



*In the name of Allah  
the compassionate  
the most merciful*





**His Royal Highness  
Salman ibn 'Abd Al-'Aziz Al Sa'ud**

The Crown Prince, Deputy Minister  
and Minister of Defense

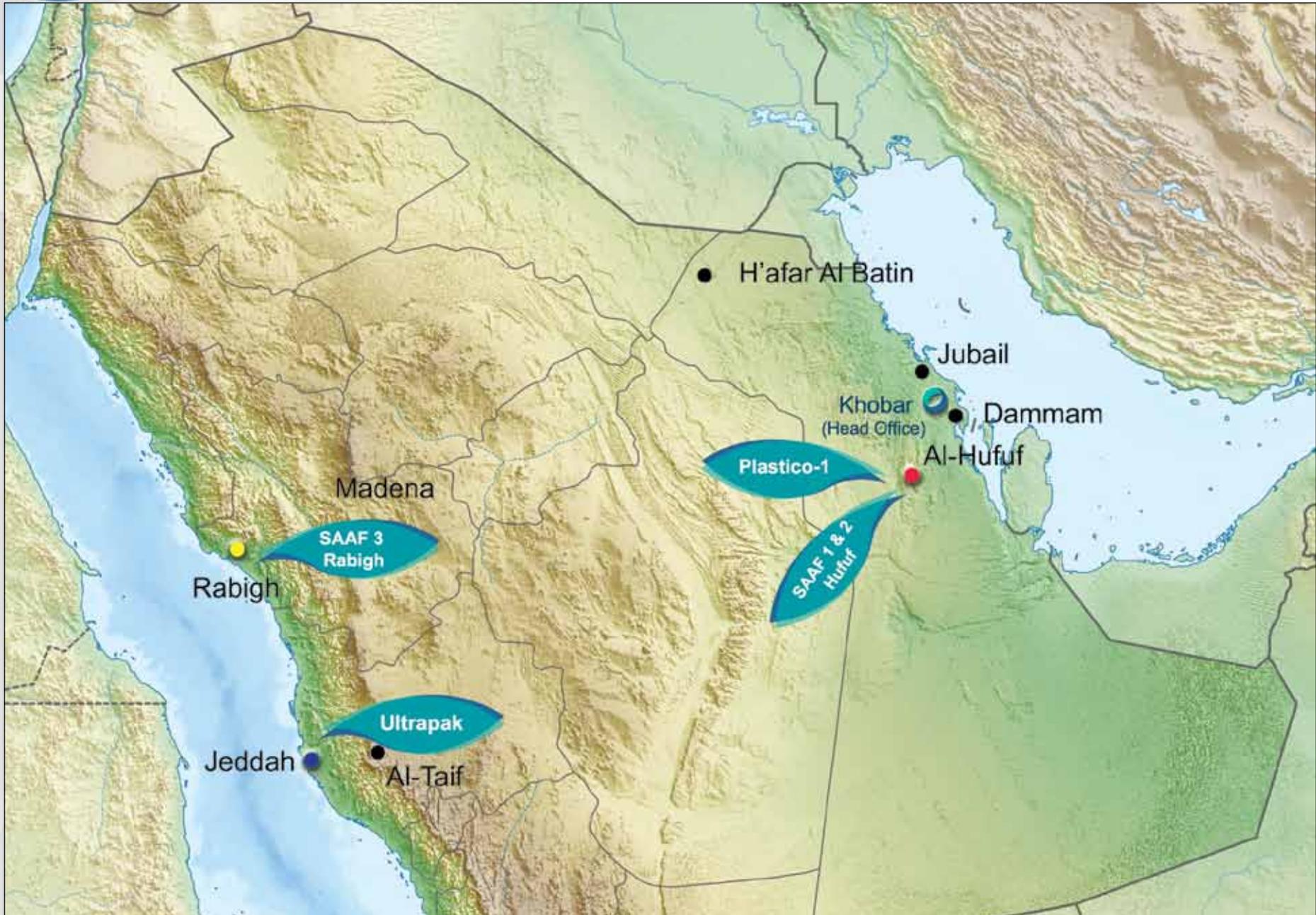


**His Majesty  
King 'Abd Allah ibn 'Abd Al-'Aziz Al Sa'ud**  
The Custodian of the Two Holy Mosques



**His Royal Highness  
Prince Miqren bin Abdulaziz**

Advisor and Special Envoy of  
The Custodian of the Two Holy Mosques





**His Royal Highness  
Prince Saud bin Nayef bin  
Abdulaziz**

Governor of the Eastern Province of the  
Kingdom of Saudi Arabia



**His Highness  
Prince Jalawi bin Abdulaziz bin  
Mosaad**

Deputy Governor of the Eastern Province of  
the Kingdom of Saudi Arabia

تاكween



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## Corporate Values

### 1. Integrity and Respect

Working with integrity and transparency and dealing with clients, partners, employees and management with utmost respect.

### 2. Quality and Excellence

Ensuring that production is in accordance with the highest quality standards and offering the best services to our customers in the Kingdom and overseas.

### 3. Teamwork

Hiring employees with high qualifications and securing a safe, sound, and collaborative working environment.

### 4. Efficiency and Effectiveness

Utilizing our resources in the most efficient and effective way, to avoid waste and achieve the best results possible.

### 5. Social Responsibility

Applying all the rules and regulations in accordance with social responsibility standards and supporting community causes and activities.

### 6. Environmental Responsibility:

Adhering to environmental standards in all our operations and activities.

## Corporate Vision

Takween Advanced Industries aims to become a major international producer of downstream polymer packaging products for the Fast Moving Consumer Goods (FMCG) and the consumer products' industries

## Corporate Mission

Takween specializes in acquiring, developing, and utilizing the latest polymer technology to produce high-quality packaging products as well as nonwoven fabrics used in fast moving consumer goods and consumer products in the Middle East and worldwide- and is focused on becoming the chosen partner for the most renowned international brands



**Mr. Abdulmohsen M. Al-Othman**  
Managing Director



**Mr. Abdullah M. Al-Othman**  
Chairman



**Mr. Khalid A. Al-Rajhi**  
Member



**Mr. George Abraham**  
Member



**Dr. Solaiman A. Al-Tawijri**  
Member



**Mr. Abdulaziz S. Al-Rebdi**  
Member



**Mr. Mousa A. Al-Mousa**  
Member



## Chairman's Message 2013

With extreme pleasure, I would like to introduce to shareholders this 2013 Annual Report of Takween. It highlight achievements and success in plastic, polymers and nonwooven Industries which is value added to industrial sector in the Kingdom.

The Board of Directors do their best towards future prospects and have high ambition towards the growth of the company's investment and equity.

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

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

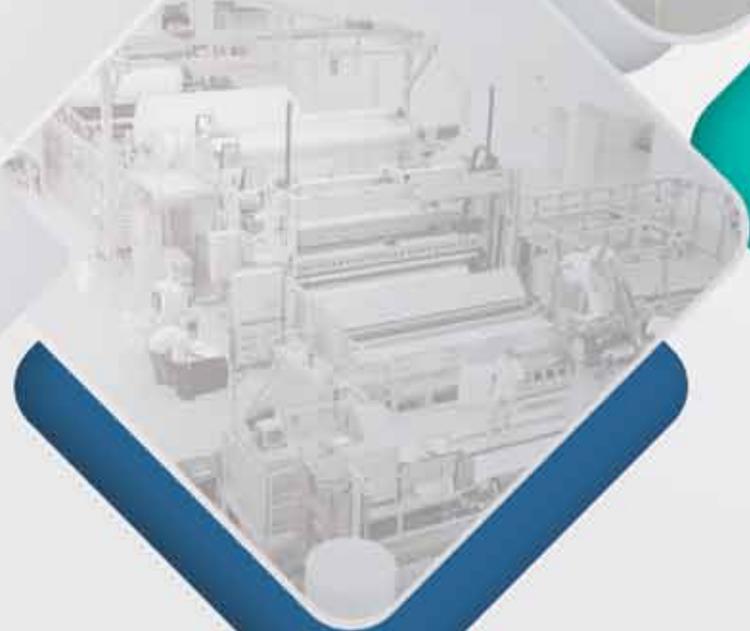


**Mr. Abdullah M. Al-Othman**  
Chairman

**Mr. Abdullah M. Al-Othman**

تكوين  
Takween

**Board of Directors Report  
to Shareholders for the  
fiscal year ended on 31/12/2013G**



## Board of Directors Report to Shareholders

We are pleased to present to you the third annual report that shows the company's business and statement of financial position for the financial year ended on 12/31/2013 G and all factors affecting the company's business, as stipulated in the disclosure requirements contained in Article 43 of the Listing Rules, Article 9 of the Corporate Governance Regulations and Article (123) of the Corporate Regulation.

### Introduction

Takween Advanced Industries ("Takween"), and its subsidiaries manufacture and sell plastic packaging products and non-woven fabrics for a variety of local and international clients. The company sells its manufactured plastic packaging products to a variety of industrial sectors such as dairy industries, foods, juices and soft drinks, while the company sells its manufactured products of non-woven fabrics to the medical and health sector. The company's customers are pioneers in their respective sectors.

The company operates through its three subsidiaries:

Takween for Plastic Packaging Products – Advanced Fabrics Company (SAAF) - Ultrapak Manufacturing Company Limited.

The year 2013 witnessed many challenges in terms of increasing price of SABIC products (raw materials) which are

affected by global prices while the company adheres to its client contracts. Product Prices that the company couldn't change during the year 2013 in order to maintain the company's values and commitment to its obligations, as well as the challenges of the global competition to the company's products impacted its ability to raise the prices reasonably.

However, such challenges did not dissuade the company from proceeding with achieving its production and marketing plans in its three plants while continuing to maintain a strong and growing market share in the markets wherein it competes.

Further, the company maintained its position at the forefront of the plastic packaging products and non-woven plastic fabrics market. The company, By God's help, has completed the construction of the third line project of producing the non-woven fabrics during the year 2013 (SAAF- Rabigh) which began its trial run (commissioning) in Dec 2013, while the commercial operation will start during the first quarter of 2014G.

