVII. BOARD OF DIRECTORS' RECOMMENDATIONS TO THE SHAREHOLDERS

1. Vote on the Board of Directors' Report for 2015.
2. Vote on the 2015 year-end financial statements and external auditors' report.
3. Vote on the appointment of external auditors for the year 2015 from amongst the firms nominated by the Audit Committee.
4. Vote on absolving the Board of Directors of their responsibilities for the financial year ended 31/12/2015.
5. Vote on the businesses and agreements made between the company and related parties contained in Section XII and to authorize the management to continue with similar transactions for 2016.

The Chairman and the Board of Directors express their appreciation and gratitude to the Custodian of the Two Holy Mosques King Salman Bin Abdulaziz Al-Saud; HRH Crown Prince Muhammad bin Naif bin Abdulaziz Al-Saud, Deputy Prime Minister & Minister of Interior; HRH Deputy Crown Prince Mohammad bin Salman bin Abdulaziz Al-Saud, Second Deputy Prime Minister & Minister of Defense for their continued cooperation and support.

Thanks also to the Shareholders for their continued support, and the Executive Management and Staff of the Company for their great efforts, which helped to achieve the Company's goals in 2015.

BOARD OF DIRECTORS