

TAKWEEN ADVANCED INDUSTRIES
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS (Un-audited) AND AUDITOR'S REVIEW REPORT
FOR THE THREE AND NINE MONTHS PERIODS ENDED
SEPTEMBER 30, 2019**

TAKWEEN ADVANCED INDUSTRIES
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
AND AUDITOR'S REVIEW REPORT
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2019

INDEX	PAGE
Report on review of interim condensed financial statements	1
Condensed consolidated interim statement of financial position	2
Condensed consolidated interim statement of profit or loss and other comprehensive income	3
Condensed consolidated interim statement of changes in equity	4
Condensed consolidated interim statement of cash flows	5 – 6
Notes to the condensed consolidated interim financial statements	7 - 23

REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

The Shareholders

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

Introduction:

We have reviewed the accompanying condensed consolidated interim statement of financial position of Takween Advanced Industries (the "Company"), a Saudi Joint Stock Company and its subsidiaries (collectively referred to as the "Group") as of September 30, 2019, the related condensed consolidated interim statement of profit or loss and other comprehensive income for the three and nine months periods then ended, the condensed consolidated interim statements of changes in equity and cash flows for the nine months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard No. 34, "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review:

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as endorsed in the Kingdom of Saudi Arabia. A review of condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

Al-Bassam & Co.
P.O. Box 4636
Al Khobar 31952
Kingdom of Saudi Arabia

Ibrahim Ahmed Al Bassam
Certified Public Accountant
License No. 337

November 6, 2019
Rabi Al- Awwal 9, 1441H

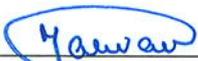


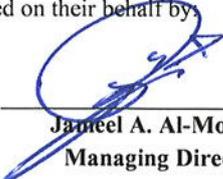
TAKWEEN ADVANCED INDUSTRIES
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2019

	September 30, 2019 (Un-audited) SR '000	December 31, 2018 (Audited) SR '000
	<u>Note</u>	
ASSETS		
Non-current assets		
Property, plant and equipment	5	1,002,005
Intangible assets		15,557
Goodwill		323,582
Total non-current assets		<u>1,341,144</u>
Current assets		
Inventories	6	282,699
Trade receivables	7	354,134
Prepaid expenses and other assets	8	95,246
Cash and cash equivalents		50,276
Total current assets		<u>782,355</u>
TOTAL ASSETS		<u>2,123,499</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	1	950,000
Other reserves		(46,059)
Accumulated losses		(271,325)
Total equity		<u>632,616</u>
LIABILITIES		
Non-current liabilities		
Medium and long term loans	9	139,094
Lease liabilities – non-current portion		10,054
Employee benefits	10	37,382
Total non-current liabilities		<u>186,530</u>
Current liabilities		
Current portion of medium and long term loans	9	217,743
Lease liabilities – current portion		1,188
Short-term loans	9	697,336
Trade payables and other liabilities		388,086
Total current liabilities		<u>1,304,353</u>
Total liabilities		<u>1,490,883</u>
TOTAL EQUITY AND LIABILITIES		<u>2,123,499</u>

These condensed consolidated interim financial statements were authorized for issue by board of directors, on behalf of shareholders on November 6, 2019 and signed on their behalf by:


Marwan Jreige
Chief Financial Officer


Jameel A. Al-Molhem
Managing Director


Khaled Abdulrahman Al-Rajhi
Chairman

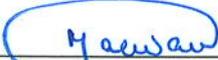
The accompanying notes form an integral part of these condensed consolidated interim financial statements.

