

**TAKWEEN ADVANCED INDUSTRIES
(SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED FINANCIAL STATEMENTS AND
AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2014**

TAKWEEN ADVANCED INDUSTRIES
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2014

INDEX	PAGE
Auditors' report	1
Consolidated balance sheet	2
Consolidated statement of income	3
Consolidated statement of stockholders' equity	4
Consolidated statement of cash flows	5
Notes to the consolidated financial statements	6 - 17

AUDITORS' REPORT

To the stockholders
Takween Advanced Industries
Al-Khobar, Kingdom of Saudi Arabia

Scope of Audit

We have audited the consolidated balance sheet of Takween Advanced Industries ("the Company"), a Saudi Joint Stock Company, and its subsidiaries ("the Group") as of December 31, 2014, and the related consolidated statements of income, stockholders' equity and cash flows for the year then ended and notes 1 to 24 which form an integral part of these consolidated financial statements as prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all the necessary information and explanations. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2014, and the consolidated results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the nature of the Group, and comply with the relevant provisions of the Regulations for Companies and the articles of the Company as these relate to the preparation and presentation of these consolidated financial statements.

Deloitte & Touche
Bakr Abulkhair & Co.

Nasser M. Al-Sagga
License No. 322
27 Rabi' II, 1436H
February 16, 2015



TAKWEEN ADVANCED INDUSTRIES
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2014

	Note	2014 SR 000	2013 SR 000
ASSETS			
Current assets			
Cash and cash equivalents	3	31,037	66,963
Investments held for trading		56,291	4,812
Accounts receivable	4	217,560	199,536
Inventories	5	271,459	188,079
Prepaid expenses and other debit balances	6	50,612	40,251
Total current assets		626,959	499,641
Non-current assets			
Property, plant and equipment	7	630,396	560,014
Intangible assets	8	11,509	11,141
Total non-current assets		641,905	571,155
TOTAL ASSETS		1,268,864	1,070,796
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Short term borrowings	9	508,494	469,845
Accounts payable and other liabilities	11	137,908	43,546
Current portion of medium and long term loans	10	10,775	10,725
Total current liabilities		657,177	524,116
Non-current liabilities			
Medium and long term loans	10	113,205	87,035
End-of-service indemnities	12	9,900	7,486
Total non-current liabilities		123,105	94,521
Stockholders' equity			
Share capital	1	350,000	350,000
Statutory reserve	13	29,419	23,887
Retained earnings		109,163	78,272
Total stockholders' equity		488,582	452,159
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		1,268,864	1,070,796




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

TAKWEEN ADVANCED INDUSTRIES
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2014

	Note	2014 SR 000	2013 SR 000
Sales	14	767,679	731,022
Cost of sales		(646,389)	(635,711)
Gross profit		121,290	95,311
Research and development expenses		2,682	570
Selling and distribution expenses	14,15	19,472	20,038
General and administrative expenses	14,16	42,278	28,066
Operating income		56,858	46,637
Finance charges	9,10	(15,221)	(12,615)
Unrealized gain on investments held for trading		9,471	4,921
Realized gain on investments held for trading		10,086	14,032
Other income (expenses), net		337	(5,628)
Net income before zakat		61,531	47,347
Zakat	17	6,208	2,960
NET INCOME		55,323	44,387
EARNINGS PER SHARE	19		
Earnings per share from net income (SR)		1.58	1.27
Earnings per share from continuing main operations (SR)		1.01	0.89
Earnings per share from other operations (SR)		0.57	0.38
Weighted average number of shares		35,000,000	35,000,000




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TAKWEEN ADVANCED INDUSTRIES
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
YEAR ENDED DECEMBER 31, 2014

