

**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, 2014**

TAKWEEN ADVANCED INDUSTRIES AND SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

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(LIMITED REVIEW)
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2014

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

To the stockholders
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, 2014, 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 8 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 in the Kingdom of Saudi Arabia 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
19 Ramadan, 1435H
July 16, 2014



TAKWEEN ADVANCED INDUSTRIES AND SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED INTERIM BALANCE SHEET
AS OF JUNE 30, 2014

	Note	2014 SR 000 (Un-audited)	2013 SR 000 (Un-audited)
ASSETS			
Current assets			
Cash and cash equivalents		70,284	28,062
Investments held for trading		121,933	48,986
Accounts receivable		240,986	219,172
Inventories		188,041	157,049
Other assets		68,071	44,181
Total current assets		689,315	497,450
Non-current assets			
Property, plant and equipment		577,156	481,389
Intangible assets		22,383	10,876
Total non-current assets		599,539	492,265
TOTAL ASSETS		1,288,854	989,715
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Short term borrowings		485,898	381,149
Accounts payable and other liabilities		197,599	49,122
Current portion of medium and long term loans		10,918	27,900
Total current liabilities		694,415	458,171
Non-current liabilities			
Medium and long term loans		115,481	81,770
End-of-service indemnities		9,066	6,917
Total non-current liabilities		124,547	88,687
Stockholders' equity			
Share capital	1	350,000	350,000
Statutory reserve		27,550	22,957
Retained earnings		92,342	69,900
Total stockholders' equity		469,892	442,857
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		1,288,854	989,715




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, 2014

	Note	From April 1 to June 30		From January 1 to June 30	
		2014	2013	2014	2013
		SR 000 (Un-audited)	SR 000 (Un-audited)	SR 000 (Un-audited)	SR 000 (Un-audited)
Sales	4	207,292	193,996	380,980	374,653
Cost of sales		177,816	167,770	329,317	317,722
Gross profit		29,476	26,226	51,663	56,931
Research and development expenses		762	165	1,016	221
Selling and distribution expenses		6,141	4,592	10,263	9,127
General and administrative expenses		11,814	8,083	21,918	14,262
Operating income	4	10,759	13,386	18,466	33,321
Finance charges		(3,729)	(3,263)	(6,698)	(6,179)
Gain on investments held for trading		22,113	7,297	27,039	9,497
Other income, net		323	73	259	106
Net income before zakat		29,466	17,493	39,066	36,745
Zakat		(1,631)	(648)	(2,433)	(1,660)
NET INCOME		27,835	16,845	36,633	35,085
Earnings per share	3				
Earnings per share (SR)		0.80	0.48	1.05	1.00
Earnings per share from continuing main operations (SR)		0.16	0.27	0.27	0.73
Earnings per share from other Operations (SR)		0.64	0.21	0.78	0.27
Weighted average number of shares		35,000,000	35,000,000	35,000,000	35,000,000





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

TAKWEEN ADVANCED INDUSTRIES AND SUBSIDIARIES
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CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2014

	June 30, 2014 SR 000 (Un-audited)	June 30, 2013 SR 000 (Un-audited)
OPERATING ACTIVITIES		
Net income before zakat	39,066	36,745
Adjustments for:		
Depreciation	28,609	22,799
Amortization of intangible assets	1,055	1,107
Gain on disposal of property, plant and equipment	-	(44)
Gain on sale of investments held for trading	(27,039)	(9,497)
End-of-service indemnities	1,682	1,350
Finance charges	6,698 +	6,179 +
Changes in operating assets and liabilities:		
Accounts receivable	(41,450)	(42,945)
Inventories	38	35,143
Other assets	(27,820)	(15,969)
Accounts payable and other liabilities	152,081	(72,897)
Cash from (used in) operations	132,920	(38,029)
Finance charges paid	(6,388) +	(6,026) +
End-of-service indemnities paid	(102)	(669)
Zakat paid	(771)	(2,715)
Net cash from (used in) operating activities	125,659	(47,439)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(45,751)	(92,337)
Proceeds from disposal of property, plant and equipment	-	44
Additions to intangible assets	(10,587)	(1,842)
Net movement in investments held for trading	(90,082)	(39,489)
Net cash used in investing activities	(146,420)	(133,624)
FINANCING ACTIVITIES		
Change in short term borrowings	16,053	188,787
Change in medium and long term loans	26,929	(10,783)
Directors' remunerations	(1,400)	-
Dividends paid (note 6)	(17,500)	(14,963)
Net cash from financing activities	24,082	163,041
Net change in cash and cash equivalents	3,321	(18,022)
Cash and cash equivalents, January 1	66,963	46,084
CASH AND CASH EQUIVALENTS, JUNE 30	70,284	28,062

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, 2014**

1. ORGANIZATION AND ACTIVITIES

Takween Advanced Industries ("the Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 2051044381 issued in Al Khobar on 9th Muharram 1432H (December 15, 2010). The Company's share capital is SR 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 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 and the legal formalities to obtain the revised commercial registration have been completed.

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

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

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

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

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, 2014. 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, 2014

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.

Inventories

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

Property, plant and equipment

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

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

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

TAKWEEN ADVANCED INDUSTRIES AND SUBSIDIARIES
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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2014

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"), which are being amortized over the period of the loans.

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

Dividends

Dividends are recognized as 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 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.

TAKWEEN ADVANCED INDUSTRIES AND SUBSIDIARIES
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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2014

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.

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, 2014 totaling 35 million shares of SR 10 each (2013: the number of shares have been adjusted to 35 million of SR 10 each to accommodate increase in share capital by issuing bonus shares (note 1)).

Earnings per share from the continuing main operations is computed by dividing the operating income less 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
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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2014

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, 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
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
2014				
For the six months ended				
June 30, 2014				
Revenues	143,849	140,659	96,472	380,980
Operating income	1,223	7,890	9,353	18,466
As of June 30, 2014				
Property, plant and equipment	100,329	446,036	30,791	577,156
Total assets	456,231	691,804	140,819	1,288,854
Total liabilities	375,775	379,459	63,728	818,962
2013				
For the six months ended				
June 30, 2013				
Revenues	135,801	135,790	103,062	374,653
Operating income	3,285	19,476	10,560	33,321
As of June 30, 2013				
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

Geographical segments:

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

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2014

5. CONTINGENCIES AND COMMITMENTS

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

	2014	2013
	SR 000	SR 000
	(Un-audited)	(Un-audited)
Letters of credit	40,396	14,820
Letters of guarantee and others	30,000	33,812
Capital commitments against purchase of property, plant and equipment	-	91,376

6. DIVIDENDS AND BONUS SHARES

In 2014, the Company distributed a cash dividend of SR 0.50 per share totalling SR 17.5 million for the year 2013 (2013: SR 0.50 per share totalling SR 15 million for the year 2012).

In April 2013, 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.

8. COMPARATIVE FIGURES

Certain figures for 2013 have been reclassified to conform to the presentation in 2014.