

**TAKWEEN ADVANCED INDUSTRIES**  
**(SAUDI JOINT STOCK COMPANY)**  
**INTERIM (CONSOLIDATED) FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

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

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THREE MONTHS AND YEAR ENDED DECEMBER 31, 2015**

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**REVIEW REPORT ON THE INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS**

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

***Scope of Review:***

We have reviewed the accompanying interim consolidated balance sheet of Takween Advanced Industries ("the Company") and its subsidiaries (collectively referred to as the "Group") as at December 31, 2015, the related interim consolidated statement of income for three-months and year then ended, the interim consolidated statement of cash flows for the year then ended and the attached notes 1 through 6 which form an integral part of the interim consolidated financial statements. These interim consolidated financial statements are the responsibility of the Company's management and have been prepared by them and submitted to us together with all the information and explanations which we required. Our responsibility is to express a conclusion on the review of these interim consolidated financial statements based on our review.

We conducted our review in accordance with the Auditing Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A review consists principally of applying analytical procedures to financial data and information and making inquiries of Company's personnel responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

***Review Conclusion:***

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements for them to be in conformity with the accounting standards generally accepted in the Kingdom of Saudi Arabia.

**For KPMG Al Fozan & Partners**

  
**Khalil Ibrahim Al Sedais**  
License No: 371

Al Khobar, 21 January 2016G  
Corresponding to: 11 Rabie Al Thani 1437H



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

**INTERIM CONSOLIDATED BALANCE SHEET**  
**AS AT DECEMBER 31, 2015**

	Note	2015 SR 000	2014 SR 000
		Un-audited	Audited
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		107,305	31,037
Investments held for trading		-	56,291
Accounts receivable		379,031	217,560
Inventories		448,404	271,459
Prepaid expenses and other current assets		177,702	50,612
<b>Total current assets</b>		<b>1,112,442</b>	<b>626,959</b>
<b>Non-current assets</b>			
Fixed assets	3	1,194,833	630,396
Intangible assets		31,759	11,509
Goodwill	3	326,409	-
<b>Total non-current assets</b>		<b>1,553,001</b>	<b>641,905</b>
<b>TOTAL ASSETS</b>		<b>2,665,443</b>	<b>1,268,864</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Short term borrowings		811,686	508,494
Accounts payable and other current liabilities		343,413	137,908
Current portion of medium and long term loans		92,604	10,775
<b>Total current liabilities</b>		<b>1,247,703</b>	<b>657,177</b>
<b>Non-current liabilities</b>			
Medium and long term loans	3	922,187	113,205
End-of-service indemnities		40,925	9,900
<b>Total non-current liabilities</b>		<b>963,112</b>	<b>123,105</b>
<b>Total liabilities</b>		<b>2,210,815</b>	<b>780,282</b>
<b>Shareholders' equity</b>			
Share capital	1	350,000	350,000
Statutory reserve		29,419	29,419
Retained earnings		81,702	109,163
Currency translation differences		(6,493)	-
<b>Total shareholders' equity</b>		<b>454,628</b>	<b>488,582</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>2,665,443</b>	<b>1,268,864</b>

Managing Director

Chief Executive Officer

Chief Financial Officer

The accompanying notes 1 to 6 form an integral part of these interim consolidated financial statements