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

(1) A description of the types of principal activities of the company and its subsidiaries and a statement of each activity and its impact on the volume of the company's business as well as its contribution to the outcomes. The company's activities are divided into three main segments as follows.

**Firstly: plastic packaging: Takween's Plastic Packaging Factory in Al Ahsa**

**Products:**

- Plastic packaging products of polystyrene sheet rolls used in the forming, immediate packing and packaging and in the thermoformed of cups that are used once mainly in the dairy, foods and beverage industry.
- Thermoformed polystyrene cups and lids used for packaging yogurt, juices, dairy, food, beverages and water.
- High Density Polyethylene (HDPE) bottles used in packaging yogurt, milk, juices and other beverages.
- PET bottles for packaging juices and dairy products.
- Caps and lids used in dairy and beverage bottles.

**Performance Highlights:**

- Takween's Plastic Packaging products is considered one of the unique companies that provide integrated solutions for its clients demonstrated in the variety of products and methods of manufacturing. It is a pioneering company that produces high quality, light-

weighted polystyrene sheets with added foam in the Kingdom of Saudi Arabia and the Middle East.

- Takween's Plastic Packaging products obtained the ISO 9001 Certification which is renewable yearly as well as ISO 22000 Certification and BRC Food Certification.
- The growth percentage in the production of plastic packaging during 2013 has increased by 13% over the previous year.
- The company products are sold to customers in the Kingdom of Saudi Arabia, the Middle East, and a number of countries throughout

the world such as Japan, South Africa and Turkey. The sales have increased during 2013 by approximately 16% from the previous year.

- The Resource Planning Software (SAP) was operated successfully in Takween's Plastic Packaging products during 2013.

**Second: Nonwoven Fabrics: Al Ahsa and Rabigh Advanced Fabrics Plant Company (SAAF):**

**Products:**

- Composite fabrics for use in health, industrial and medical sectors.
- Alcohol resistant and anti-static electricity



fabrics which are used for surgical drapes, medical and protective gowns.

- Fabrics made for health usages, such as children and adult diapers and women's sanitary diapers.

**Performance Highlights:**

- The Advanced Fabrics Plant Company (SAAF), one of Takween's Advanced Industries companies, is considered one of the best producers of non-woven fabrics through the use of the state-of-the art technology and its innovation of high-quality products which makes the company occupy a niche in the field of competition since SAAF factory is classified as one of the top best five factories in the world.
- On 17/12/2013, the company announced the beginning of 3-month commissioning stage of the third production line at SAAF plant in Rabigh. Then, the commercial operation will start. This expansion will contribute to increasing the non-woven fabrics production capacity of the company by 50%. The current production capacity of the plant shall increase from 28,000 metric tons to 42,000 metric tons of fabrics per year.
- SAAF Plant obtained the ideal, distinguished performance factory award granted by the European Industrial Commission as well as the ISO 9001 Certification.
- The production of the non-woven fabrics during the year 2013 has increased by 3.6% over the previous year.

- The company managed to acquire a high shares in the global markets of Japan, United States of America and Europe in addition to the Middle Eastern and local markets. The sales have increased during 2013 by approximately 10% over the previous year.
- The Resource Planning Software (SAP) was operated successfully at SAAF factory in Al Ahsa during 2013.

**Thirdly: Polyethylene Terephthalate Products - Polymers (PET Preform) - Ultrapak Manufacturing Company Limited – Jeddah**

**Products:**

- PET Preform products in the range of 180ml to 2.25 liters for juice, beverage and water plant usages.

**Performance Highlights:**

- Ultrapak PET Preform plant is the only one in the region that produces high temperature, Light-Wight PET Preform used in manufacturing juices, sport drinks and high-acidity drinks.
- Ultrapak plant obtained the ISO 9001 Certification.
- Total production capacity of PET Preform during 2013 was (31,393 tons); an increase of about 1.2 % compared to last year.
- The plant focuses on sales to beverage fillers including mineral water, carbonated soft drinks, dairy and juice players in Saudi Arabia and the MENA region. Since its establishment, the plant has expanded rapidly and production has increased to over 1.5 billion units (PET Preform) per year.

**Fourthly: Summary of the impact of every activity in terms of volume and contribution to the company's results during the year 2013.**

Description	Impact on the Volume of work	Impact on the results
	Percentage	Percentage
Packing and packaging products	38.4%	22.1%
Health, Industrial and Medical products	36.5%	52.2%
Water and soft drinks	25.1%	25.7%
Total	100%	100%

## (2) Description of the company's significant plans, resolutions, objectives, prospects and risks

### First: Future Plans

- Takween strives to benefit significantly from its leading position in various market segments, both locally and internationally, to implement further expansions through manufacturing more value-added products, which will improve the product mix, thus boosting the growth of profit margins and thereby enhancing the company's profits.
- The Company's consistent focus on research and development activities is the cornerstone of all innovations that have strengthened its market leadership, and achieve further innovations in the future to strengthen this leadership and profitability.

### Secondly: Prospects

- Takween's policies in dealing with its employees, customers, and suppliers are the main drivers of success. Such dealing is pivoted around the principles of transparency, honesty, mutual interest, teamwork and other basic pillars upon which the company's goals and strategic plans are built.
- Takween adopts a prudent strategy that is based on carefully drawn expansion plans in all sectors; hence, it has developed expansion plans for all of its plants to boost the production capacity and meet the market requirements, add new machineries, new products and develop products in a way that helps in optimizing the cost of the products and enhancing quality and sales.

- Consider an automobile and spare parts manufacturing project:

Within the context of Takween's vision and strategy in industrial development and diversification, and in line with the guidance of our wise Government to support industries, a Memorandum of Understanding was signed on 23 Jan 2014 with Magna Steyr International with regard to the potential of cooperation in manufacturing automotive spare parts and components and/or assembly of full vehicles in the Kingdom of Saudi Arabia. Magna Steyr is a leading international company in engineering design and manufacturing of automobile

components and assembly of passenger cars and pick-ups. The tenor of the memorandum is twelve months from the date of signature. It is expected to commence the development of the following studies:

- Develop a marketing study on the automobile market in Saudi Arabia and the expected volume of consumption.
- Develop technical studies in light of the needs of the project from local and external raw materials.
- Develop the Financial Studies and estimate the size of investment in the project and the methods of financing.



### Thirdly: Risks

The Company's business, its financial condition, results of operations and cash flows may be adversely affected upon occurrence of any of the risks that the board believes at the present time that they are not significant, or upon occurrence of any other risks that the board has not identified, or other risks that the board considered immaterial, or, if the latter become material.

The company's Board of Directors established a Risk Management and Compliance Section to manage investors' relations and legal affairs during 2013. A risk Management and Compliance Policy was established and their method of operation plans was developed within the framework of developing the company's business and avoiding any type of risks.

The company may face the following types of risks, according to its operations and the nature of business:

#### (A) Strategic Risks:

##### (1) Regional Situations

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

##### (2) Current Economic Conditions

Takween's operations and performance depend on worldwide economic conditions, which is reflected in the global financial turmoil that prevails from time to time. Such conditions make it difficult

for existing and potential customers to accurately forecast and plan future business activities and could cause them to slow or reduce spending on Takween's products and affect consequently its profitability. The Company cannot predict the timing, strength or duration of any economic slowdown or subsequent economic recovery.

##### (3) Competitive Environment

The markets in which Takween operates are highly competitive. In the past, the Company has encountered pricing pressures in its markets and could experience declines in prices of its products as a result of competition. Such declines may result in losing business opportunities and squeeze the profit margins. Nevertheless, the company's policy focuses on the quality and distinction of its products and services more than competing in prices. Further, the Company has been able over time to partially offset pricing pressures by improving its cost structure and making the manufacturing process more efficient by providing new and innovative technology.

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

##### (1) Reliance on Key Suppliers

The Company mostly relies on SABIC as its raw material supplier (e.g. Polypropylene, Polystyrene, polyethylene and PET). Other than the Polypropylene that is produced by other local companies, SABIC is the only supplier of other raw materials used by the company. SABIC is main raw material supplier for Takween and its 2 subsidiaries

(Ultrapak and SAFF), as the company seeks always to acquire its raw materials from the least net cost supplier. In the event that Takween decides to import raw materials from international markets in order to avoid import duties, Takween requires a written confirmation from SABIC stating that it is unable to provide the raw materials. This dependence on SABIC's products could have a negative impact on Takween's ability to manufacture its products and should SABIC cease to provide the required raw material, this may affect the company's profitability.

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

As a manufacturer, Takween's sales and profitability are dependent upon the availability and cost of raw materials, which are subject to price fluctuations. Inflationary and other increases in the costs of raw materials have occurred in the past and are expected to recur, and the Company's performance depends in part on its ability to reflect changes in costs in selling prices for products. In the past, the Company has been generally successful in managing increased raw material costs and increasing selling prices when necessary.

##### (3) Limited Expansion Capacity

The Company's ability to expand is contingent on it having the available manufacturing floor space to add incremental manufacturing lines. More specifically, the Company's Jeddah PET plant has limited floor space available which may present a risk to its expansion

plans. If Takween continues to grow its Jeddah production facilities beyond the currently available capacity, it may have to vacate its premises which may result in significant investments into new facilities and the relocation of the equipment. A potential relocation may also disrupt operations and may adversely affect the Company's production performance. However, none of the company's three plants as well as its subsidiaries, Ultrapak and SAAF, have never experienced any significant stoppage of operations other than the scheduled maintenance shutdowns.

(4) Risks of Unexpected Disruption of Operation:

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

(5) Rapid Technological Changes

The Company uses sophisticated and expensive technologies and systems to manufacture its products. The industry

is characterized by frequent product improvements and evolving technologies. The company has in place research and development policies and ongoing product development programs that aim at improving the product quality, which could, at times, lead to earlier than planned redundancy of the Company's technologies and systems, which may impair the Company's ability to manufacture required products to its customers as anticipated.