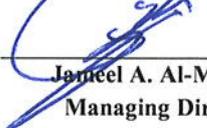
TAKWEEN ADVANCED INDUSTRIES
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2019**

	Note	From July 1 to September 30		From January 1 to September 30	
		2019	2018	2019	2018
		(Un-audited) SR '000	(Un-audited) SR '000	(Un-audited) SR '000	(Un-audited) SR '000
Revenue	11	314,672	370,795	937,291	1,053,036
Cost of revenue	11	(297,924)	(324,127)	(856,821)	(932,517)
Gross profit		16,748	46,668	80,470	120,519
Administrative expenses	11	(13,441)	(19,169)	(52,289)	(47,643)
Selling, marketing and distribution expenses		(18,151)	(14,323)	(45,771)	(46,244)
Research expenses		(354)	(391)	(870)	(1,040)
Operating (loss) income		(15,198)	12,785	(18,460)	25,592
Finance charges		(16,778)	(15,338)	(45,754)	(38,976)
Other income, net		2,921	3,287	9,667	9,472
(Loss) income before zakat and income tax		(29,055)	734	(54,547)	(3,912)
Zakat and income tax		287	(292)	199	6,410
Net (loss) income for the period		(28,768)	442	(54,348)	2,498
Other comprehensive income (loss):					
<i>Item that may be reclassified to statement of profit or loss</i>					
Exchange differences on translation of foreign operation		901	218	3,436	(134)
Other comprehensive income (loss) for the period		901	218	3,436	(134)
Total comprehensive (loss) income for the period		(27,867)	660	(50,912)	2,364
(Loss) earnings per share (SR)					
Basic and diluted (loss) earnings per share	13	(0.3)	0.01	(0.57)	0.03

These condensed consolidated interim financial statements were authorized for issue by board of directors, on behalf of shareholders on November 6, 2019 and signed on their behalf by:


Marwan Jreige
Chief Financial Officer


Jameel A. Al-Molhem
Managing Director


Khaled Abdulrahman Al-Rajhi
Chairman

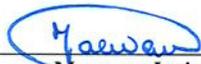
The accompanying notes form an integral part of these condensed consolidated interim financial statements.

TAKWEEN ADVANCED INDUSTRIES
(A SAUDI JOINT STOCK COMPANY)

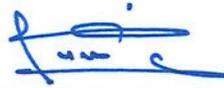
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2019

	Share capital SR '000	Statutory reserve SR '000	Other reserves SR '000	Accumulated losses SR '000	Total SR '000
Balance as at January 1, 2018 (audited)	950,000	29,419	(53,415)	(186,216)	739,788
Impact of IFRS 9 adoption	-	-	-	(20,450)	(20,450)
Balance as at January 1, 2018 (after amendment)	950,000	29,419	(53,415)	(206,666)	719,338
Transfer (note15)	-	(29,419)	-	29,419	-
Net income for the period	-	-	-	2,498	2,498
Other comprehensive loss for the period	-	-	(134)	-	(134)
Total comprehensive (loss) income for the period	-	-	(134)	2,498	2,364
Balance as at September 30, 2018 (un-audited)	950,000	-	(53,549)	(174,749)	721,702
Balance as at December 31, 2018 (audited)	950,000	-	(49,495)	(216,977)	683,528
Net loss for the period	-	-	-	(54,348)	(54,348)
Other comprehensive income for the period	-	-	3,436	-	3,436
Total comprehensive income (loss) for the period	-	-	3,436	(54,348)	(50,912)
Balance as at September 30, 2019 (un-audited)	950,000	-	(46,059)	(271,325)	632,616

These condensed consolidated interim financial statements were authorized for issue by board of directors, on behalf of shareholders on November 6, 2019 and signed on their behalf by:


Marwan Jreige
Chief Financial Officer


Jameel A. Al-Molhem
Managing Director


Khaled Abdulrahman Al-Rajhi
Chairman

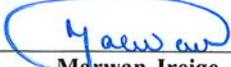
The accompanying notes form an integral part of these condensed consolidated interim financial statements.

TAKWEEN ADVANCED INDUSTRIES
(A SAUDI JOINT STOCK COMPANY)

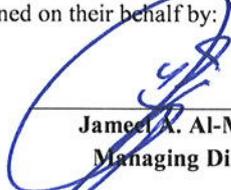
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2019

