

TAKWEEN ADVANCED INDUSTRIES AND SUBSIDIARIES
(JOINT STOCK COMPANY)

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AND AUDITOR'S REPORT (LIMITED REVIEW)
FOR THE THREE MONTHS AND SIX MONTHS
ENDED JUNE 30, 2012

TAKWEEN ADVANCED INDUSTRIES AND SUBSIDIARIES
(JOINT STOCK COMPANY)

CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND AUDITORS' REPORT
(LIMITED REVIEW)
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2012

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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, 2012, 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.

Waleed Moh'd Sobahi
License No. 378
27 Shaban, 1433H
July 17, 2012



TAKWEEN ADVANCED INDUSTRIES AND SUBSIDIARIES
(JOINT STOCK COMPANY)

CONSOLIDATED INTERIM BALANCE SHEET
AS OF JUNE 30, 2012

	Note	June 30, 2012 SR 000 (Un-audited)	June 30, 2011 SR 000 (Audited)
ASSETS			
Current assets			
Cash and cash equivalents		16,121	23,664
Accounts receivable		193,957	189,745
Inventories		192,896	170,934
Prepaid expenses and other debit balances		29,964	27,730
Total current assets		432,938	412,073
Non-current assets			
Property, plant and equipment		396,691	362,093
Intangible assets		5,390	5,344
Total non-current assets		402,081	367,437
TOTAL ASSETS		835,019	779,510
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short term borrowings		158,616	118,067
Accounts payable and other liabilities		134,551	97,234
Current portion of medium and long term loans		85,092	82,632
Total current liabilities		378,259	297,933
Non-current liabilities			
Medium and long term loans		67,300	98,392
End-of-service indemnities		6,096	4,803
Total non-current liabilities		73,396	103,195
Shareholders' equity			
Share capital	1	300,000	300,000
Statutory reserve		15,367	7,819
Retained earnings		67,997	70,563
Total shareholders' equity		383,364	378,382
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		835,019	779,510

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

TAKWEEN ADVANCED INDUSTRIES AND SUBSIDIARIES
(JOINT STOCK COMPANY)

CONSOLIDATED INTERIM STATEMENT OF INCOME
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2012

	From April 1 to June 30		From January 1 to June 30	
	2012	2011	2012	2011
Note	SR 000	SR 000	SR 000	SR 000
	(Un-audited)	(Un-audited)	(Un-audited)	(Audited)
Sales	177,527	186,636	326,428	336,894
Cost of sales	144,155	152,465	265,978	276,576
Gross profit	33,372	34,171	60,450	60,318
Research and development expenses	17	71	119	196
Selling and distribution expenses	4,047	3,546	7,212	6,819
General and administrative expenses	6,324	5,189	13,505	10,868
Operating income	22,984	25,365	39,614	42,435
Finance charges	(2,788)	(2,149)	(5,348)	(5,338)
Other income	341	214	439	268
Net income before zakat	20,537	23,430	34,705	37,365
Zakat	614	(1,369)	(195)	(2,183)
NET INCOME	21,151	22,061	34,510	35,182
Earnings per share (EPS)	3			
Earnings per share for the period	0.70	0.73	1.15	1.17
Earnings per share from continuing main operations	0.69	0.72	1.14	1.16
Earnings per share from other Operations	0.01	0.01	0.01	0.01
Weighted average number of shares	30,000,000	30,000,000	30,000,000	30,000,000

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TAKWEEN ADVANCED INDUSTRIES AND SUBSIDIARIES
(JOINT STOCK COMPANY)