	Note	Share capital SR 000	Statutory reserve SR 000	Retained earnings SR 000	Total SR 000
January 1, 2013		300,000	19,448	103,324	422,772
Net income for year		-	-	44,387	44,387
Transfer to statutory reserve	13	-	4,439	(4,439)	-
Increase in share capital	1	50,000	-	(50,000)	-
Dividends	20	-	-	(15,000)	(15,000)
December 31, 2013		350,000	23,887	78,272	452,159
Net income for year		-	-	55,323	55,323
Transfer to statutory reserve	13	-	5,532	(5,532)	-
Directors' remuneration	14	-	-	(1,400)	(1,400)
Dividends	20	-	-	(17,500)	(17,500)
December 31, 2014		350,000	29,419	109,163	488,582

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

TAKWEEN ADVANCED INDUSTRIES
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2014

	2014 SR 000	2013 SR 000
OPERATING ACTIVITIES		
Net income before zakat	61,531	47,347
Adjustments for:		
Depreciation	62,245	45,227
Amortization of intangible assets	1,003	276
Finance charges	15,221	12,615
End-of-service indemnities	3,036	2,137
Gain on disposals of property, plant and equipment	(107)	(57)
Unrealized gain on investments held for trading	(9,471)	(4,921)
Realized gain on investments held for trading	(10,086)	(14,032)
Changes in operating assets and liabilities:		
Accounts receivable	(18,024)	(23,309)
Inventories	(83,380)	4,113
Prepaid expenses and other debit balances	(10,361)	(12,039)
Accounts payable and other liabilities	71,899	(79,013)
Cash from (used in) operations	83,506	(21,656)
Finance charges paid	(12,680)	(10,990)
End-of-service indemnities paid	(622)	(887)
Zakat paid	(2,187)	(2,715)
Net cash from (used in) operating activities	68,017	(36,248)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(114,906)	(193,391)
Proceeds from disposal of property, plant and equipment	257	58
Additions to intangible assets	(1,761)	(4,332)
Net movement in investments held for trading	(31,922)	14,141
Net cash used in investing activities	(148,332)	(183,524)
FINANCING ACTIVITIES		
Change in short term borrowings	38,649	277,483
Change in medium and long term loans	24,640	(20,983)
Directors' remunerations	(1,400)	(849)
Dividends paid (note 20)	(17,500)	(15,000)
Net cash from financing activities	44,389	240,651
Net change in cash and cash equivalents	(35,926)	20,879
Cash and cash equivalents, January 1	66,963	46,084
CASH AND CASH EQUIVALENTS, DECEMBER 31	31,037	66,963
Non - cash transactions:		
Capital expenditure payable	17,481	-
Increase in share capital by transferring from retained earnings (note 1)	-	50,000

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

**TAKWEEN ADVANCED INDUSTRIES
(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
YEAR ENDED DECEMBER 31, 2014**

1. ORGANIZATION AND ACTIVITIES

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

Following the approval by the Capital Market Authority ("CMA"), the Company made an initial public offering of 9 million shares with a par value of SR 10 each, representing 30% of issued shares, in January 2012. The offering was fully subscribed at an offer price of SR 26 per share and the shares were listed on the Saudi Stock Exchange (Tadawul) on February 7, 2012.

The Board of Directors in their meeting held on February 17, 2013 proposed to increase the share capital of the Company from SR 300 million to SR 350 million by capitalizing part of the retained earnings by distributing one bonus share for every six existing shares held at the closing of trading on the day of the Extra Ordinary General Assembly Meeting. On April 8, 2013, the bonus shares have been approved by the shareholders at their Extra Ordinary General Assembly Meeting and the legal formalities to obtain the revised commercial registration have been completed.

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

	Effective ownership	
	2014	2013
• Advanced Fabrics Factory Company ("SAAF")	100%	100%
• Ultra Pak Manufacturing Company ("Ultra Pak")	100%	100%

The principal activities of the Group companies, each of which operates under individual commercial registration, are:

- Production of disposable polystyrene cups, lids and other plastic related products
- Production of non-woven plastics
- Production of PET (Polyethylene Terephthalate) pre-forms

During the year, the Company agreed to purchase the textile plant along with its right to use the leasehold land and improvements from Al Hasa Development Company, a Saudi joint stock company, for a total value of SR 31.5 million. The legal formalities and obtaining approvals from related authorities have been completed during the year.