	For the nine months period ended	
	September 30, 2019	September 30, 2018
	(Un-audited)	(Un-audited)
	SR '000	SR '000
OPERATING ACTIVITIES		
Net (loss) income for the period	(54,348)	2,498
<i>Adjustment for:</i>		
Depreciation and amortization	79,287	71,217
Reversal for zakat and income tax	(199)	(6,410)
Interest income on investments held at amortized costs	-	(628)
Reversal for impairment of trade receivables	-	(2,000)
Reversal of allowance for inventories	(3,591)	(3,678)
Finance charges	45,754	38,976
Provision for employee benefits	4,723	3,669
	71,626	103,644
Movement in working capital:		
Inventories	3,156	45,899
Trade receivables	1,075	(151,677)
Prepaid expenses and other assets	(25,604)	(10,172)
Trade payables and other liabilities	78,673	58,995
Cash generated from operations	128,926	46,689
Finance charges paid	(45,698)	(38,048)
Employee benefits paid	(3,770)	(5,243)
Zakat and income tax paid	-	(1,492)
Net cash generated from operating activities	79,458	1,906
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(19,924)	(15,548)
Proceeds from investments held at amortized costs	-	7,415
Investment made during the period	-	(3,135)
Net cash used in investing activities	(19,924)	(11,268)
FINANCING ACTIVITIES		
Change in short term loans	121,665	116,415
Change in medium and long term loans	(143,748)	(103,050)
Net cash (used in) generated from financing activities	(22,083)	13,365

These condensed consolidated interim financial statements were authorized for issue by board of directors, on behalf of shareholders on November 6, 2019 and signed on their behalf by:



Marwan Jreige
Chief Financial Officer



Jameel A. Al-Molhem
Managing Director



Khaled Abdulrahman Al-Rajhi
Chairman

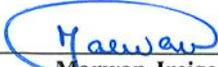
The accompanying notes form an integral part of these condensed consolidated interim financial statements.

TAKWEEN ADVANCED INDUSTRIES
(A SAUDI JOINT STOCK COMPANY)

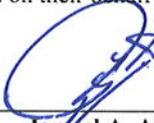
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (Continued)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2019

	For the nine months period ended	
	September 30, 2019 (Un-audited) SR '000	September 30, 2018 (Un-audited) SR '000
Net change in cash and cash equivalents	37,451	4,003
Cash and cash equivalents at the beginning of the period	9,943	41,583
Foreign currency translation reserve	2,882	(60)
Cash and cash equivalent at the end of the period	50,276	45,526
NON-CASH TRANSACTIONS:		
Impairment loss against trade receivables on adoption of IFRS 9	-	20,450
Reduction of tax liability against withholding tax refundable	-	303
Transfer of short term loans to medium and long term loans	-	150,000
Recognition of right of use assets and lease liability on adoption of IFRS 16	11,186	-
Amortization of lease liability	56	-

These condensed consolidated interim financial statements were authorized for issue by board of directors, on behalf of shareholders on November 6, 2019 and signed on their behalf by:



Marwan Jreige
Chief Financial Officer



Jameel A. Al-Molhem
Managing Director



Khaled Abdulrahman Al-Rajhi
Chairman

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2019

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Takween Advanced Industries (“the Company”) is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 2051044381 issued in Al Khobar on Muharram 9, 1432H (December 15, 2010). The Company’s share capital is SR 950 million divided into 95 million shares of SR 10 each.

The Company’s registered office is located at Al Khobar, Kingdom of Saudi Arabia.

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

- Owning of factories with various plastic products manufacturing together with maintaining, operating and managing;
- Production of disposable polystyrene cups, lids and other plastic related products;
- Production of non-woven fabrics;
- Production of PET (Polyethylene Terephthalate) pre-forms;
- Manufacturing of, and wholesale trading in plastic containers and films;
- Manufacturing of, and wholesale and retail trading in plastic containers and polyethylene cups, rolls and bags;
- Managing and operating of industrial centers;
- Owning of land for the purpose of establishing and developing factories;
- Establishing industrial institutes and providing and coordinating for training courses related to developing of plastic products;
- Import and export, wholesale and retail trade in various kind of plastic products; and
- Establishing, managing, operating and maintaining different industrial project.