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

**INTERIM CONSOLIDATED STATEMENT OF INCOME**  
**FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2015**

	Period from October 1 to December 31		Period from January 1 to December 31	
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>SR 000</b>	SR 000	<b>SR 000</b>	SR 000
	<b>(Un-audited)</b>	(Un-audited)	<b>(Un-audited)</b>	(Audited)
Sales	<b>362,645</b>	192,061	<b>1,718,467</b>	767,679
Cost of sales	<b>(345,482)</b>	(159,401)	<b>(1,540,544)</b>	(646,389)
<b>Gross profit</b>	<b>17,163</b>	32,660	<b>177,923</b>	121,290
General and administrative expenses	<b>(21,296)</b>	(9,028)	<b>(87,752)</b>	(42,278)
Selling and distribution expenses	<b>(16,901)</b>	(3,420)	<b>(74,200)</b>	(19,472)
Research and development expenses	<b>(357)</b>	(1,110)	<b>(2,117)</b>	(2,682)
<b>Operating (loss) / income</b>	<b>(21,391)</b>	19,102	<b>13,854</b>	56,858
Finance charges	<b>(13,107)</b>	(4,577)	<b>(49,237)</b>	(15,221)
Other income / (expenses), net	<b>(1,704)</b>	(13,076)	<b>12,418</b>	19,894
<b>Net (loss) / income before zakat</b>	<b>(36,202)</b>	1,449	<b>(22,965)</b>	61,531
Zakat and income tax	<b>(1,532)</b>	(2,209)	<b>(4,496)</b>	(6,208)
<b>Net (loss) / income</b>	<b>(37,734)</b>	(760)	<b>(27,461)</b>	55,323
<b>Earnings per share</b>				
(Loss) / earnings per share from net income (SR)	<b>(1.08)</b>	(0.02)	<b>(0.78)</b>	1.58
(Loss) / earnings per share from operating income (SR)	<b>(0.61)</b>	0.55	<b>0.40</b>	1.62
(Loss) / earnings per share from other operations (SR)	<b>(0.05)</b>	(0.37)	<b>0.35</b>	0.57
Weighted average number of shares	<b>35,000,000</b>	35,000,000	<b>35,000,000</b>	35,000,000

The accompanying notes 1 to 6 form an integral part of these interim consolidated financial statements.

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

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	2015 SR 000	2014 SR 000
	(Un-audited)	(Audited)
<b>OPERATING ACTIVITIES</b>		
Net (loss) / income after zakat and income tax	(27,461)	55,323
<i>Adjustment to reconcile net income / (loss) to net cash provided by operating activities:</i>		
Depreciation	127,311	62,245
Amortization of intangible assets	7,486	1,003
Gain on disposal of fixed assets	(9)	(107)
Gain on investments held for trading	(14,165)	(19,557)
Finance charges	49,237	15,221
Zakat charge for the year	4,496	6,208
End-of-service indemnities charge	19,010	3,036
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable	115,284	(18,024)
Inventories	84,575	(83,380)
Prepaid expenses and other current assets	(60,426)	(10,361)
Accounts payable and other current liabilities	(21,784)	71,899
Finance charges paid	(49,237)	(12,680)
End-of-service indemnities paid	(8,653)	(622)
Proceeds from disposal / (purchase) of investments held for trading, net	70,456	(31,922)
Zakat and income tax paid	(4,497)	(2,187)
<b>Net cash generated from operating activities</b>	<b>291,623</b>	<b>36,095</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(92,742)	(114,906)
Proceeds from disposal of fixed assets	1,642	257
Additions to intangible assets	(38,450)	(1,761)
Acquisition of subsidiaries, net (note 2)	(864,501)	-
<b>Net cash used in investing activities</b>	<b>(994,051)</b>	<b>(116,410)</b>
<b>FINANCING ACTIVITIES</b>		
Change in short term borrowings	(109,820)	38,649
Change in medium and long term loans	888,516	24,640
Directors' remunerations	-	(1,400)
Dividends paid	-	(17,500)
<b>Net cash generated from financing activities</b>	<b>778,696</b>	<b>44,389</b>
<b>Net change in cash and cash equivalents</b>	<b>76,268</b>	<b>(35,926)</b>
Cash and cash equivalents at the beginning of the year	31,037	66,963
<b>Cash and cash equivalent at the end of the year</b>	<b>107,305</b>	<b>31,037</b>

The accompanying notes 1 to 6 form an integral part of these interim consolidated financial statements

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2015**

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**1. ORGANIZATION AND ACTIVITIES**

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

The Company acquired 100% ownership in Savola Packaging Systems Company Limited along with its two subsidiaries i.e. Al-Sharq Company for Plastic Industries Limited and New Marina for Plastic Industries Company (S.A.E.), effective January 1, 2015 and the newly acquired subsidiaries have been consolidated as part of these interim consolidated financial statements (note 2).