The Company 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 Savola Packaging, a wholly owned subsidiary of Savola Group. The MOU had an initial term of 16 weeks and was subject to various conditions and approvals including the Company's completion of a detailed due diligence, completion of the negotiation resulting in definitive agreement in relation to the proposed acquisition, approval of both the companies' board of directors, stockholders and the approval of relevant Saudi Arabian regulatory authorities.

The Company 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 Savola Packaging for a total purchase price of SR 910 million. The completion of the purchase transaction and payment of the said purchase price is subject to satisfaction of various conditions before 31 March 2015 which include completing certain regulatory procedures, obtaining consents from the concerned government agencies, including the Competition Council, and the satisfaction of certain commercial conditions agreed between the parties. Subsequently in 2015, Competition Council has approved the proposed acquisition of Savola Packaging by Takween.

**TAKWEEN ADVANCED INDUSTRIES
(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)
YEAR ENDED DECEMBER 31, 2014**

100% of the purchase price will be financed through a syndicate of Saudi banks, which will be announced upon concluding all financing negotiations with the banks, and which is subject to the approval of the ordinary general assembly of the Company.

Savola Packaging owns two subsidiaries (Al-Sharq Plastic Company and New Marina Plastics Company in Egypt) and is engaged in production of plastic containers, barrels, bottles and covers, with a production capacity of 200,000 tons per year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants. The following is a summary of significant accounting policies applied by the Group:

Accounting convention

The consolidated financial statements are prepared under the historical cost convention, modified to include the measurement at fair value of held for trading investments.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries controlled by the Company. All significant inter-company transactions and balances between the group companies have been eliminated in preparing the consolidated financial statements.

Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the Kingdom of Saudi Arabia requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Revenue recognition

Sales are recognized upon delivery of goods to customers and are stated net of trade or quantity discounts.

Research and development expenses

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

Selling and distribution and general and administrative expenses

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

TAKWEEN ADVANCED INDUSTRIES
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)
YEAR ENDED DECEMBER 31, 2014

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 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 stockholders' equity.

Inventories

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining term of the lease. The estimated rates of depreciation of the principal classes of assets are as follows:

	Rate %
Buildings and leasehold improvements	3 - 4
Plant, machinery and equipment	10 - 33.3
Vehicles	20 - 25
Furniture, fixtures and office equipment	15 - 33.3

Depreciation for machinery owned by SAAF is determined based on total annual output in proportion to total production capacity.

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

At each balance sheet date, the Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the management estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

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 so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

TAKWEEN ADVANCED INDUSTRIES
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)
YEAR ENDED DECEMBER 31, 2014

Intangible assets

Intangible assets anticipated to provide identifiable future benefits are classified as non-current assets. Intangible assets comprise software and system development costs.

Enterprise resource planning (ERP) system development costs represent costs incurred to implement new system and are amortized over 5 year period from the date it is fully implemented.

Dividends

Dividends are recognised as a liability at the time of their approval in the Annual General Assembly meeting.

Foreign currency translation

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated 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.

End-of-service indemnities

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

Zakat

The Group is 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 Department of Zakat and Income Tax ("DZIT") on a consolidated basis by the Company, Takween Advanced Industries. Zakat is provided on an accruals basis for the Group. The zakat charge is computed on the zakat base. 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.

Leasing

Leases are classified as capital leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. 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 segment is a distinguishable component of the Group that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and bank balances, demand deposits, and highly liquid investments with original maturities of three months or less. At December 31, 2014 and 2013, cash and cash equivalents consist entirely of cash and bank balances.