As at September 30, 2019, the current liabilities of the Group exceeded its current assets by SR 522 million (December 31, 2018: SR 391 million) mainly on account of short term loans and current portion of medium and long term loans amounting to SR 697.3 million and SR 217.7 million, respectively (December 31, 2018: SR 575.7 million and SR 223.4 million, respectively). Additionally, as mentioned in note 9, the Group was in breach of its loans’ financial covenants as of September 30, 2019. The Group is managing its future cash flow requirements through its cash flows from operations and utilization of its unavailed credit facilities. Further, the management of the Company is currently in the process of negotiating for new loans in order to resolve the breach of covenants in addition to restructuring its existing short term and long term loans as deemed necessary. Management of the Company believes that it would be successful in renewing/ restructuring these facilities as they become due and avail new facilities as required. Accordingly, these condensed consolidated interim financial statements have been prepared on going concern basis and commercial loan are continued to be classified as per their original terms of repayment. However, as of September 30, 2019 the long term portion of the SIDF loan has been reclassified to short term.

2. STRUCTURE OF THE GROUP

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

	Effective ownership	
	September 30, 2019	December 31, 2018
• Saudi Plastic Packaging Systems (“Saudi Packaging”)	100%	100%
• Advanced Fabrics Factory Company (“SAAF”)	100%	100%
• Al-Sharq Company for Plastic Industries Limited (“Al-Sharq”)	100%	100%
• New Marina for Plastic Industries Company (S.A.E.) (“New Marina”)	100%	100%
• Ultra Pak Manufacturing Company (“Ultra Pak”)	100%	100%

3. BASIS OF PREPARATION

3.1 Statement of compliance

These condensed consolidated interim financial statements for the nine months period ended September 30, 2019 have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. These condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and hence should be read in conjunction with the Group's annual financial statements for the year ended December 31, 2018. The Group has adopted IFRS 16 "Leases" from January 1, 2019, and accordingly, the accounting policies for these new standards are disclosed in the note 4.3.

3.2 Preparation of the condensed consolidated interim financial statements

The condensed consolidated interim financial statements have been prepared on the historical cost convention except for the defined benefit obligations which are recognized at the present value of future obligation using the projected unit credit method.

The principal accounting policies applied in the preparation of condensed consolidated interim financial statements are consistent with those of the previous financial year and the respective corresponding interim reporting period, except for the adoption of new and amended standards as set out below in note 4.3.

The preparation of condensed consolidated interim financial statements in conformity with IFRS required management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts in the condensed consolidated interim financial statements. These critical accounting judgements and key sources of estimations were the same as those described in the last annual financial statements except for new significant judgements and key sources of estimations related to the application of IFRS 16.

3.3 Functional and presentation currency

These condensed consolidated interim financial statements are presented in Saudi Riyals (SR) in thousands, which is the Group's functional and presentation currency.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies applied by the group.

4.1 Basis of consolidation

The condensed consolidated interim financial statements incorporate the financial statements of Takween Advanced Industries and of its subsidiaries (the "Group") as detailed in note 2. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.1 Basis of consolidation (Continued)

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the condensed consolidated interim statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Condensed consolidated interim statement of profit or loss and each component of other comprehensive income are attributed to the shareholders of the Company. Total comprehensive income of subsidiaries is attributed to the shareholders of the Company.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

4.1.1 Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of the Group.

When the Group loses control of a subsidiary, a gain or loss is recognized in the condensed consolidated interim statement of profit or loss and other comprehensive income and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified condensed consolidated interim statement of profit or loss and other comprehensive income or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded either at fair value on initial recognition for subsequent accounting under IFRS 9, or at the cost on initial recognition of an investment in an associate or a joint venture.

TAKWEEN ADVANCED INDUSTRIES
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 New Standards, Amendments to Standards and Interpretations

The Group has adopted IFRS 16 “Leases” from January 1, 2019. The impact of adoption of IFRS – 16 is disclosed in note 4.3. A number of other new standards, amendments to standards are effective from January 1, 2019 but they do not have a material effect on the Group’s condensed consolidated interim financial statements.

There are number of amendments to standards which are effective from January 1, 2020, however, management anticipates that these amendments will not have any material impact on adoption in the Group’s consolidated financial statements.

