

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

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**AND AUDITOR'S REPORT (LIMITED REVIEW)**  
**FOR THE THREE MONTHS AND SIX MONTHS**  
**ENDED JUNE 30, 2013**

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

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND AUDITORS' REPORT**  
**(LIMITED REVIEW)**  
**FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2013**

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**AUDITORS' REPORT (LIMITED REVIEW)  
ON CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

To the shareholders  
Takween Advanced Industries  
Saudi Arabia

**Scope of Review**

We have reviewed the consolidated interim balance sheet of Takween Advanced Industries (“the Company”), a Saudi Joint Stock Company, and its subsidiaries as of June 30, 2013, and the related consolidated interim statements of income for the three months and six months then ended and cash flows for the six months then ended, and notes 1 to 7 which form an integral part of these consolidated interim financial statements as prepared by the Company and presented to us with all the necessary information and explanations. These consolidated interim financial statements are the responsibility of the Company’s management.

We conducted our review in accordance with the standard of auditing applicable to interim financial reporting issued by the Saudi Organization for Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as whole. Accordingly, we do not express such an opinion.

**Review Results**

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

Deloitte & Touche  
Bakr Abulkhair & Co.

Nasser M. Al-Sagga  
License No. 322  
9 Ramadan, 1434H  
July 17, 2013

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

**CONSOLIDATED INTERIM BALANCE SHEET**  
**AS OF JUNE 30, 2013**

	June 30, 2013 SR 000 (Un-audited)	June 30, 2012 SR 000 (Un-audited)
	Note	
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	28,062	16,121
Investments	48,986	-
Accounts receivable	219,172	193,957
Inventories	157,049	192,896
Prepaid expenses and other debit balances	44,181	29,964
<b>Total current assets</b>	<b>497,450</b>	<b>432,938</b>
<b>Non-current assets</b>		
Property, plant and equipment	481,389	396,691
Intangible assets	10,876	5,390
<b>Total non-current assets</b>	<b>492,265</b>	<b>402,081</b>
<b>TOTAL ASSETS</b>	<b>989,715</b>	<b>835,019</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Short term borrowings	381,149	158,616
Accounts payable and other liabilities	49,122	134,551
Current portion of medium and long term loans	27,900	85,092
<b>Total current liabilities</b>	<b>458,171</b>	<b>378,259</b>
<b>Non-current liabilities</b>		
Medium and long term loans	81,770	67,300
End-of-service indemnities	6,917	6,096
<b>Total non-current liabilities</b>	<b>88,687</b>	<b>73,396</b>
<b>Shareholders' equity</b>		
Share capital	1 350,000	300,000
Statutory reserve	22,957	15,367
Retained earnings	69,900	67,997
<b>Total shareholders' equity</b>	<b>442,857</b>	<b>383,364</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>989,715</b>	<b>835,019</b>

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

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

**CONSOLIDATED INTERIM STATEMENT OF INCOME**  
**FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2013**

Note	From April 1 to June 30		From January 1 to June 30	
	2013	2012	2013	2012
	SR 000	SR 000	SR 000	SR 000
	(Un-audited )	(Un-audited)	(Un-audited )	(Un-audited)
Sales	<b>193,996</b>	177,527	<b>374,653</b>	326,428
Cost of sales	<b>167,770</b>	144,155	<b>317,722</b>	265,978
<b>Gross profit</b>	<b>26,226</b>	33,372	<b>56,931</b>	60,450
Research and development expenses	<b>165</b>	17	<b>221</b>	119
Selling and distribution expenses	<b>4,567</b>	4,047	<b>8,218</b>	7,212
General and administrative expenses	<b>8,108</b>	6,324	<b>15,171</b>	13,505
<b>Operating income</b>	<b>13,386</b>	22,984	<b>33,321</b>	39,614
Finance charges	<b>(3,263 )</b>	(2,788)	<b>(6,179 )</b>	(5,348)
Gain on investments held for trading	<b>7,297</b>	-	<b>9,497</b>	-
Other income, net	<b>73</b>	341	<b>106</b>	439
<b>Net income before zakat</b>	<b>17,493</b>	20,537	<b>36,745</b>	34,705
Zakat	<b>(648 )</b>	614	<b>(1,660 )</b>	(195)
<b>NET INCOME</b>	<b>16,845</b>	21,151	<b>35,085</b>	34,510
<b>Earnings per share (EPS)</b>	3			
Earnings per share for the period (SR)	<b>0.48</b>	0.60	<b>1.00</b>	0.99
Earnings per share from continuing main operations (SR)	<b>0.27</b>	0.59	<b>0.73</b>	0.98
Earnings per share from other Operations (SR)	<b>0.21</b>	0.01	<b>0.27</b>	0.01
Weighted average number of shares	<b>35,000,000</b>	35,000,000	<b>35,000,000</b>	35,000,000