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

	<b>Effective ownership</b>	
	<b>2015</b>	<b>2014</b>
• Advanced Fabrics Factory Company ("SAAF")	<b>100%</b>	100%
• Ultra Pak Manufacturing Company ("Ultra Pak")	<b>100%</b>	100%
• Savola Packaging Systems Company Limited ("Savola Packaging")	<b>100%</b>	-
• Al-Sharq Company for Plastic Industries Limited ("Al-Sharq")	<b>100%</b>	-
• New Marina for Plastic Industries Company (S.A.E.) ("New Marina")	<b>100%</b>	-

All of the above subsidiaries operate in Kingdom of Saudi Arabia with the exception of New Marina, which is registered in Alexandria, Arab Republic of Egypt. The principal activities of the Group companies, each of which operates under individual commercial registration, are:

- 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.

In an Extraordinary General Assembly Meeting held on February 10, 2015 the shareholders of Savola Packaging passed a resolution for conversion of the company from a Saudi Closed Joint Stock Company to Limited Liability Company. The legal formalities for such conversion were completed on March 7, 2015.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION**

These interim consolidated financial statements have been prepared in accordance with the interim financial reporting standard issued by the Saudi Organization for Certified Public Accountants. The attached interim consolidated financial statements and notes should be read in conjunction with the annual audited consolidated financial statements and the related notes for the year ended December 31, 2014. 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

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2015**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION**  
**(continued)**

The following is a summary of significant accounting policies applied by the Group:

**Accounting convention**

These interim consolidated financial statements are prepared under the historical cost convention using the accrual basis of accounting, modified to include the measurement at fair value of held for trading investments. These interim consolidated financial statements are presented in Saudi Arabian Riyals (SR) which is the functional currency of the Company.

**Principles of consolidation and business combination**

These interim consolidated financial statements incorporate the financial statements of the Company and subsidiaries (mentioned in note 1 above) controlled by the Company up to December 31, 2015. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise to obtain benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights.

On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. The non-controlling interests, if any, is stated at the non-controlling interests' proportion of the fair value of the assets and liabilities recognized.

Income and expenses of subsidiaries acquired or disposed-off during the year are included in the consolidated condensed interim statement of income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total income of subsidiaries is attributed to the shareholders of the Company and to the non-controlling interests, if any, even if this results in the non-controlling interests having a deficit balance.

All significant inter-group transactions and balances between group enterprises have been eliminated in preparing the interim consolidated financial statements.

**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 in the acquire, if any. 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.



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FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2015**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION  
(continued)**

**Use of estimates**

The preparation of interim consolidated financial statements in conformity with generally accepted accounting principles 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 may differ from those estimates.

Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

**Revenue recognition**

Revenue is recognized when the risks and rewards incidental to the ownership have been transferred upon delivery of goods to customers and is stated net of trade or quantity discounts.

**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 Company will not be able to collect any of the amounts due according to the original terms of the invoice. Such provision is charged to the interim consolidated statement of income.

**Research and development expenses**

Research and development expenses are charged to the interim 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 of 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.

**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 condensed interim statement of income. Marketable equity securities available for sale are stated at fair value and unrealized gains and losses thereon are included in interim consolidated shareholders' equity while realized gain / losses are included in the interim consolidated statement of income.

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**(SAUDI JOINT STOCK COMPANY)**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION**  
**(continued)**

**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 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 applicable assets using the straight-line method. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining term of the lease.

The estimated rates of depreciation of the principal classes of assets are as follows:

	Rate %
Buildings, leasehold and other improvements	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 is determined based on total annual output in proportion to total production capacity. During the year, total production capacities of these machineries were revised and impact of those revisions of SAR 2.3 million has been incorporated in these interim consolidated financial statements as changes in estimates.

Gains and losses on disposal of an item of fixed assets are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment's item being disposed and is recognized net within "other income" in the interim 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.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION**  
**(continued)**

**Impairment (continued)**

*Financial assets*

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in consolidated income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

*Non- financial assets*

The carrying amounts of non-financial assets of the Group, except inventories 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 calculated as the difference between the carrying amounts and estimated recoverable amount, discounted using an appropriate rate.