(C) Risks Relating to the Market

(1) Risks of International Sales

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

(2) Risk of Currency Exchange and Interest Rates:

The company deals in all of its international

imports and exports in U.S. dollar -linked Saudi Riyals, and any fluctuation in the value of the Saudi riyal and the U.S. dollar may have a negative impact on the company's profits. Any negative shift in exchange rates in the markets that are not dominated by the U.S. dollar could have a negative impact on the profitability of the company due to the linkage between the Saudi riyal to the U.S. dollar. Moreover, the fluctuations in interest rates between the Saudi banks (SIBOR) could increase the borrowing costs and have a negative impact on the results of operations. Therefore, the increases in short-term interest rates will directly affect the amount of interest paid by the company.

(D) Financial Risks:

(1) Risks related to Insurance Obligations:

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

(2) Risks Related to Liquidity and Distribution of Dividends

Payment of dividends in the future will

be dependent on, amongst other things, the company's ability to make profits, its financial position, capital requirements, legal reserves requirements, available credit of the Company, general economic conditions, and other factors relating to board of directors sole discretion to declare dividends as it deems appropriate. Although it is Takween's intention to pay annual dividends to its shareholders, the Company does not make any assurance that any dividend will actually be paid, nor any assurance as to the amount which will be paid in any given year. The distribution of dividends is subject to certain limitations contained in the Company's bylaws.

(E) Risk of compliance

(1) Legislations, Laws, and Regulatory Environment

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

According to the information available to the company, there have been no signs

until the date of this report of any change in the legislation and laws, which could have a material impact on the company's activities and prospective projects.

(2) Commitment to Saudization

All industrial firms, including the company, are required by the Ministry of Labour to comply with a Saudization percentage, which amounts to minimum 15% of its total workforce. As at 31 December 2013, the percentage of Saudi employees in Takween and its subsidiaries was 25%. The company has developed also training programs and recruitment plans to ensure the availability of appropriate skills and abilities required in the workforce. The company is keen to comply with Saudization percentage; hence, training and development of Saudi

staff's skills and competencies constitute a top priority for the company.

(3) Environment and Public Safety

Forcing factories in the future to apply more stringent criteria to provide preventative safety requirements may increase the company's costs, which could adversely affect the results of their operations and their financial position. The company's business, financial results and financial position may be adversely affected in the event of physical loss or damage that may result from dealing with hazardous and toxic materials, or in the event of accidents occurring during production operations that are not covered by insurance policies or resulted from accidents not covered by insurance policies.



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

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

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

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

Description	2013	2012	2011	2010	2009
Current Assets	499.64	442,72	410,68	361,44	372,59
Fixed Assets	560.01	411,85	391,87	361,03	336,93
Intangible Assets	12.85	10,14	4,67	6,79	9,68
Total Assets	1,072.5	864,71	807,22	729,26	719,20
Current Liabilities	524.12	371,23	351,10	267,62	299,48
Total Liabilities	620.35	441,94	417,87	386,06	438,41
Shareholders' Equity	452.15	422,77	389,35	343,20	280,79
Liabilities and Shareholders' Equity	1072.5	864.71	807.22	729.26	719.20

#### Statement of Income (SR million)

Description	2013	2012	2011	2010	2009
Sales	731,02	669,66	694,13	608,75	494,55
Cost of Sales	(635,71)	(546,99)	(565,19)	(481,13)	(384,44)
Total Profit	95,31	122,66	128,93	127,61	110,119
R&D Expenses	(0,570)	(0,486)	(0,404)	(1,74)	(0,790)
S&D Expenses	(19,46)	(15,20)	(14,03)	(15,7)	(13,43)
Administrative Expenses	(28,64)	(22,22)	(24,86)	(22,63)	(22,99)
Financial Expenses	(11,81)	(8,68)	(11,17)	(11,88)	(12,27)
Other Income	12,53	1,27	1,21	1,99	0,458
Zakat	(2,96)	(2,02)	(3,52)	(7,22)	(2,15)
Net Profits	44,4	75,32	76,15	70,41	58,95

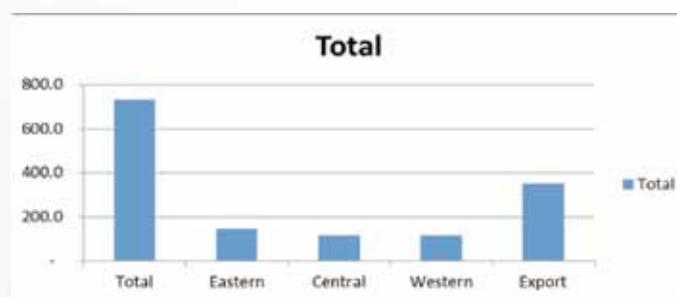


#### (4) Geographical Analysis of Total Revenues for the Company and its subsidiaries

##### 4-A 2013 Total Sales (SR million)

Products	Total Sales	Geographical Distribution			
		Eastern region	Central Region	Western Region	Exports
Plastic Packing and Packaging Products, health, Medical and PET Preform Products	731.0	143.6	117.5	117.8	352.0
Total	731.0	143.6	117.5	117.8	352.0

##### 4-B Company's Sales Analysis Chart



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

##### Operating Results (SR million)

Item	2013	2012	Change (±)	Change %
Sales	731.02	669,66	+61.37	+9.2%
Cost of Sales	(635.71)	(546,99)	+88.72	+ 16.2%
Total Profits	95.31	122,66	-(27.35)	-(22.3%)
R&D Expenses	(0.570)	(0,486)	+0.084	+ 17.3%
S&D Expenses	(19.46)	(15,19)	+4.27	+ 28.1%
Administrative Expenses	(28.64)	(22,21)	+6.43	+28.9%
Net Profits	44.4	75,32	-(30.92)	-(41.1)%

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

- 1) The increase in sales by 9.2 % is attributed to the implementation of the company's plans in growing its activity in the local and global markets despite the fact that sales activity in the Middle East was adversely impacted due to the events the region witnessed.
- 2) The increase in sales cost by 16.2 % is attributed to the increased and continued rise in prices of raw materials. Notably, the Company was unable to increase the selling prices due to its obligated contracts with customers. This affected the valuation of inventory at the end of the year due to following the lower of the market price criterion or cost, as well as making provisions for the slow moving inventory. The decrease in the inventory that affected the year's statements amounted to approximately SR 18 million.
- 3) The decrease in gross profit by 22.3% is attributed to the same reasons mentioned in item (2) above.
- 4) The Increase in research and development expenses by 17.3% is attributed to the company's focus on significance developmental researches and innovation especially in the field of production.
- 5) The Increase in selling and distribution expenses by 28.1% is attributed to rise in the cost of shipping and insurance due to the prevailing situations the Middle Eastern countries to which the company exports its products. The company has set aside a provision for doubtful debts amounting to approximately SR 1.3 million.

- 6) The increase in administrative expenses by 28.9% is attributed to the company's filling of senior management positions that contribute to the operational, marketing and administrative growth as part of advancing the principles of good governance.
- 7) The decrease in net profit by 41.1% is attributed to increase in the cost of sales and expenses due to the reasons mentioned above.

### (6) Clarification of deviations from SOCPA standards

There has been no deviation in the procedures of preparing the financial statements of the company from the accounting standards issued by the Saudi Organization for Certified Public Accountants (SOCPA). The company is committed to preparing its financial statements for the year ended 31/12/2013 according to such standards.

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

Takween has 2 subsidiaries as follows:

Subsidiary Name	Subsidiary Capital (SR'000)	Ownership %		Principal business	Main Location	Country of Incorporation
		2012	2013			
PET Plant (Ultrapak Manufacturing Company Limited)	25	99%	99%	Production of polypropylene non-woven fabrics	KSA Jeddah	KSA Jeddah
Advanced Fabric Factory Company (SAAF)- Rabigh Branch	131.8	99%	%99	Production of PET preform	KSA Al Ahsa	KSA Al Ahsa with branch in Rabigh

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

Subsidiaries have not issued during the financial year 2013 any issues, shares or debt instruments within or outside the Kingdom.

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

Articles 42 and 43 of the Company's Bylaws stipulate that the company's net profits shall be distributed net of any general expenses and other costs in the following manner:

1. Set aside 10% of the net profits to form a statutory reserve, and the Ordinary General Assembly may stop such provisioning should the said reserve reaches half of the share capital.
2. From the remaining amount, first payment will be distributed to shareholders equivalent to 5% of the paid-up capital.
3. 10% of the remaining net profit will be distributed as bonuses to Board of Directors in compliance with the rules and regulations of the competent. The remaining portion will

be distributed to shareholders as an additional share of profits.

- Dividends, decided to be distributed, shall be paid to shareholders in the place and time specified by the Board of Directors in accordance with the instructions of the Ministry of Commerce and Industry in this regard.



- On 09/04/2013, Takween announced approval of the Second Ordinary General Meeting to distribute SR 15 million in cash profits for fiscal year 2012, at SR 0.5 per share, representing 5% of the nominal value of the share. The dividends were disbursed by the Saudi Fransi Banque as of Monday 19/06/1434H (corresponding to 29/04/2013G). Eligibility of the dividends was for shareholders recorded in the company's shareholders' register with Tadawul at the end of the trading session of the day on which the ordinary General Meeting was held on 27/05/1434 (corresponding to 08/04/2013G).
- On 04/09/2013, the Company announced the approval of the second General Assembly Ordinary Meeting held on 08/04/2013 on Board's recommendation to raise the company's capital by 50 SR million by from SR 300 million to SR 350 million representing 5,000,000 shares. The number of the company shares prior to the increase was 30,000,000 shares. Following the increase, the number of shares rose to 35,000,000 shares; an increase of 17%, by granting one bonus share for every six outstanding shares owned by shareholders enrolled in the shareholders register at the end of the trading day on which the extraordinary General meeting was held. The amount of increase in Share Capital is paid from "retained earnings" as at 31/12/2012 by granting the number of shares for each eligible shareholder. Fraction shares were assembled in one

portfolio for all shareholders and sold at the market price. Then, their value were distributed to shareholders on the eligibility on pro rata basis of the average selling price for each share during a period not to exceed 30 days from the date of distribution of the right numbers to the eligible shareholders . The shareholders were then informed of that, and actions were taken for depositing the shareholders rights in their account.

(10) Description of interests in the class of shares that is eligible to vote during the year 2013 belongs to persons (other than members of the Company's Board of Directors and senior executives and their relatives) who have informed the company of such rights under Article (45) of the Listing Rules and any change to those rights during the recent financial year.