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

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

**CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2013**

	June 30, 2013 SR 000 (Un-audited)	June 30, 2012 SR 000 (Un-audited)
<b>OPERATING ACTIVITIES</b>		
Net income before zakat	36,745	34,705
Adjustments for:		
Depreciation	22,799	21,252
Amortization of intangible assets	1,107	1,127
Gain on disposal of property, plant and equipment	(44)	(39)
Gain on sale of investments held for trading	(9,497)	-
End-of-service indemnities	1,350	773
Finance charges	6,179	4,366
Changes in operating assets and liabilities:		
Accounts receivable	(42,945)	(16,767)
Inventories	35,143	(27,248)
Prepaid expenses and other debit balances	(15,969)	(3,610)
Accounts payable and other liabilities	(72,897)	16,409
Cash (used in) from operations	(38,029)	30,968
Finance charges paid	(6,026)	(3,887)
End-of-service indemnities paid	(669)	(463)
Zakat paid	(2,715)	(3,087)
<b>Net cash (used in) from operating activities</b>	(47,439)	23,531
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(92,337)	(26,100)
Proceeds from disposal of property, plant and equipment	44	73
Additions to intangible assets	(1,842)	(1,849)
Net movement in investments held for trading	(39,489)	-
<b>Net cash used in investing activities</b>	(133,624)	(27,876)
<b>FINANCING ACTIVITIES</b>		
Change in short term borrowings	188,787	15,828
Proceeds from medium and long term loans	-	38,350
Payments of medium and long term loans	(10,783)	(34,502)
Dividends paid (note 4)	(14,963)	(40,500)
<b>Net cash from (used in) financing activities</b>	163,041	(20,824)
<b>Net change in cash and cash equivalents</b>	(18,022)	(25,169)
Cash and cash equivalents, January 1	46,084	41,290
<b>CASH AND CASH EQUIVALENTS, JUNE 30</b>	28,062	16,121

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

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

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2013**

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**1. ORGANIZATION AND ACTIVITIES**

Takween Advanced Industries ("the Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 2051044381 issued in Al Khobar on 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 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 distribution of one bonus share for every six existing shares held at the closing of trading on the day of the Extra Ordinary Meeting. On April 8, 2013, the bonus shares have been approved by the shareholders at their Extra Ordinary General Assembly Meeting. The legal formalities to obtain the revised commercial registration are under process as at June 30, 2013.

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

	<b>Effective ownership</b>	
	<b>2013</b>	<b>2012</b>
• Advanced Fabrics Factory Company ("SAAF")	<b>100%</b>	100%
• Ultra Pak Manufacturing Company ("Ultra Pak")	<b>100%</b>	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**

These consolidated interim 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**

These consolidated interim 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**

These consolidated interim financial statements incorporate the interim financial statements of the Company and its subsidiaries controlled by the Company prepared for the three months and six months ended June 30, 2013. All significant inter-company transactions and balances between the group companies have been eliminated in preparing the consolidated interim financial statements.

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

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2013**

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**Use of estimates**

The preparation of consolidated interim 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**

Revenue is recognized upon delivery of goods to customers and is stated net of trade or quantity discounts.