A cash generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

Impairment losses are recognized in respect of cash generating units are allocated first to reduce the carrying amounts of the asset affected or the cash generating units a pro rata basis of its assets.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**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 of use of leased land.

Enterprise resource planning (ERP) system development costs represent costs incurred to implement new system and are amortized over 5-year period from the date it is fully implemented. The right of use of leased land is amortized over the lease period using the straight-line method.

**Dividends**

Dividends are recognized as liability at the time of their approval in the Annual General Assembly meeting. Interim dividends are recorded as and when approved by the board of directors.

**TAKWEEN ADVANCED INDUSTRIES**  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION**  
**(continued)**

**Foreign currency translation**

These interim consolidated financial statements are prepared in Saudi Riyals, which is the functional and reporting currency of the Group. Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the interim 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 interim consolidated statement of income.

The results and financial position of a foreign subsidiary having reporting currency other than Saudi Riyals are translated into Saudi Riyals as follows:

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

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

Dividends received from the foreign subsidiary are translated at the exchange rate in effect at the transaction date and related currency translation differences are realized in the interim consolidated statement of income.

**End-of-service indemnities**

End-of-service indemnities, calculated in accordance with provisions of local laws applicable to the relevant subsidiaries, are provided for in the interim consolidated statement of income based on the employees' length of service.

**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 Department of Zakat and Income Tax ("DZIT") on a consolidated basis by the Company. Zakat is provided 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 interim 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.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION**  
**(continued)**

**Zakat and income tax (continued)**

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**

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.

**Statutory reserve**

In accordance with Regulations for Companies in The Kingdom of Saudi Arabia and the by Laws of the Company, the Company has to establish an annual 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 net income for the year by the weighted average number of shares outstanding during the year.

Earnings per share from the operating income are computed by dividing the operating income for the year by the weighted average number of shares outstanding.

Earnings per share from other operations are computed by dividing the other income for the year by the weighted average number of shares outstanding.

Weighted average number of outstanding shares as of 31 December 2015 and 2014 were 35,000,000 shares.

**3. BUSINESS COMBINATION**

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 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 Company reached an agreement with Savola Group after completing a detailed due diligence and signed an agreement on December 30, 2014 to purchase the

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(SAUDI JOINT STOCK COMPANY)

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**3. BUSINESS COMBINATION (continued)**

entire shareholding of Savola Packaging along with its two subsidiaries for a total purchase price of SR 910 million. In 2015, Council of Competition Protection approved the proposed acquisition of SPS 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 326.41 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:

	<b>SR 000</b>
<b>ASSETS</b>	
Cash and cash equivalents	45,499
Accounts receivable	283,248
Inventories	261,519
Prepaid expenses and other current assets	66,664
Fixed assets	615,818
Intangible assets	8,686
<b>TOTAL ASSETS</b>	<b>1,281,434</b>
<b>LIABILITIES</b>	
Short term borrowings	413,012
Accounts payable and other current liabilities	227,289
Current portion of medium and long term loans	26,958
Medium and long term loans	9,917
End-of-service indemnities	20,667
<b>TOTAL LIABILITIES</b>	<b>697,843</b>
<b>NET ASSETS</b>	<b>583,591</b>
<b>Acquisition consideration paid</b>	<b>910,000</b>
<b>Goodwill recognized from business acquisition</b>	<b>326,409</b>

Following the purchase price allocation carried out by management during the period, an amount of SR 119.81 million has been allocated 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 measurements for all major assets and liabilities have been finalized and reflected in the interim consolidated balance sheet with respective impacts on the income statement, if any. Fair value measurements for certain minor assets and liabilities which could not be finalized due to operational matters and timing, are under process. Management is confident that fair value measurements for these assets and liabilities will be finalized by the end of January 2016 and any changes pursuant to finalization of fair value measurement are not expected to be significant or material and will be accounted for in the annual financial statements for the year ended 31 December 2015

The goodwill recognized on the acquisition is attributable mainly to the skills and technical talent of the acquired business's work force and the synergies expected to be achieved from integrating these companies into the Group's existing business.