None during the year.



(11) Description of any interest and Contractual securities and subscription rights belonging to members of the board of directors and senior executives and their relatives in the shares or debt instruments of the company or any of its subsidiaries and any change to such interests or rights during the current fiscal year.

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

Board Members and Senior Executives						
Name	No. of shares held at the beginning of the year	Percentage of holding at the beginning of the year	Net change during the year	Percentage of change during the year	Number of shares held at year end	percentage of shares held at the year end
1. Abdullah Mohammed Al-Othman	420,617	1.402%	70,102	16.7%	490,719	1.402%
2. Abdulmohsen Mohammed Al-Othman	419,617	1.399%	(409,617)	(97.6%)	10,000	0,029%
3. Khalid Abdulrahman Saleh Al-Rajhi	716,944	2.390%	119,490	16.7%	836,434	2.390%
4. George Abraham	1,000	0,0033%	166	16.7%	1,166	0.0033%
5. Abdulaziz S. Al Rebdi	1,000	0,0033%	166	16.7%	1,166	0.0033%
6. Moussa Al Moussa	1,000	0,0033%	166	16.7%	1,166	0.0033%
7. Dr. Sulaiman Abdulaziz Saleh Al Tuwaijri	1,000	0,0033%	166	16.7%	1,166	0.0033%

- Bonus shares were added for all board members during 2013G. The percentage of change to such shares was 16.7%. Except as stated above, there was no interest and contractual securities and subscription rights that belong to Board members and senior executives and their relatives in shares or debt instruments of the company or any of its subsidiaries.



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

A) Outstanding Loans as at 31/12/2013 (SR'000)

Loan Provider	Loan Date	Loan Period	Principal Amount		First Installment Date	Last Installment Date	Loan Balance as at January 2013	Paid in 2013	Loan Balance as at December 2013
			Short Term	Long Term					
Local Commercial Banks Short- term loans and Bridge loans	Dec-13	A year or less	1015.3	-	-	-	192.3	545.5	469.8
Local Commercial Banks Medium- term loans	Apr-13	More than a year		80	Jun-13	Dec-14	45	10	70
SIDF	Jan-10	6 years	-	29.2	Jan-10	May-16	20.4	6	14.4
SIDF	Dec-12	7 years		23.95	Dec-13	Oct-19	18.1	3	15.1

On 16 January 2013, SIDF approved to grant SAAF, a Takween's subsidiary, a loan in the amount of SR 125.7 million. The loan is payable on semi-annual installments over a seven-year period starting from 1436H secured by mortgage of the project's fixed assets in addition to a corporate guarantee by Takween that covers the entire SIDF loan while keeping the mortgage over fixed assets for each of SAAF and Ultrapak (Takween's subsidiary) until the full payment of the SIDF loan. The Company did not receive any payment under this loan until the end of 2013 despite the completion and operation of the entire project. The first payment was received in January 2014. That was the reason for resorting to bridge loans from the commercial banks. The financing of commercial banks is dependent upon the solvency of the company, the volume of its transactions and the continuous cash flows.



(13) A description of the categories and numbers of any convertible debt instruments and any contractual securities right or notes of right to subscribe or similar rights issued or granted by the company during the financial year ended 31/12/2013.

The company has neither issued nor granted any convertible debt instruments during the year 2013 or any contractual securities or memoranda of rights to subscribe or similar rights.

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

The company has not granted or issued during 2013G any convertible debt instruments, contractual securities or notes of right to subscribe or similar rights.

(15) A description of any redemption, purchase or revocation transactions made by the company for any redeemable debt instruments, and the value of remaining securities with distinction between the listed securities purchased by the

company and those purchased by its subsidiaries.

There are no redemption, purchase or revocation transactions made by the Company or its subsidiaries for any redeemable debt instruments during 2013G.





**(16) Number of Board meetings and attendance record of every meeting outlining the names of attendees during the year 2013**

On 08/04/2013, the Second Ordinary General Meeting approved the selection of the same members of the Board of Directors for the second tenure which began on 22/11/2013 for a period of three calendar years. The Chairman and Managing Director were selected along with the same formation of the first tenure. The Board held 4 meetings during 2013G. Following is the a list of the attendees:

Attended       Did not attend

Members of the Board	First Meeting 17/02/2013	Second Meeting 08/04/2013	Third Meeting 28/10/2013	Fourth Meeting 24/11/2013
1. Abdullah Mohammed Al-Othman	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
2. Abdulmohsen Mohammed Al-Othman	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
3. Khalid Abdulrahman Al-Rajhi	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
4. George A. Abraham	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
5. Abdulaziz Saleh Al Rebdi	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
6. Moussa Abdulmuhsen Al Moussa	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
7. Dr. Sulaiman Abdulaziz Al Tuwaijri	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>



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

Following is a description of transactions with related parties in which the company is a party as renewed by approval of the Second Ordinary General meeting held on 08/04/2013:

Description of Works and Contracts	Contract Value (SR million)	Paid during 2013	Balance as at 31/12/2013 (SR million)
A contract to provide IT management services with Strategic Solution Business Systems (SSBS) Company, which is a related party and an affiliate of Al-Othman Holding Company, in which the Chairman Abdullah Mohammad Al Othman and board member Abdul Mohsen Mohammed Al-Othman own a percentage.	3,700,000	3,629,530	70,470
A contract to purchase plastic packs and covers with Al-Othman Agricultural Production Industries Company (NADA), which is a related party and an affiliate of Al-Othman Holding Company, in which the Chairman Abdullah Mohammad Al Othman and board member Abdul Mohsen Mohammed Al-Othman own a percentage.	66,336,773	38,748,149	27,588,624
A contract to provide employees accommodation and general support and maintenance services with Al-Othman Agricultural Production Industries Company (NADA), which is a related party and an affiliate of Al-Othman Holding Company, in which the Chairman Abdullah Mohammad Al Othman and board member Abdul Mohsen Mohammed Al-Othman own a percentage.	5,245,625	5,245,625	0
A contract for renting the land of some plant with Mohammed Al-Othman Establishment, and extending the license for one more year. Mr. Mohammed Abdullah Zaid Al-Othman is a related party and a shareholder of Al Othman Holding Company.	86,652	86,652	0
A contract to obtain travel tickets for Takween's companies and employees with Al-Othman Travel and Tourism company, which is a related party and an affiliate of Al-Othman Holding Company, in which the Chairman Abdullah Mohammad Al Othman and board member Abdul Mohsen Mohammed Al-Othman own a percentage.	1,807,230	1,747,602	59,628

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

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

Under the provision of articles (69 and 70) of the Companies Regulations, and in line with the disclosure of conflicts interest policy adopted by the company in the field of organizing the relationship between the company and its Directors and Senior Executives as outlined in Article 7 of Takween's conflict of interest policy and regulation, the Directors (related parties) have informed the Board of their personal interest in transactions made for the company. This was documented in the sixth item of the minutes of meeting of the Board of Directors held on 24/11/2013, which are the same as those transactions approved by the General Assembly in its second ordinary meeting held on 08/04/2013 and documented in the meeting minutes of the General Meeting.

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

Business/Contracts	Name of Company	Type of Relationship	Name of Stakeholder	Position
Information services agreement	strategic Business Solutions Company	A subsidiary to Al-Othman Holding Company	Abdullah Mohammed Al-Othman Abdulmohsen Mohammed Al-Othman	Chairman Managing Director
Supply agreement of plastic packaging products	Al-Othman Company for Agricultural Production	A subsidiary to Al-Othman Holding Company	Abdullah Mohammed Al-Othman Abdulmohsen Mohammed Al-Othman	Chairman Managing Director
Lease Agreement of employees residence	Nada Residential Compound	A subsidiary to Al-Othman Holding Company	Abdullah Mohammed Al-Othman Abdulmohsen Mohammed Al-Othman	Chairman Managing Director
Travel Tickets Issuance Transactions	Mohammad Al-Othman Travel and Tourism Agency Company	A subsidiary to Al-Othman Holding Company	Abdullah Mohammed Al-Othman Abdulmohsen Mohammed Al-Othman	Chairman Managing Director

Except as stated above, Takween's Advanced Industries Board of Directors declares that during the year 2013, there was not any businesses or contracts to which the company is a party of, in which a board member, the chairman, the CEO or the CFO or any person having a relationship with any of them.

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

There is no arrangement or agreement of assignment during the year 2013.

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

There is no arrangement or agreement of assignment during the year 2013.

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

A. The company has paid the following entitlements to governmental agencies as follows:

S/N		Amount in (SR'000)	Summary and Reason
1	General Organization for Social Insurance (GOSI)	1,996	The employees subscription in pensions and risks per GOSI regulation
2	SIDF	24,805	Repayment of SIDF loan and the loan's follow up charges (charges)
3	Saudi market -TADAWUL	0,382	Shareholders register service fees and shares register reports request and fees for capital fees increase during the year 2013.
4	Passports	1,728	Fees for visas and Iqamas of workers and work permits in accordance with the established approved costs.
5	Department of Zakat and Income Tax	5,518	Payment under Zakat Status Settlement Account and finalize the annual company Zakat assessment.
6	Customs Authority	0,948	Customs Duties on the imports of the company
	<b>Total</b>	<b>35,375</b>	

## B. Zakat status

Zakat base is calculated in accordance with the regulations in force in the Kingdom of Saudi Arabia at the end of each fiscal year and added to the Zakat provision shown in the financial statements, from which the company is paying when settling zakat returns with the Department of Zakat and Income Tax. The company settled its Zakat position until the end of the fiscal year 2012, and obtained the zakat assessment and the final Zakat certificate that is valid until the end of April 2014. There are no outstanding dues with the Department of Zakat and Income Tax.

The following table shows Zakat status as at the end of financial year 2013

Description	Amount (SR million)
Zakat Provision Balance as at 01/01/2012	3,646
Additions during the year 2012	5,763
Payments during the year 2012	(5,518)
Zakat Provision Balance as at 31/12/2012	3,891

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

There are no investments or reserves established for the benefit of Company's employees during the year 2013.