4.3 Change in accounting policy

IFRS 16 – Leases

IFRS 16 replaces IAS 17 ‘Leases’, IFRIC 4 ‘Determining whether an Arrangement contains a Lease’, SIC 15 ‘Operating Leases-Incentives’ and SIC 27 ‘Evaluating the Substance of Transactions Involving the Legal Form of a Lease’.

IFRS 16 ‘Leases’ introduces a single, on-balance sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the previous standard – i.e. lessors continue to classify leases as finance or operating leases.

In accordance with the transition provisions in IFRS 16, the Group has adopted IFRS 16 retrospectively with the cumulative effect of initially applying the new standard recognized on January 1, 2019. Comparatives for 2018 financial year have not been restated.

On adoption of IFRS 16, the group recognized lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of January 1, 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 1, 2019 was 5%.

Impact of adoption of IFRS 16

	2019
	SR ‘000
Operating lease commitments as at December 31, 2018	<u>17,397</u>
Lease liability recognized as at January 1, 2019 (discounted using the group’s incremental borrowing rate at the date of initial application)	11,186

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rule had always been applied as of January 1, 2019. Right-of-use assets for property leases were measured at the amount equal to lease liability, adjusted by the amount of prepayments if any, related to that leases recognized in the statement of financial position as at December 31, 2018. Property, plant and equipment increased by an amount of SR 11.19 million on January 1, 2019.

TAKWEEN ADVANCED INDUSTRIES
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2019

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment include the following right of use assets relate to Group's leases:

	September 30, 2019 (Un-audited) SR '000	January 1, 2019 (Un-audited) SR '000
Right of use assets		
Lands	10,470	11,186
	10,470	11,186

6. INVENTORIES

	September 30, 2019 (Un-audited) SR '000	December 31, 2018 (Audited) SR '000
Finished goods	95,982	86,903
Raw and packaging materials and work in process	155,732	172,018
Spare parts	51,775	47,724
	303,489	306,645
Allowance for inventories	(20,790)	(24,245)
	282,699	282,400

7. TRADE RECEIVABLES

	September 30, 2019 (Un-audited) SR '000	December 31, 2018 (Audited) SR '000
Trade receivables	397,687	389,678
Trade receivables - related parties	13,250	22,241
Due from a related party	-	93
	410,937	412,012
Allowance for impairment of trade receivables	(56,803)	(56,507)
	354,134	355,505

TAKWEEN ADVANCED INDUSTRIES
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2019

8. PREPAID EXPENSES AND OTHER ASSETS

	September 30, 2019 (Un-audited) SR '000	December 31, 2018 (Audited) SR '000
Advances to suppliers	56,387	20,341
Rebate receivable	23,052	27,602
Prepaid expenses	12,155	5,019
Margin against bank guarantees and letter of credits	526	833
Value added tax	196	8,803
Other receivables	2,930	7,044
	95,246	69,642

9. BORROWINGS

	September 30, 2019 (Un-audited) SR '000	December 31, 2018 (Audited) SR '000
Medium and long-term loans (a)	356,837	500,585
Short-term loans (b)	697,336	575,671

a) Medium and long-term loans

	September 30, 2019 (Un-audited) SR '000	December 31, 2018 (Audited) SR '000
Commercial loan	275,014	409,311
Saudi Industrial development fund ("SIDF") Loans	81,823	91,274
	356,837	500,585
Less: current portion	217,743	223,370
	139,094	277,215

Commercial loan – The Group entered into Murabaha Facilities Agreement of SR 910 million with the Arab National Bank ("the lead bank"), on behalf of Murabaha Facilities Participants, for financing the acquisition of Saudi Plastic Packaging Systems ("Saudi Packaging") along with its two subsidiaries i.e. Al-Sharq Company for Plastic Industries Limited and New Marina for Plastic Industries Company (S.A.E.). The facility is secured by irrevocable and unconditional assignment of all rights, titles and interests to the sale contract entered into with the Al Othman Agricultural Production and Processing Company (NADA), a related party, revenue accounts of the Saudi Packaging, Advanced Fabrics Factory Company (SAAF) and a corporate guarantee from Al-Othman Holding Company, an affiliate.