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2012

	June 30, 2012 SR 000 (Un-audited)	June 30, 2011 SR 000 (Audited)
OPERATING ACTIVITIES		
Net income before zakat	34,705	37,365
Adjustments for:		
Depreciation	21,252	21,358
Amortization of intangible assets	1,127	1,444
Gain on disposal of property and equipment	(39)	(37)
End-of-service indemnities	773	701
Finance charges	4,366	4,474
Changes in operating assets and liabilities:		
Accounts receivable	(16,767)	(31,834)
Inventories	(27,248)	(19,407)
Prepaid expenses and other debit balances	(3,610)	2,575
Accounts payable and other liabilities	16,409	223
Cash from operations	30,968	16,862
Finance charges paid	(3,887)	(4,046)
End-of-service indemnities paid	(463)	(455)
Zakat paid	(3,087)	(4,138)
Net cash from operating activities	23,531	8,223
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(26,100)	(22,441)
Proceeds from disposal of property, plant and equipment	73	57
Additions to intangible assets	(1,849)	-
Net cash used in investing activities	(27,876)	(22,384)
FINANCING ACTIVITIES		
Change in short term borrowings	15,828	17,932
Proceeds from medium and long term loans	38,350	33,500
Payments of medium and long term loans	(34,502)	(34,891)
Dividends paid (note 4)	(40,500)	-
Net cash (used in) from financing activities	(20,824)	16,541
Net change in cash and cash equivalents	(25,169)	2,380
Cash and cash equivalents, January 1	41,290	21,284
CASH AND CASH EQUIVALENTS, JUNE 30	16,121	23,664

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

TAKWEEN ADVANCED INDUSTRIES AND SUBSIDIARIES
(JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2012

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 of 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 Company has the following subsidiaries (the Company and its subsidiaries hereinafter referred to as "the Group"):

	Effective ownership	
	2012	2011
• 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 compliance 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.

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, 2012. All significant inter-company transactions and balances between the group companies have been eliminated in preparing the consolidated interim financial statements.

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.

TAKWEEN ADVANCED INDUSTRIES AND SUBSIDIARIES
(JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2012

Revenue

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

Expenses

Selling and distribution expenses principally comprise of costs incurred in the distribution and sale of the Company'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.

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

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

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

TAKWEEN ADVANCED INDUSTRIES AND SUBSIDIARIES
(JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2012

Intangible assets

Intangible assets anticipated to provide identifiable future benefits are classified as non-current assets. Intangible assets comprise loan appraisal fees, software, Enterprise Resource Planning system (ERP) 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.

ERP system development costs represent costs incurred to implement new system and are amortized over 5 year period.

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.

Proposed dividends

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

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.

TAKWEEN ADVANCED INDUSTRIES AND SUBSIDIARIES
(JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2012

Statutory reserve

In accordance with Regulations for Companies in Saudi Arabia and the articles 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 last 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, 2012 amounting to 30 million shares (2011: 30 million shares).

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 for the periods by the weighted average number of shares outstanding.

4. DIVIDENDS

In 2012, the Company distributed a cash dividend of SR 1.35 per share totalling SR 40.5 million for the year 2011 (2011: SR 1 per share totalling SR 30.0 million for the year 2010).

TAKWEEN ADVANCED INDUSTRIES AND SUBSIDIARIES
(JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2012

5. 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
2012				
For the six months ended				
June 30, 2012 (Un-audited)				
Revenues	116,167	128,137	82,124	326,428
Operating income	11,967	17,562	10,085	39,614
As of June 30, 2012				
Property 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
2011				
For the six months ended				
June 30, 2011 (Audited)				
Revenues	104,014	145,553	87,327	336,894
Operating income	11,450	20,826	10,159	42,435
As of June 30, 2011				
Property and equipment	80,196	256,530	25,367	362,093
Total assets	241,717	397,965	139,828	779,510
Total liabilities	156,021	195,806	49,301	401,128

Geographical segments:

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

TAKWEEN ADVANCED INDUSTRIES AND SUBSIDIARIES
(JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2012

6. CONTINGENCIES AND COMMITMENTS

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

	2012 SR 000	2011 SR 000
	(Un-audited)	(Audited)
Letters of credit	<u>18,858</u>	<u>23,589</u>
Letters of guarantee and others	<u>30,331</u>	<u>1,633</u>
Capital commitments against purchase of property, plant and equipment	<u>114,234</u>	<u>131,912</u>

7. RESULTS OF INTERIM PERIOD

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