## (23) The Board of Directors Representations:

Tamkeen's Board declares that:

1. Proper books of account have been maintained.
2. The system of internal control is sound in design and has been effectively implemented.

3. There are no significant doubts concerning Takween's ability to continue as a going concern.

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

### A. Compliance with Corporate Governance Regulations

The company is in compliance with the provisions of the Corporate Governance Regulations issued under the CMA Board Resolution No. 1-212-2006,

dated 12/11/2006, and subsequent resolutions of the mandatory compliance with a number of Articles. The table below shows the corporate governance non-binding clauses and paragraphs that have not been applied by the company until 31/12/2013, and the reasons for non-compliance are outlined as follows:

Not binding paragraphs of the Corporate Governance Regulations which are still not implemented by the company and the reasons for non-compliance:

Article	Paragraph Number	Statement	Reasons for non-compliance
Article 6	Paragraph (b)	In voting in the General Assembly for the nomination to the board members, the accumulative voting method shall be applied	The company's By-Laws has not provided for accumulative voting method. This item was presented for approval to the Extraordinary General Assembly in its session on 18/04/2012, but it did not pass the voting.



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

Following are the joint stock companies of which Takween directors are board members as of 31 December 2013 are as follows:

Members of the Board of Directors	Name and description of company
1. Abdullah Mohammed Al-Othman	- Saudi United Cooperative Insurance Company (Wala'a) (Listed) - Arabian Root Group Company (Closed) - GIP Financial Services – Bahrain (Closed) - Al Othman Holding Company (Closed)
2. Abdulmohsen Mohammed Al-Othman	- Al Ahsa Development Company (Listd) - Bayan Real Estate Company (Closed)
3. Khalid Abdulrahman Al-Rajhi	- Saudi Cement Company (Listed) - Al-Bilad Bank (Listed) - Saudi United Cooperative Insurance Company (Wala'a) (Listed)
4. George Abraham	- Al Othman Holding Company (Closed)
5. Abdulaziz S. Al Rebdi	- Saudi United Cooperative Insurance Company (Wala'a) (Listed) - Abdullah Al Othaim Markets Company (Listed) - Al Hammadi Development and Investment Company (Closed) - Al Obaikan Glass Company - Abdu Muhsen Al Hukair Tourism and Development Group Company (Closed)
6. Moussa Abdulmuhsen Al Moussa	- Saudi Steel Pipe Company (Listed)
7. Dr. Sulaiman Abdulaziz Al Tuwajiri	- Saudi United Cooperative Insurance Company (Wala'a) (Listed) - Amiantit (Listed) - Chemical Development Company (Listed)

C. The Composition of the Board of Directors and classification of its members (non-executive/ Independent)

The board of directors of Takween is composed of 7 directors, according to Article 17 of company's By-Laws, categorized as at 31/12/2013 as follows:

Composition of the Board of Directors and classification of its members		
Name	Title	Status
1. Abdullah Mohammed Al-Othman	Chairman	non-executive
2. Abdulmohsen Mohammed Al-Othman	Managing Director	executive
3. Khalid Abdulrahman Al-Rajhi	Director	non-executive
4. George Abraham	Director	non-executive
5. Abdulaziz S. Al Rebdi	Director	Independent
6. Moussa Abdulmuhsen Al Moussa	Director	Independent
7. Dr. Sulaiman Abdulaziz Al Tuwajiri	Director	Independent

- The first Tenure of the Board of Directors ended on 22/11/2013. The Second Ordinary General Meeting was held on 08/04/2013 approved the election of the Board of Directors for another term. The Board of Directors comprises of seven members from among the nominees at that date. The same members were selected without any change for three years starting from 23/11/2013.
- On 24/11/2013, the 11<sup>th</sup> meeting of the Board was held (which was the first meeting of the newly elected for another term). The Chairman, the Managing Director and the Board's Secretary were elected. The basic committees of the company were formed (Audit Committee, Nominations and Remunerations Committee and the Executive Committee). The contracts in which the Company is a party were documented where there is an interest to one of the board members.
- On 19/12/2013, the Board of Directors decided to form the Investment Committee.



D. A brief description of the board committees' names, duties and responsibilities, Chairs, members and number of meetings:

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

Members of the Executive Committee	
Committee Members	Position
1. Abdulmohsen Mohammed Al-Othman	Chairman
2. George Abraham	Member
3. Ali Abdul Razzaq Al Shaeer	Member since 24 Nov 2013
4. Ali Hassan Al Jameel	Member

#### D-1 Executive Committee

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

D-1-2 Duties and responsibilities of the Executive Committee and its term:

- Practice all powers, responsibilities and duties of the Board in the interim period between board meetings.
- Discuss and take decisions on urgent matters.
- Ensure strategic plans are translated into tangible actions directed to achieve the Company's goals. Review relevant recommendations with regard to resource distribution used for strategic planning action plans.
- Review and make recommendations on strategic plans that address operational / commercial priority including expansion in new markets and countries or exit from current markets and countries.
- Prepare and review Board recommendations that are linked to the financial long and short term goals.

- Review important financial issues and metrics, including financing suitability, for Takween and its subsidiaries.
- Review and prepare board recommendations on company dividend policy.

- Review and make recommendations to the Board of Directors with regard to the strategic decisions relating to the opportunities available to the company, which aims to improve the quality of products and services offered by the company and rationalize the costs related thereto.
- Periodic review of capital expenditures.
- The committee's term will expire with the existing board term.

#### D-1-3 Committee meetings

The Executive Committee held (6) meetings during the year and were attended by all members.



## D-2 Audit Committee

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

Audit Committee	
Committee Members	Position
1. Dr. Sulaiman Abdulaziz Al Tuwajjri	Chairman
2. Dr. Sulaiman Abdullah Al Sakran (not a board member and specialized in financial and accounting affairs)	Member
3. Waleed Ibraheem Shukri (not a board member and specialized in financial and accounting affairs)	Member

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

The duties of the Committee are as follows:

- Ensure that financial reports have been prepared in accordance with accounting policies followed by the company.
- Identify and review the accounting problems that affect the financial reporting process and understand the extent of their impact on the health of such reports.
- Study the draft financial statements before submission to the Board of Directors and express an opinion and recommendations.
- Prepare recommendations to the Board of Directors with respect to the appropriateness of applied the accounting policies to the nature of the company, and the evaluation of financial reports issued by the Company and the nature of the review process.
- Prepare recommendations to the Board of Directors with respect to the annual report of the company prior to the adoption by the board.
- Develop recommendations regarding the establishment, improvement and deployment of the control environment within the company.
- Prepare an assessment for each of the control systems.
- Make recommendations on the selection of auditors, which include a review by the Committee of the professional competence and independence of the auditor and perceived risk emanating from the conflict of interest, and determine their fees.
- Conduct an annual review of the performance of the auditor, and make recommendations relating to its appointment, re-appointment or termination.
- Work with the auditor to cooperate the preparation of the audit plan and procedures for the current year, taking into account the current circumstances of the company and any changes occurred in the conditions required by the legal supervisory authorities.
- Discuss significant findings and recommendations concluded by the auditor and the degree of management response, as

well as the corrective actions carried out on the basis of such recommendations.

- Develop specific recommendations to the policy of the Company with respect to services performed by the auditor represented in regular audit services and non-audit services, which include consulting and training programs and the like which may affect its independence in the performance of regular audit services.
- Develop recommendations for company policy regarding the identification of the period necessary for changing the auditor.
- Develop recommendations for the establishment of the company's internal audit function and its budget and appointing the function's head, as well as the degree of independence of internal auditors.



- Prepare an evaluation of the performance of the internal audit department and prepare recommendations for improving its effectiveness.
- Discuss deviations and errors contained in the reports prepared by the internal audit department and make sure that management takes the appropriate corrective action.
- Ensure that the executive management adopts the company's rules and regulations and ensure that there are not any irregularities.
- The committee's term will expire with the existing board term.

#### D-2-3 Committee meetings

The Audit committee held four meetings during the year and all Committee members attended the meetings.

#### D-3 Nominations and Remunerations Committee

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

Nominations and remunerations Committee	
Committee Members	Position
1. Khalid Abdulrahman Al-Rajhi	Chairman
2. Abdullah Mohammed Al-Othman	Member
3. Abdul Aziz S. Al Rebdi	Member
4. Mousa Bin Abdul Mohsen Al Mousa	Member (since 24 Nov 2013)

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

The duties of the Committee are as follows:

- Annually review the requirements of the appropriate skills needed for the Board membership and generate a description of the

capabilities and qualifications required for the membership of the Board.

- Review the structure of the Board of Directors and submit recommendations on potential changes;
- Identify the vulnerabilities and strengths of the Board of Directors and propose remedies that are consistent with the Company's interests;
- Determine independence criteria of the board members and verify annually the independence of the independent directors and the absence of any conflict of interests if the director serves as an incumbent director to the board of another company;
- Prepare recommendations to the Board of Directors with regard to identifying specific criteria for the selection of persons for the position of Chief Executive Officer and key department heads;
- Prepare a preliminary assessment of the persons nominated for the post of Chief Executive Officer and heads of departments and units of the company and the development of appropriate standards and procedures to evaluate performance;
- Organize training programs for executives related to the topics of corporate governance and ethical behavior;
- Draw up clear policies for the remuneration of the board Directors and senior executives, aiming to boost value of the company; and
- The Committee's term will expire with the existing board term.

#### D-3-3 Committee meetings

The committee held two meetings during the year that were attended by all of its members.

#### D-4 Investment Committee

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

Investment Committee	
Committee Members	Position
1. Abdullah Mohammed Al-Othman	Chairman
2. Abdul Mohsen Bin Mohammed Al-Othman	Member
3. George A. Abraham	Member

D-4-2 Duties and responsibilities of the Investment Committee are as follows:

The duties of the Committee are as follows:

- Assist the Board of Directors in performing its duties related to the review of investment policies and criteria.
- Study the investment opportunities and their compatibility with the company's strategy.
- Look for higher-yielding investment opportunities such as, but not limited to (contracting to manage the local stock portfolios - buy units in the local stock funds - buy units in real estate funds - engage in the IPOs of new companies and initial subscriptions- buy and sell real estate, etc.).
- Monitor and evaluate the Company's existing and future investments and oversee the consulting business related to the work of the Committee.
- Any other duties as directed by the Board of Directors.
- The committee's term will expire with the existing board term.