4. ACCOUNTS RECEIVABLE

	2014 SR 000	2013 SR 000
Trade receivables – others	194,770	171,759
– related parties (note 14)	22,125	27,588
Due from related parties (note 14)	665	189
	217,560	199,536

TAKWEEN ADVANCED INDUSTRIES
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2014

5. INVENTORIES

	2014 SR 000	2013 SR 000
Finished goods	113,168	42,437
Raw, work-in-process and packing materials	119,909	105,997
Spare parts not held for sale	38,136	32,505
Goods-in-transit	246	7,140
	271,459	188,079

6. PREPAID EXPENSES AND OTHER DEBIT BALANCES

	2014 SR 000	2013 SR 000
Prepaid expenses	7,444	6,520
Rebates receivable	19,869	13,993
Advances to suppliers	11,050	14,405
Other debit balances	12,249	5,333
	50,612	40,251

7. PROPERTY, PLANT AND EQUIPMENT

	Buildings and leasehold improvements SR 000	Plant, machinery and equipment SR 000	Vehicles SR 000	Furniture, fixtures and office equipment SR 000	Capital work-in- progress ("CWIP") SR 000	Total SR 000
Cost						
January 1, 2014	72,633	614,789	3,792	7,649	255,022	953,885
Additions	39,342	26,961	1,441	1,105	63,538	132,387
Disposals	(5)	(186)	-	-	-	(191)
Transfer/reclassified	35,363	212,051	1,202	2,386	(250,612)	390
December 31, 2014	147,333	853,615	6,435	11,140	67,948	1,086,471
Depreciation						
January 1, 2014	20,144	364,012	3,213	6,502	-	393,871
Charge for year	3,630	55,754	1,986	875	-	62,245
Disposals	(1)	(40)	-	-	-	(41)
December 31, 2014	23,773	419,726	5,199	7,377	-	456,075
Net book value						
December 31, 2014	123,560	433,889	1,236	3,763	67,948	630,396
December 31, 2013	52,489	250,777	579	1,147	255,022	560,014

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

TAKWEEN ADVANCED INDUSTRIES
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2014

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 Western Province of Saudi Arabia.

Ultra Pak 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 27 Rabi I, 1419H (July 22, 1998). This lease agreement has been extended up to April 30, 2016. The management of Ultra Pak anticipates extending the lease upon its expiry.

Capital work-in-progress at December 31, 2014 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, 2014 amounted to SR 0.3 million (2013: SR 2.4 million).

8. INTANGIBLE ASSETS

	2014 SR 000	2013 SR 000
Cost		
January 1	12,270	7,938
Addition during the year	1,761	4,332
Reclassified	(390)	-
December 31	<u>13,641</u>	<u>12,270</u>
Amortization		
January 1	1,129	853
Charge for year	1,003	276
December 31	<u>2,132</u>	<u>1,129</u>
Net book value		
December 31	<u>11,509</u>	<u>11,141</u>

9. BANK FACILITIES

The Group has credit facilities agreements with local commercial banks comprising of overdrafts, short, medium and long term loans, letters of credit and guarantee etc. Borrowings under the facilities bear financing charges at the prevailing market rates and are secured principally by demand order note, promissory notes and corporate guarantees. The facilities contain covenants requiring the maintenance of certain financial ratios and other covenants.

10. LONG TERM LOANS

	2014 SR 000	2013 SR 000
Commercial loans	-	70,000
SIDF loans	<u>133,510</u>	<u>29,470</u>
	133,510	99,470
Less: current portion	(10,775)	(10,725)
Less: loan appraisal fees	(9,530)	(1,710)
	<u>113,205</u>	<u>87,035</u>

Commercial loans - In 2012, the SAAF obtained a medium term loan of SR 45.0 million out of the total facility of SR 80 million from a local bank. In 2013, the SAAF availed the remaining facility of SR 35 million. These carry interest at commercial rates with outstanding balance repayable in eight unequal semi-annual installments commencing from June 2013. The loans are secured principally by demand order note, promissory notes and corporate guarantees. In 2014, the SAAF received a new SIDF loan and used SR 70 million of the SIDF loan to settle this medium term commercial loan.

TAKWEEN ADVANCED INDUSTRIES
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2014

SIDF loans - The Group entered into various loan agreements with SIDF to finance the construction of the plant facilities of the Group, out of which SR 133.5 million (2013 - SR 29.47 million) before adjusting loan appraisal fees was outstanding at the year end. The loans bear no periodic financing charges. The loans are secured by mortgage on the property, plant and equipment of the Group companies, two parcels of land owned by an affiliate and corporate guarantees from the Company. The loan appraisal fees totaling SR 21.1 million (2013: SR 11.7 million) are deferred and are being amortized over the term of the loans.