**Research and development expenses**

Research and development expenses are charged to the consolidated interim 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**

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

The Group classified its investment as held for trading, as it has been acquired principally for the purpose of selling it in the near term.

**Inventories**

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

**Property, plant and equipment**

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



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

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2013**

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

	Rate %
Buildings, leasehold and other improvements	3 – 4
Plant, machinery and equipment	10 – 33.33
Vehicles	20 – 25
Furniture, fixtures and office equipment	15 – 33.3

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

**Borrowing costs**

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

**Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its 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 years. 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, system development costs and pre-operating costs.

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

Pre-operating costs comprise costs incurred during the development stage of SAAF, which are expected to provide benefits in future periods. These costs are amortized on a straight line basis over a period not exceeding seven years from the commencement of commercial production.

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

**Proposed dividends**

Dividends are recognized as liability at the time of their approval in the General Assembly meeting.

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

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2013**

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**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 balance sheet 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 interim statement of income.

**End-of-service indemnities**

End-of-service indemnities, required by labor laws applicable in the Kingdom of Saudi Arabia, are provided in the consolidated interim 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 is provided on an accruals basis. 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.

**Leasing**

Leases are classified as capital leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to income on a straight line basis over the term of the operating lease.

**Segmental reporting**

A segment is a distinguishable component of the Group that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

**Statutory reserve**

In accordance with Regulations for Companies in Saudi Arabia and the by Laws of the Company, 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. The statutory reserve is appropriated at the period end based on period end net income and any difference between the amount appropriated and the actual is adjusted at the fourth quarter.

**3. EARNINGS PER SHARE**

Earnings per share is computed by dividing net income for the periods by the weighted average number of shares outstanding during three months and six months ended June 30, 2013 totaling 35 million shares of SR 10 each (2012: 35 million shares of SR 10 each) (note 1).

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

Earnings per share from other operations is computed by dividing the other income and gain on investments held for trading for the periods by the weighted average number of shares outstanding.

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

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2013**

**4. SEGMENTAL INFORMATION**

**Business segments:**

Consistent with the Group's internal reporting process, business segments have been approved by management in respect of the Group's activities. Transactions between the business segments are reported as recorded by the Group's transfer pricing system. The Group's revenue, gross profit, property 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>	<b>(Un-audited)</b>	<b>(Un-audited)</b>	<b>(Un-audited)</b>	<b>(Un-audited)</b>
<b>For the six months ended June 30, 2013</b>				
Revenues	135,801	135,790	103,062	374,653
Operating income	3,285	19,476	10,560	33,321
<b>As of June 30, 2013</b>				
Property, plant and equipment	97,218	353,425	30,746	481,389
Total assets	349,799	478,827	161,089	989,715
Total liabilities	251,226	218,765	76,867	546,858
<b>2012</b>				
<b>For the six months ended June 30, 2012</b>				
Revenues	116,167	128,137	82,124	326,428
Operating income	11,967	17,562	10,085	39,614
<b>As of June 30, 2012</b>				
Property, plant and equipment	88,358	274,914	33,419	396,691
Total assets	332,579	386,438	116,002	835,019
Total liabilities	248,500	163,053	40,102	451,655

**Geographical segments:**

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

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

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2013**

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**5. CONTINGENCIES AND COMMITMENTS**

At June 30, the Group had the following contingencies and commitments:

	<b>2013</b>	2012
	<b>SR 000</b>	SR 000
	<b>(Un-audited )</b>	(Un-audited )
Letters of credit	<b>14,820</b>	18,858
Letters of guarantee and others	<b>33,812</b>	30,331
Capital commitments against purchase of property, plant and equipment	<b>91,376</b>	114,234

**6. DIVIDENDS AND BONUS SHARES**

In 2013, the Company distributed a cash dividend of SR 0.50 per share totalling SR 15 million for the year 2012 (2012: SR 1.35 per share totalling SR 40.5 million for the year 2011).

Also, the General Assembly approved to increase the share capital by issuing bonus shares (note 1).

**7. RESULTS OF INTERIM PERIOD**

The results of the interim period are not an indication of the results of the full statutory financial year.