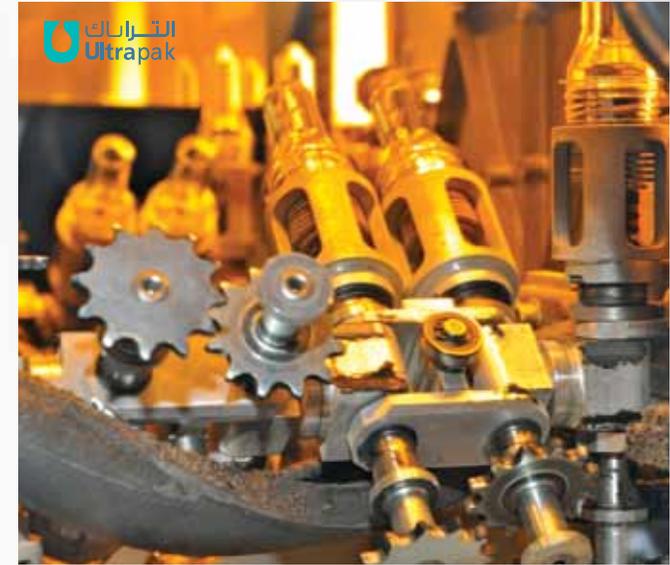
#### D-3-4 Committee meetings

The Committee held one meeting during the year attended by all of its members.

## E- Remunerations and compensations paid to each board member and senior executive

According to the company records as of 31/12/2013:

E-1: Details of Board of Directors compensations (SR million)						
Name	Title	Salaries	Allowances and Compensations	Remunerations	Incentive Plans	Total
1. Abdullah Mohammed Al-Othman	non-executive	-	0,017	0.2	0,075	0,292
2. Abdulmohsen Mohammed Al-Othman	executive	1.0	0,914	0.2	-	2,114
3. Khalid Abdulrahman Al-Rajhi	non-executive	-	0,014	0.2	0,075	0,289
4. George Abraham	non-executive	-	0,026	0.2	0,075	0,291
5. Abdulaziz S. Al Rebdi	Independent	-	0,016	0.2	0,075	0,291
6. Moussa Abdulmuhsen Al Moussa	Independent	-	0,017	0.2	0,038	0,255
7. Dr. Sulaiman Abdulaziz Al Tuwajiri	Independent	-	0,026	0.2	0,075	0,301



## A List of compensations and remunerations for the top 5 senior executives including CEO and CFO

Description of compensations and remunerations for 5 senior executives	salaries
Salaries	3,629
Remunerations and Allowances	-
Rewards	1.17
Incentive Plans	0,291
Total	5,064



## F- Penalties or reserve restrictions imposed on the company by CMA or any other regulatory or supervisory authority

No penalties or reserve restrictions have been imposed on the company by CMA or other regulatory or supervisory authority.

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

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

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

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

The Audit Committee follows up with the commitment to implement the internal audit program that is approved by the Board of Directors for the control of operational performance of the company and its subsidiaries. The committee

discusses also the audit plan and annual results through the reports raised by the head of internal audit function to the committee. The Audit Committee ensured that the head of internal audit function and his team are empowerment to perform their duties during the year 2013, and examine the work of all sections and departments of the company and its subsidiaries.

That internal audit work of the company is fully independent from the work of the executive management. The head of internal audit function and his team report to the Audit Committee, to which they raise internal audit reports directly. The role of internal audit aims at serving the objectives of senior management to provide feasible recommendations through the reports filed.

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

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

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

#### Scope of Work:

In implementation of its work, the Internal Audit Department has adopted a systematic approach to evaluate and improve the effectiveness of internal

control so it can achieve the company's goals and protect its assets.

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

- Audit and periodic review of all departments operating in the company during appropriate intervals.
- Inform officials in various examined departments of the results of the examination carried out by the Internal Audit Department for the purpose of verification to take the necessary actions regarding the deficiencies identified during the process.
- Assessment of plans and procedures provided by officials in various relevant departments to address the observations and recommendations contained in the audit report. In case of inadequacy of measures taken, issues have been discussed with the officials to ensure the efficiency and adequacy of actions taken.

The Audit Committee emanating from the Board of Directors oversees the internal audit work of the group and examines adequacy and effectiveness of the internal control system. The Audit Committee has held four meetings during the year, which discussed most of the work of internal audit. The Committee has implemented many internal and periodic audits focusing on all group's operations.

All necessary actions have been taken to tackle most of the issues identified in the internal audit reports.

**Following are the most significant fundamental procedures and observations:**

The effectiveness of internal audit reports and observations during the year 2013, has comprehensively contributed to improving performance in different units and departments of the company and its subsidiaries, and making informative and corrective decisions to a number of units and departments. Following are the most significant observations of the internal audit:

- **Trade receivables:** The release of the lists of debtors was delayed due to the delay in the operation of Resource Planning System (SAP). It was recommended that the statement of trade receivables be disclosed to include details of existing debts that exceed six a period of months. Such debts should be matched with the credit ceiling. The management has taken corrective actions to release the trade receivables report periodically on a regular basis in order to provide the recommended information especially after running the Resource Planning System (SAP) successfully in both Takween and SAAF - Al Ahsa.
- **Inventory:** Since a slow moving inventory exists whether in the form of raw materials or finished products that exceeded six months or more in storage, a recommendation was made to optimize the use of raw materials in the production and purchase processes. The management has taken corrective actions to address this matter. Provisions were made and

the slow moving inventory was reevaluated as outlined in the financial results for this year.

- **List of product costs:** The Internal Audit Department recommended to cease working on the list of product costs that are prepared manually and do not include all phases of the product which are not updated on the basis of the changes in raw material prices to include direct and indirect costs on a monthly basis. The Department has already begun correcting this procedure after operating SAP.
- **Sales of scrap:** It was observed that scrap sale will be made through direct order without signing any contracts with scrap clients. The Internal Audit Department has directed that no scrap sale be made unless competitive bids are obtained from the buyers. An agreement should be signed between the company and the best proposer. Work has already begun on this procedure during the year 2013.
- **Returnable (Reusable) Packing Boxes:** The Internal Audit Department recommended recovering the packing boxes from local customers in order to contribute to reducing the cost of selling and distribution. The Department has already begun working on implementing this procedure.
- **Shipping Contracts:** The Internal Audit Department noticed that a number of shipping measures are implemented without contracts while others are implemented in accordance with contracts. Therefore, corrective actions were directed to be taken to rectify the situation.
- **Estimated Shipping Costs of the Customer:** The Internal Audit Department noticed

inconsistency between what is estimated for the customer versus the actual invoice; whether an increase or decrease. This situation was corrected.

- **SAAF Project in Rabigh (Third Line):** It was noted that there was no accountant at the project site which resulted in the lack of ability to compile the project documentations at the site during the construction operations. However, this situation was rectified especially with the project started commissioning and will soon be linked to the SAP system.
- **Short-term Loans:** It was noted that the margin added to SIBOR varies from one loan to another. It used to represent an increase in margin. Then, the department negotiated with short-term loan banks and was able to reduce the margin.
- **Linking SAAF Rabigh Plant with the Information Systems:** It was noted that there was a delay in installing the cable and wiring infrastructure which resulted in a delay in linking the plant with the SAP system according to the established timeline schedule. Urgent measures were taken to finalize these at the earliest time possible.
- **SAP System Full-Run:** It was noted that the SAP full-run system schedule was adjusted in all company sites and factories. It was scheduled for completion by the mid of 2013. The Internal Audit Department follow up with the reasons for the delay whether they are caused by factors from within the company and beyond the company's control, and the Department is striving to have the operation completed during the first half of 2014 after the successful operation of SAP in both Takween and SAAF – Al Ahsa.

**Procedures that are still under updating as referenced in the internal audit report and the Management is acting upon**

- Ongoing update of policies and procedures: The Company has launched (this year) an ongoing workshop to review the policies and procedures for all sections and departments through organizing numerous meetings and inviting everyone to participate in the discussion and comment on such policies and procedures. The company believes in the importance of dialogue and acceptance of all employees to these policies and procedures putting the interests of the company at the forefront by taking into account all possible factors. Among the accomplishments during this year are the fiscal policies and the Financial and Administrative Powers regulations. Work is underway on the development of the Risk Management and Compliance Policies, Information Systems Policy and procedures as well as updating the Human Resources Policy in light of the expansion of the company's business. After full operation of the SAP system, all procedures will be reviewed and updated in line with the system.
- Update authority procedures in the light of management changes in the company: The Company has undertaken a number of audit exercises to ensure that the system of powers and authorities is applied consistently in full and without any exceptions or irregularities. The Board of Directors reviews the system of powers and authorities and introduces amendments whenever the need arises. Internal Audit Department acts in coordination with the Audit Committee to submit proposals

of such amendments as well as submitting its reports to the board to mitigate and manage any potential risks.

- Continued implementation of ERP system project: Continued focus on technology and its role in the provision of precise and reliable data is a prominent development feature experienced by the company in the year 2012. The company has invested in the latest resource planning software, i.e. SAP, which is commensurate with the nature of the manufacturing activity and in line with the privacy of the company's business model and functionality. This program is expected to become fully operational during the next year 2014 after the successful operation of SAP in both Takween and SAAF – Al Ahsa.
- Development of Corporate Governance Practices: In 2013, the Company established the Investor Relations and Legal Affairs Department. One of its most important responsibilities is to ensure conformity and commitment follow-up compliance with governance framework. The Risk, Compliance and Legal Affairs Section, Governance, Quality Control and Investor Relations and Public Relations Section report to the Investor Relations and Legal Affairs Department. It also follows up with the actions and decisions of the Board of Directors and committees which, in turn, performs their supervisory role to ensure that administrative and management processes and decisions are characterized by responsibility and transparency and serve the interests of all shareholders, while observing the statutory instructions and legislations and best practices in this area. The company is

constantly working to update its policies and governance measures according to any new regulatory instructions in this regard.