In 2016, a repayment of SR 490 million was made in respect of this loan i.e. SR 90 million pertaining to scheduled loan installment and early repayment of SR 400 million. There was no change in the term of the loan, however repayment has been rescheduled accordingly. The Group is in breach of certain covenants of long term loan which is measured half yearly i.e. June and December every year. Management has taken necessary remedial action including obtaining waiver from the lead bank for the period ended June 30, 2018 and year ended December 31, 2018. The management of the Company is currently in the process of negotiating for new loans in order to resolve the breach of covenants in addition to restructuring of the existing loans. Management of the Company believes that it would be successful in renewing/restructuring these facilities as they become due and avail new facilities as required. Accordingly, this loan continues to be classified as non-current. During 2018, in continuation of the original Murabaha Facilities Agreement with Arab National Bank, the Company has restructured SR 150 million from short term loan to medium and long term loan.

TAKWEEN ADVANCED INDUSTRIES
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2019

9. BORROWINGS (Continued)

a) Medium and long-term loans (Continued)

SIDF loans - The Group entered into various loan agreements with SIDF to finance the construction of the plant facilities of the Group. The loans bear no periodic financing charges. The loans are secured by mortgage on the property, plant and equipment of the Group companies, two parcels of land owned by an affiliate and corporate guarantees from the Company.

In July 2009, SIDF sanctioned a loan to Ultrapak for SR 12.85 million to finance the modernization and expansion of production facilities. The loan is repayable in twelve unequal semi-annual installments commencing Rabi' I 1, 1431 (January 31, 2010). In 2012, Ultrapak entered into a further loan agreement with SIDF to finance expansion of production facilities for an additional amount of SR 12.7 million due in 13 unequal semi-annual installments, commencing Safar 15, 1435H (December 18, 2013). During 2014, these loans have been consolidated into one facility of SR 25.5 million with an additional drawdown of SR 1.6 million which is payable in 11 unequal semiannual installments commencing from 15 Safar, 1436H (December 7, 2014) and final payment is due on Safar 15, 1441H (October 14, 2019). During 2017, the loan was transferred to Saudi Packaging as a part of restructuring of the Group operations. On February 26, 2018, an agreement was signed with SIDF reflecting the transfer of the loan.

In September 2013, SAAF entered into a loan agreement with SIDF to finance the construction of its new production facilities for an amount of SR 125.7 million. Repayment of the loan is in 14 unequal semi-annual installments commencing from Shawwal 15, 1436H (July 31, 2015). In 2015, an amount of SR 12.5 million and in 2014 SR 113.2 million was drawn down by the SAAF. The Group is in breach of certain covenants of this loan which are measured on yearly basis. The management of the Company is currently in the process of rescheduling this loan with SIDF in order to resolve the breach of covenants. Management of the Company believes that it would be successful in rescheduling of this loan. Additionally, the Company has defaulted on the payment due as at June 18, 2019 amounting to SR 11.5 million. Accordingly, as of September 30, 2019, the long term portion of the loan has been reclassified to short term.

b) Short term loans

The Group has credit facilities agreements with local commercial banks and financial institutions comprising of overdrafts, short term loans, letters of credit and guarantee etc. Borrowings under the facilities bear financing charges at the prevailing market rates and are secured by demand order note, promissory notes in addition to corporate guarantees from Al-Othman Holding Company, an affiliate, to one local bank.

10. EMPLOYEE BENEFITS

	September 30, 2019 (Un-audited) SR '000	December 31, 2018 (Audited) SR '000
Opening balance as at January 1,	36,429	40,518
Expense charge for the period / year	4,723	6,426
Remeasurement loss	-	(4,364)
Employee benefits paid	(3,770)	(6,151)
Closing balance	37,382	36,429

TAKWEEN ADVANCED INDUSTRIES
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2019

10. EMPLOYEE BENEFITS (Continued)

Charge to condensed consolidated interim statement of profit or loss for the period / year:

	September 30, 2019 (Un-audited) SR '000	December 31, 2018 (Audited) SR '000
Current service cost	4,723	5,189
Interest cost	-	1,237
	4,723	6,426

Principal actuarial assumptions:

	December 31, 2018
Discount factor used	4.60%
Salary increase rate for the first year	4.60%
Rates of employees turnover	Moderate

Sensitivity analysis on present value of defined benefit obligations plan are as below;

	December 31, 2018	
	Percentage	Amount SR ('000)
Discount rate:		
Increase	+ 0.5 %	34,979
Decrease	- 0.5 %	37,899
Expected rate of salary:		
Increase	+ 0.5 %	38,027
Decrease	- 0.5 %	34,931

The actuarial valuation study has been conducted using projected unit credit method.