The Company obtained two loans from SIDF in 2007 and 2010 to finance the new expansion of its production facility. These loans have been consolidated into one facility of SR 27 million which is payable in 11 unequal semi annual installments commencing from 15/8/1432H (corresponding to July 16, 2011) and final payment is due on 15/8/1437H (corresponding to May 22, 2016).

In 2013, the 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 15 Shawwal 1436H (corresponding to July 31, 2015). During the year, an amount of SR 113.1 million out of total facility of SR 125.7 million was drawn down by the SAAF.

SIDF sanctioned a loan to the Ultrapak for SR 12.85 million to finance the modernization and expansion of production facilities. The loan is repayable in twelve unequal semi-annual installments commencing 1 Rabi' 1, 1431 (January 31, 2010). In 2012, the Ultrapak entered into a further loan agreement with SIDF, to finance the expansion of production facilities for an additional amount of SR 13.9 million due in 13 unequal semi-annual installments, commencing 15 Safar, 1435 (December 18, 2013). The facility was reduced to SR 12.7 million and the Ultrapak has withdrawn SR 12.7 million (2013: SR 11.1 million) out of total amount sanctioned. During the year, 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 semi annual installments commencing from 15 Safar, 1436 (December 7, 2014) and final payment is due on 15 Safar, 1441 (October 14, 2019).

The SIDF and the commercial loans contain covenants requiring the maintenance of certain financial ratios and other covenants. As at December 31, 2014 and 2013, the Company and SAAF are not in compliance with certain covenants.

Aggregate maturities of medium and long term loans outstanding at December 31, 2014 before adjusting loan appraisal fees are as follows:

	SR 000
2015	10,775
2016	11,813
2017	14,356
2018	27,538
2019	25,898
After 2020	43,130
	133,510

TAKWEEN ADVANCED INDUSTRIES
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2014

11. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2014 SR 000	2013 SR 000
Accounts payable – trade	87,727	23,980
Capital expenditure payable	17,481	-
Due to related parties (note 14)	4,690	130
Accrued expenses and other liabilities	20,098	15,545
Zakat payable (note 17)	7,912	3,891
	137,908	43,546

12. END-OF-SERVICE INDEMNITIES

	2014 SR 000	2013 SR 000
January 1	7,486	6,236
Additional provision in year	3,036	2,137
Utilization of provision	(622)	(887)
December 31	9,900	7,486

13. STATUTORY RESERVE

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

14. RELATED PARTY TRANSACTIONS

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

<u>Name</u>	<u>Relationship</u>
Al Othman Group of companies	Affiliates
Al Hasa Development Company	Affiliate
Senior executives	Shareholders

The significant transactions and the related amounts are as follows:

	2014 SR 000	2013 SR 000
Sales made to affiliates	(71,962)	(66,337)
Cost and expenses charged by affiliates	8,378	7,053
Cost and expenses charged to affiliates	(96)	(245)
Other services received	4,000	3,700
Remuneration to directors	1,400	-
Purchase of property, plant and equipment	31,500	-

TAKWEEN ADVANCED INDUSTRIES
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2014

All significant related party transactions between the group entities have been eliminated in the consolidated financial statements.

Amounts due from and due to related parties at December 31, 2014 and 2013 are disclosed in notes 4 and 11 respectively and principally include balances related to the above mentioned transactions.