**(25) The Auditor's report has not included any reservations on the financial statements for the financial year ended on 31/12/2013.**

**(26) There is no recommendation from the Board of Directors to replace the certified auditor before the end of the designated period:**

## (27) Recommendation with regard to net profits:

Per Article (123) of the Companies Regulations, which stipulate that this report should provide for the proposed method for the distribution of net profits. therefore, the Board of Directors submits to the shareholders the following recommendation on the net profits:

Description	2013 (SR million)
Net profits after Zakat	44.4
Less: Statutory Reserve	(4.4)
Net profit after setting aside the statutory reserve	40
Add: retained earnings as at 01/01/2013	103.3
Less: Increase in capital during the year 2013	50
Less: cash dividends during the year 2013	15
Net profits distributable as on 31/12/2013	78.3
Less: Dividends proposed to be distributed during the year 2014 to the shareholders at a rate of 5%	17.5
Less: Directors' remunerations proposed to be distributed during the year 2014.	1.4
Net profits retained after the proposed dividends	59.4

## Finally:

The board of directors is pleased to take this opportunity to extend its sincere gratitude and appreciation to the Custodian of the Two Holy Mosques, His Royal Highness the Crown Prince, His Royal Highness the Second Deputy Premier, the Government of the Kingdom of Saudi Arabia and all state bodies that effectively contribute to promoting our national economy through their support and collaboration to the transformational industry projects of which Takween's Advanced Industries is a member.

The Board is also pleased to extend its thanks to all shareholders and investors of the company for their confidence entrusted in us in the service of the company. Thanks to all employees of the company for their sincere efforts in the performance of their responsibilities and duties.







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Talween

**Consolidated  
Financial Statements  
and Auditors' Report for  
Year Ended December 31, 2013**

**CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT  
YEAR ENDED DECEMBER 31, 2013**

	Note	2013 SR 000	2012 SR 000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	66,963	46,084
Investments held for trading		4,812	-
Accounts receivable	4	199,536	176,227
Inventories	5	188,079	192,192
Prepaid expenses and other debit balances		40,251	28,212
<b>Total current assets</b>		<b>499,641</b>	<b>442,715</b>
<b>Non-current assets</b>			
Property, plant and equipment	6	560,014	411,851
Intangible assets	7	12,851	10,141
<b>Total non-current assets</b>		<b>572,865</b>	<b>421,992</b>
<b>TOTAL ASSETS</b>		<b>1,072,506</b>	<b>864,707</b>

**LIABILITIES AND  
STOCKHOLDERS' EQUITY**

<b>Current liabilities</b>			
Short term borrowings	8	469,845	192,362
Accounts payable and other liabilities	10	43,546	122,884
Current portion of medium and long term loans	9	10,725	55,983
<b>Total current liabilities</b>		<b>524,116</b>	<b>371,229</b>
<b>Non-current liabilities</b>			
Medium and long term loans	9	88,745	64,470
End-of-service indemnities	11	7,486	6,236
<b>Total non-current liabilities</b>		<b>96,231</b>	<b>70,706</b>
<b>Stockholders' equity</b>			
Share capital	1	350,000	300,000
Statutory reserve	12	23,887	19,448
Retained earnings		78,272	103,324
<b>Total stockholders' equity</b>		<b>452,159</b>	<b>422,772</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<b>1,072,506</b>	<b>864,707</b>

**CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT  
YEAR ENDED DECEMBER 31, 2013**

	Note	2013 SR 000	2012 SR 000
Sales	13	731,022	669,656
Cost of sales		(635,711)	(546,999)
<b>Gross profit</b>		<b>95,311</b>	122,657
Research and development expenses		(570)	(486)
Selling and distribution expenses	13,14	(20,038)	(15,894)
General and administrative expenses	13,15	(28,066)	(21,515)
<b>Operating income</b>		<b>46,637</b>	84,762
Finance charges	8,9	(12,945)	(8,689)
Other income, net	16	13,655	1,265
Net income before zakat		47,347	77,338
Zakat	17	(2,960)	(2,021)
<b>NET INCOME</b>		<b>44,387</b>	75,317
<b>EARNINGS PER SHARE</b>	19		
Earnings per share from net income (SR)		1.27	2.15
Earnings per share from continuing main operations (SR)		0.88	2.11
Earnings per share from other operations (SR)		0.39	0.04
Weighted average number of shares		35,000,000	35,000,000

**CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT**  
**YEAR ENDED DECEMBER 31, 2013**

	Note	Share capital SR 000	Statutory reserve SR 000	Retained earnings SR 000	Total SR 000
January 1, 2012		300,000	11,916	77,439	389,355
Net income for year		-	-	75,317	75,317
Transfer to statutory reserve	12	-	7,532	(7,532)	-
Directors' remuneration		-	-	(1,400)	(1,400)
Dividends	20	-	-	(40,500)	(40,500)
<b>December 31, 2012</b>		<b>300,000</b>	<b>19,448</b>	<b>103,324</b>	<b>422,772</b>
Net income for year		-	-	<b>44,387</b>	<b>44,387</b>
Transfer to statutory reserve	12	-	<b>4,439</b>	<b>(4,439)</b>	-
Increase in share capital	1	<b>50,000</b>	-	<b>(50,000)</b>	-
Dividends	20	-	-	<b>(15,000)</b>	<b>(15,000)</b>
<b>December 31, 2013</b>		<b>350,000</b>	<b>23,887</b>	<b>78,272</b>	<b>452,159</b>

**CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT**  
**YEAR ENDED DECEMBER 31, 2013**

	2013	2012
	SR 000	SR 000
<b>OPERATING ACTIVITIES</b>		
Net income before zakat	47,347	77,338
Adjustments for:		
Depreciation	45,227	43,172
Amortization of intangible assets	1,622	2,273
Finance charges (net of amortization)	11,323	6,416
End-of-service indemnities	2,137	1,753
Gain on disposals of property, plant and equipment	(57)	(76)
Gain on sale of investments held for trading	(18,953)	-
Changes in operating assets and liabilities:		
Accounts receivable	(23,309)	(963)
Inventories	(4,113)	(26,544)
Prepaid expenses and other debit balances	(12,039)	(1,662)
Accounts payable and other liabilities	(79,392)	(2,369)
Cash (used in) from operations	(21,981)	(106,002)
Finance charges paid	(10,665)	(5,992)
End-of-service indemnities paid	(887)	(1,303)
Zakat paid	(2,715)	(3,529)
<b>Net cash (used in) from operating activities</b>	<b>(36,248)</b>	<b>(95,178)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(193,391)	(63,447)
Proceeds from disposal of property, plant and equipment	58	377
Additions to intangible assets	(4,332)	(7,746)
Net movement in investments held for trading	14,141	-
<b>Net cash used in investing activities</b>	<b>(183,524)</b>	<b>(70,816)</b>

**CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT  
YEAR ENDED DECEMBER 31, 2013**

	<b>2013</b>	2012
	<b>SR 000</b>	SR 000
<b>FINANCING ACTIVITIES</b>		
Change in short term borrowings	<b>277,483</b>	49,574
Change in medium and long term loans	<b>(20,983)</b>	(28,091)
Directors' remunerations	<b>(849)</b>	(551)
Dividends paid (note 20)	<b>(15,000)</b>	(40,500)
<b>Net cash from (used in) financing activities</b>	<b>(240,651)</b>	(19,568)
<b>Net change in cash and cash equivalents</b>	<b>20,879</b>	4,794
Cash and cash equivalents, January 1	<b>46,084</b>	41,290
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>66,963</b>	46,084
<b>Non - cash transactions:</b>		
Increase in share capital by transferring from retained earnings (note 1)	<b>50,000</b>	-
Directors' remuneration payable	-	849



**CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT  
YEAR ENDED DECEMBER 31, 2013**

**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 300 million divided in to 30 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	
	2013	2012
• Advanced Fabrics Factory Company ("SAAF")	100%	100%
• Ultra Pak Manufacturing Company ("UltraPak")	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

**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.

#### **Cash and cash equivalents**

Cash and cash equivalents include cash, demand deposits, and highly liquid investments with original maturities of three months or less.

#### **Investments in financial instruments**

Investments in financial instruments are classified according to the Company's intent with respect to those investments. The Company classified its investment as held for trading, as it has been acquired principally for the purpose of selling it in the near term. Held for trading securities are stated at fair value, realized and unrealized gains and losses thereon are included in the consolidated statement of income.

#### **Inventories**

Inventories are stated at the lower of cost or net realizable value. Cost is determined based on a weighted average cost basis. Finished goods include cost of materials, labor and an appropriate proportion of direct overheads.

#### **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 reporting date, the management reviews the carrying amounts of its property, plant and equipment 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 periods. A reversal of an impairment loss is recognized as income immediately.

#### **Intangible assets**

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

The loan appraisal fees relate to the loans from Saudi Industrial Development Fund ("SIDF") which are being amortized over the period of the loans.

Enterprise resource planning (ERP) system development costs represent costs incurred to implement new systems and 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, demand deposits, and highly liquid investments with original maturities of three months or less. At December 31, 2013 and 2012, cash and cash equivalents consist entirely of cash and bank balances.