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

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**3. BUSINESS COMBINATION (continued)**

Purchase price was financed in full through loans from commercial banks and was approved by the shareholders in their ordinary general assembly meeting. The Group entered into long term Murabaha facilities agreement ("the facilities agreement") with commercial banks and availed the full facility of SR 910 million. The facility is repayable in 12 un-equal semiannual installments commencing after one year from the date of signing of the facility agreement on 11 March 2015. The facility carries markup at commercial rates and is secured against the pledge of Savola Packaging's shares and revenue accounts of the Group, promissory note and a corporate guarantee by a related party. The loan arrangement and front-end fee paid to obtain the loan amounting to SR 38.22 million has been deferred over the loan period and presented net off the amount borrowed. Further, the Group has another long-term loan from a financial institution amounting to SR 123 million as at 31 December 2015.

The term loan agreements contain covenants requiring maintenance of certain financial ratios among other covenants. As at 31 December 2015, the Group is non-compliant with certain covenants. Consequently, in accordance with the terms of the loan agreements, the Group has 30 days from the date of notification to the bank to take necessary actions to remedy the covenant breach. Management has notified covenant breach to the commercial banks on 30 December 2015 and is actively pursuing remedial actions including negotiations with the banks and is confident that covenant breach will be remedied before expiry of 30 days period.

**4. 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 revenue, operating income, fixed assets, total assets and total liabilities, by business segment, are as follows:

	<b>Polystyrene cups, lids and other plastic related products SR 000</b>	<b>Non-woven fabrics SR 000</b>	<b>Total SR 000</b>
<b>2015</b>			
<b>For the year ended December 31, 2015</b>			
Revenues	1,392,604	325,863	1,718,467
Operating income / (loss)	59,289	(45,435)	13,854
Net income / (loss)	19,054	(46,515)	(27,461)
<b>As of December 31, 2015</b>			
Fixed assets	801,979	392,854	1,194,833
Total assets	1,989,893	675,550	2,665,443
Total liabilities	1,757,634	453,181	2,210,815

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**4. SEGMENTAL INFORMATION (continued)**

	<b>Polystyrene cups, lids and other plastic related products SR 000</b>	<b>Non-woven fabrics SR 000</b>	<b>Total SR 000</b>
<b>2014</b>			
<b>For the year ended December 31, 2014</b>			
Revenues	455,739	311,940	767,679
Net income	40,145	15,178	55,323
Operating income	33,179	23,679	56,858
<b>As of December 31, 2014</b>			
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

The Company is in the process of identifying reportable segments against the operations of newly acquired subsidiaries. As of December 31, 2015, the results of operations of these subsidiaries are included under "Polystyrene cups, lids and other plastic related products" as this segment is representative of the operations of these subsidiaries.

Management has merged the Polyethylene Terephthalate pre-form segment with Polystyrene cups, lids and other plastic related products segment due to similar economic characteristics, for segment reporting purposes.

**Geographical segments:**

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

	<b>Kingdom of Saudi Arabia SR 000</b>	<b>Arab Republic of Egypt SR 000</b>	<b>Total SR 000</b>
<b>2015</b>			
<b>For the year ended December 31, 2015</b>			
Revenues	1,616,873	101,594	1,718,467
Operating income	11,960	2,955	14,915
Net income / (loss)	(22,773)	(4,688)	(27,461)
<b>As of December 31, 2015</b>			
Fixed assets	1,137,825	57,008	1,194,833
Total assets	2,531,477	133,966	2,665,443
Total liabilities	2,158,983	51,832	2,210,815



**TAKWEEN ADVANCED INDUSTRIES**  
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**4. SEGMENTAL INFORMATION (continued)**

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

**5. CONTINGENCIES AND COMMITMENTS**

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

	<b>2015 SR 000 (Un-audited)</b>	<b>2014 SR 000 (Audited)</b>
Letters of credit	<b>100,017</b>	317
Letters of guarantee and others	<b>32,353</b>	30,497
Capital commitments against purchase of fixed assets	<b>31,530</b>	10,034

**6. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to comply with the current period / year presentation of the financial statements.