15. SELLING AND DISTRIBUTION EXPENSES

	2014 SR 000	2013 SR 000
Employee related costs	3,671	4,227
Transportation	12,458	12,289
Bad and doubtful debts	1,748	1,950
Others	1,595	1,572
	19,472	20,038

16. GENERAL AND ADMINISTRATIVE EXPENSES

	2014 SR 000	2013 SR 000
Employee related costs	27,463	17,969
Professional and other services	1,141	1,184
Communication and other office expenses	8,228	5,471
Depreciation	776	274
Amortization (note 8)	1,003	276
Travel and entertainment	849	733
Facility costs	948	1,169
Others, net	1,870	990
	42,278	28,066

17. ZAKAT

The principal elements of the zakat base are as follows:

	2014 SR 000	2013 SR 000
Non-current assets	641,905	571,155
Non-current liabilities	123,105	94,521
Spare parts	38,136	32,505
Opening shareholders' equity	452,159	422,772
Net income before zakat	61,531	47,347
Dividends paid	17,500	15,000

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

TAKWEEN ADVANCED INDUSTRIES
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2014

The movement in zakat provision is as follows:

	2014 SR 000	2013 SR 000
January 1	3,891	3,646
Provision for year	5,436	2,960
Under provision for previous years	772	-
Payments during year	(2,187)	(2,715)
December 31	7,912	3,891

The charge for the year is as follows:

	2014 SR 000	2013 SR 000
Charge for current year	5,436	2,960
Under provision for previous years	772	-
Charge in the consolidated statement of income	6,208	2,960

Outstanding assessments

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

The Company and its subsidiaries' assessments have been agreed upto different years. The Company and its subsidiaries have filed objection against the assessments. Total additional zakat against which objection have been filed amounted to SR 6.3 million (2013: SR 6.3 million). The management is confident of favorable outcome, hence no additional provision has been made.

18. OPERATING LEASE ARRANGEMENTS

	2014 SR 000	2013 SR 000
Payments under operating leases recognized as an expense during year	3,921	2,995

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:

	2014 SR	2013 SR
Year 1	773	687
Year 2	773	687
Year 3	773	687
Year 4	773	687
Year 5	773	687
After 5 years	14,329	13,720
Net minimum lease payments	18,194	17,155

TAKWEEN ADVANCED INDUSTRIES
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2014

19. EARNINGS PER SHARE

Earnings per share are computed by dividing net income for the year by the weighted average number of shares outstanding during the year totalling 35 million shares of SR 10 each (2013: the number of shares have been adjusted to 35 million of SR 10 each to accommodate increase in share capital by issuing bonus shares (note 1)).

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

Earnings per share from other operations is computed by dividing the other income, unrealized and realized gains on investments held for trading for the year by the weighted average number of shares outstanding.

20. DIVIDENDS

In 2014, the Company distributed a cash dividend of SR 0.50 per share totalling SR 17.50 million for the year 2013 (2013: SR 0.50 for total shares of 30 million totalling SR 15 million for the year 2012).

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. Transactions between the business segments are reported as recorded by the Group's transfer pricing system. The Group's revenue, operating income, property, plant and equipment, total assets and total liabilities, by business segment, are as follows:

	Disposable polystyrene cups, lids and other plastic related products SR 000	Non-woven plastics SR 000	Polyethylene Terephthalate (PET) pre- forms SR 000	Total SR 000
2014				
Revenues	274,738	311,940	181,001	767,679
Operating income	14,791	23,679	18,388	56,858
As of December 31, 2014				
Property, plant and equipment	158,637	444,269	27,490	630,396
Total assets	395,405	731,893	141,566	1,268,864
Total liabilities	322,826	384,144	73,312	780,282
2013				
Revenues	280,897	266,647	183,478	731,022
Operating income	939	30,226	15,472	46,637
As of December 31, 2013				
Property, plant and equipment	100,296	429,882	29,836	560,014
Total assets	361,089	594,162	115,545	1,070,796
Total liabilities	233,944	340,424	44,269	618,637

Geographical segments:

All of Group's operating assets are located in the Kingdom of Saudi Arabia.

TAKWEEN ADVANCED INDUSTRIES
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2014

22. CONTINGENCIES AND COMMITMENTS

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

	2014	2013
	SR 000	SR 000
Letters of credit	317	4,256
Letters of guarantee	30,497	33,005
Capital commitments	10,034	26,697

23. FAIR VALUES

The fair values of the Group's financial assets and liabilities approximate their carrying amounts.

24. COMPARATIVE FIGURES

Certain figures for 2013 have been reclassified to conform to the presentation in current year.