### **4. ACCOUNTS RECEIVABLE**

	<b>2013</b>	2012
	<b>SR 000</b>	SR 000
Trade receivables – others	<b>171,759</b>	159,887
Trade receivables – related parties (note 13)	<b>27,588</b>	16,264
Due from related parties (note 13)	<b>189</b>	76
	<b>199,536</b>	176,227

### **5. INVENTORIES**

	<b>2013</b>	2012
	<b>SR 000</b>	SR 000
Finished goods	<b>42,437</b>	55,599
Raw, work-in-process and packing materials	<b>105,997</b>	104,603
Spare parts not held for sale	<b>32,505</b>	31,042
Goods-in-transit	<b>7,140</b>	948
	<b>188,079</b>	192,192

**CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT  
YEAR ENDED DECEMBER 31, 2013**

**6. PROPERTY, PLANT AND EQUIPMENT**

	<b>Buildings and leasehold improvements SR 000</b>	<b>Plant, machinery and equipment SR 000</b>	<b>Vehicles SR 000</b>	<b>Furniture, fixtures and office equipment SR 000</b>	<b>Capital work-in-progress ("CWIP") SR 000</b>	<b>Total SR 000</b>
<b>Cost</b>						
January 1, 2013	72,470	593,013	3,876	7,017	84,345	760,721
Additions	<b>163</b>	<b>2,721</b>	<b>143</b>	<b>348</b>	<b>190,016</b>	<b>193,391</b>
Disposals	-	-	(227)	-	-	(227)
Transfer	-	<b>19,055</b>	-	<b>284</b>	<b>(19,339)</b>	-
<b>December 31, 2013</b>	<b>72,633</b>	<b>614,789</b>	<b>3,792</b>	<b>7,649</b>	<b>255,022</b>	<b>953,885</b>
<b>Depreciation</b>						
January 1, 2013	18,373	321,262	3,134	6,101	-	348,870
Charge for year	<b>1,771</b>	<b>42,750</b>	<b>305</b>	<b>401</b>	-	<b>45,227</b>
Disposals	-	-	(226)	-	-	(226)
<b>December 31, 2013</b>	<b>20,144</b>	<b>364,012</b>	<b>3,213</b>	<b>6,502</b>	<b>-</b>	<b>393,871</b>
<b>Net book value</b>						
<b>December 31, 2013</b>	<b>52,489</b>	<b>250,777</b>	<b>579</b>	<b>1,147</b>	<b>255,022</b>	<b>560,014</b>
<b>December 31, 2012</b>	<b>54,097</b>	<b>271,751</b>	<b>742</b>	<b>916</b>	<b>84,345</b>	<b>411,851</b>

**CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT  
YEAR ENDED DECEMBER 31, 2013**

The Company's and SAAF's buildings and production facilities are constructed on a parcel of land owned by an affiliated company.

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 the Ultra Pak anticipates extending the lease upon its expiry.

Capital work-in-progress at December 31, 2013 is principally related to various additions to the production facilities and other improvements, which were under progress at the year-end. The new production facilities are expected to commence its commercial production from the first quarter of 2014. Interest capitalized as part of capital work-in-progress at December 31, 2013 amounted to SR 2.4 million (2012 – SR 0.8 million).



**7. INTANGIBLE ASSETS**

	<b>2013</b>	2012
	<b>SR 000</b>	SR 000
<b>Cost</b>		
January 1	24,213	18,421
Addition during the year	<b>4,332</b>	7,746
Adjustment	-	(1,954)
<b>December 31</b>	<b>28,545</b>	24,213
<b>Amortization</b>		
January 1	14,072	13,753
Charge for year	<b>1,622</b>	2,273
Adjustment	-	(1,954)
<b>December 31</b>	<b>15,694</b>	14,072
<b>Net book value</b>		
<b>December 31</b>	<b>12,851</b>	10,141

**8. 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.

**CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT  
YEAR ENDED DECEMBER 31, 2013**

**9. MEDIUM AND LONG TERM LOANS**

	2013 SR 000	2012 SR 000
Commercial loans	70,000	66,333
SIDF loans	29,470	54,120
	<b>99,470</b>	120,453
Less: current portion	<b>(10,725)</b>	(55,983)
	<b>88,745</b>	64,470

**Commercial loans** - The Group has entered into various medium term loan agreements with local commercial banks to finance capital expenditure and to restructure its borrowings, out of which SR 70.0 million (2012 - SR 66.3 million) is outstanding at the year-end. The loans are secured principally by demand order note, promissory notes and corporate guarantees and bear financial charges at the prevailing market rates.

Subsequently in 2014, SAAF received a new SIDF loan of SR 56.4 million and used SR 56 million of the SIDF loan to partially settle this medium term commercial loan.

**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 29.47 million (2012 - SR 54.1 million) 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 and two parcels of land owned by an affiliated company. The loan appraisal fees totaling SR 11.7 million are deferred and are being amortized over the term of the loans.

SIDF approved a new loan of SR 125.7 million to finance the construction of SAAF's new production facilities. Repayment of the loan is in 14 unequal semi-annual installments commencing from 15 Shawwal 1436H (corresponding to July 31, 2015). Subsequent to year end, an amount of SR 56.4 million out of total facility of SR 125.7 million was drawn down by SAAF. The loan is secured against the mortgage of the property, plant and equipment of SAAF, the Company and its affiliates and a corporate guarantee from the Company. SR 56 million from the amount drawn down from the SIDF loan has been used to partially settle the medium term commercial loan.

The SIDF and the commercial loans contain covenants requiring the maintenance of certain financial ratios and other covenants.

Aggregate maturities of medium and long term loans outstanding at December 31, 2013 are as follows:

	SR 000
2014	<u>10,725</u>
2015	<u>10,925</u>
2016	<u>26,000</u>
2017	<u>14,600</u>
2018	<u>27,800</u>
After 2018	<u>9,420</u>
	<u>99,470</u>

### 10. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2013 SR 000	2012 SR 000
Accounts payable – trade	23,980	106,812
Due to related parties (note 13)	130	604
Accrued expenses and other liabilities	15,545	11,822
Zakat payable (note 17)	3,891	3,646
	<b>43,546</b>	<b>122,884</b>

### 11. END-OF-SERVICE INDEMNITIES

	2013 SR 000	2012 SR 000
January 1	6,236	5,786
Additional provision in year	2,137	1,753
Utilization of provision	(887)	(1,303)
December 31	<b>7,486</b>	<b>6,236</b>

### 12. 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.

### 13. RELATED PARTY TRANSACTIONS

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

Name	Relationship
Al Othman Group of companies	Affiliates
Senior executive	Shareholder

The significant transactions and the related amounts are as follows:

	2013 SR 000	2012 SR 000
Sales made to affiliates	<b>(66,337)</b>	(58,048)
Cost and expenses charged by affiliates	<b>7,053</b>	6,877
Cost and expenses charged to affiliates	<b>(245)</b>	(685)
Other services received	<b>3,700</b>	2,554
Remuneration to a director	<b>1,900</b>	1,297

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, 2013 and 2012 are disclosed in notes 4 and 10 respectively and principally include balances related to the above mentioned transactions.

**CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT  
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**14. SELLING AND DISTRIBUTION EXPENSES**

	2013	2012
	SR 000	SR 000
Employee related costs	4,227	3,690
Transportation	12,289	10,341
Bad and doubtful debts	1,950	698
Others	1,572	1,165
	<b>20,038</b>	<b>15,894</b>

**15. GENERAL AND ADMINISTRATIVE EXPENSES**

	2013	2012
	SR 000	SR 000
Employee related costs	17,969	14,550
Professional and other services	1,184	618
Communication and other office expenses	5,471	3,456
Depreciation	274	283
Travel and entertainment	733	620
Facility costs	1,169	715
Others, net	1,266	1,273
	<b>28,066</b>	<b>21,515</b>

**16. OTHER INCOME, NET**

Other income, net of other expenses, mainly includes gain on sale of investments held for trading amounting to SR 18.95 million.

**17. ZAKAT**

The principal elements of the zakat base are as follows:

	2013	2012
	SR 000	SR 000
Non-current assets	572,865	421,992
Non-current liabilities	96,231	70,706
Spare parts	32,505	31,042
Opening shareholders' equity	422,772	389,355
Net income before Zakat	47,347	77,338
Dividends paid	15,000	40,500

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

The movement in zakat provision is as follows:

	2013	2012
	SR 000	SR 000
January 1	3,646	5,154
Provision for year	2,960	2,397
Over provision for previous year	-	(376)
Payments during year	(2,715)	(3,529)
December 31	<b>3,891</b>	<b>3,646</b>

The charge for the year is as follows:

	2013	2012
	SR 000	SR 000
Charge for current year	2,960	2,397
Over provision for previous year	-	(376)
Charge in the consolidated statement of income	<b>2,960</b>	<b>2,021</b>

**CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT  
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**Outstanding assessments**

Zakat returns for the Group companies have been filed independently and paid for all years through 2011 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 2012 and zakat certificate has 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 6.8 million (2012: SR 5.7 million). The management is confident of favorable outcome, hence no additional provision has been made.

**18. OPERATING LEASE ARRANGEMENTS**

	2013	2012
	SR 000	SR 000
Payments under operating leases recognized as an expense during year	2,995	2,730

Operating lease payments represent rentals payable by the Company for certain employees' housing, office space, warehouses and factory land. Leases are negotiated for an average term of one year. There were no significant future rental commitments outstanding at December 31, 2013.

**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 (2012: the number of shares have been adjusted to 35 million of SR 10 each to accommodate increase in share capital (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 for the year by the weighted average number of shares outstanding.



**CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT**  
**YEAR ENDED DECEMBER 31, 2013**

**20. DIVIDENDS**

In 2013, the Company proposed and distributed dividends of SR 15 million (2012 - SR 40.5 million).

**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
<b>2013</b>				
Revenues	280,897	266,647	183,478	731,022
Operating income	939	30,226	15,472	46,637
<b>As of December 31, 2013</b>				
Property, plant and equipment	100,296	429,882	29,836	560,014
Total assets	361,962	594,162	116,382	1,072,506
Total liabilities	234,817	340,424	45,106	620,347
<b>2012</b>				
Revenues	243,130	250,880	175,646	669,656
Operating income	22,664	36,693	25,405	84,762
<b>As of December 31, 2012</b>				
Property, plant and equipment	92,158	285,639	34,054	411,851
Total assets	279,007	440,017	145,683	864,707
Total liabilities	204,033	178,394	59,508	441,935

**Geographical segments:**

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

## 22. CONTINGENCIES AND COMMITMENTS

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

	<b>2013</b>	2012
	<b>SR 000</b>	SR 000
Letters of credit	<b>5,273</b>	21,096
Letters of guarantee	<b>33,005</b>	30,456
Capital commitments	<b>25,680</b>	142,900

## 23. FAIR VALUES

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

## 24. COMPARATIVE FIGURES

Certain figures for 2012 have been reclassified to conform to the presentation in current year.





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

## AUDITORS' REPORT

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### 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, 2013, 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, 2013, 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  
12 Rabi’ II, 1435H  
February 12, 2014





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Takween  
مؤسسة استثمارية متخصصة

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