11. RELATED PARTIES TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

<u>Company</u>	<u>Relationship</u>
Al Othman Group of companies	Affiliates

During the period, the Group entered into the following transactions with related parties that are not members of the Group:

<u>Nature of transaction</u>	September 30, 2019 (Un-audited) SR '000	September 30, 2018 (Un-audited) SR '000
Revenue	50,152	60,715
IT services	3,881	4,107
Purchase of air tickets	2,241	2,912
Purchase of materials	1,542	-
Expenses incurred for affiliates	12	48
Rentals	1,517	1,279
Accommodation, food and other miscellaneous expenses	1,909	585

TAKWEEN ADVANCED INDUSTRIES
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2019

12. SEGMENTAL INFORMATION

Business segments:

Consistent with the Group's internal reporting process, business segments have been approved by management in respect of the Group's activities. The Group's principal activities are related to the following main business segments:

- Disposable polystyrene cups, lids, other plastic related products and others: These includes plastic packing and packaging products of polystyrene sheet rolls used in forming, immediate packing and packaging in thermoformed and polystyrene cups and lids, high density bottles used in dairy, food and beverage industry; and
- Non-woven fabrics: These includes the composite fabrics, for use in health, industrial and medical sectors, alcohol resistant and anti-static electricity fabrics used for surgical drapes, medical and protective gowns use and fabrics made for health usages, such as children and adult diapers and women's diapers.

The Group's total assets, total liabilities, revenue, income (loss) before zakat, finance costs and depreciation and amortization by business segment, are as follows:

	Disposable polystyrene cups, lids, other plastic-related products and others	Non-woven fabrics	Total
	SR '000	SR '000	SR '000
For the nine months ended September 30, 2019 (Un-audited)			
External revenue	733,734	203,557	937,291
Finance cost	37,258	8,496	45,754
Depreciation and amortization	56,508	22,779	79,287
Loss before zakat and income tax	(40,561)	(13,986)	(54,547)
As of September 30, 2019 (Un-audited)			
Total assets	1,591,373	532,126	2,123,499
Total liabilities	1,328,586	162,297	1,490,883
For the nine months ended September 30, 2019 (Un-audited)			
Segment revenue	737,500	203,557	941,057
Intersegment revenue	(3,766)	-	(3,766)
External revenue	733,734	203,557	937,291
As of September 30, 2019 (Un-audited)			
Segment assets	3,143,441	570,248	3,713,689
Consolidated adjustments	(1,552,068)	(38,122)	(1,590,190)
Total assets	1,591,373	532,126	2,123,499
Segment liabilities	1,651,514	464,458	2,115,972
Consolidated adjustments	(322,928)	(302,161)	(625,089)
Total liabilities	1,328,586	162,297	1,490,883

TAKWEEN ADVANCED INDUSTRIES
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2019

12. SEGMENTAL INFORMATION (Continued)

	Disposable polystyrene cups, lids, other plastic-related products and others	Non-woven fabrics	Total
	SR '000	SR '000	SR '000
For the nine months ended September 30, 2018 (Un-audited)			
External revenue	829,912	223,124	1,053,036
Finance cost	32,054	6,922	38,976
Depreciation and amortization	48,899	22,318	71,217
Income (loss) before zakat and income tax	1,218	(5,130)	(3,912)
As of December 31, 2018 (audited)			
Total assets	1,572,940	532,742	2,105,682
Total liabilities	1,263,909	158,245	1,422,154
For the nine months ended September 30, 2018 (Un-audited)			
Segment revenue	844,629	223,124	1,067,753
Intersegment revenue	(14,717)	-	(14,717)
External revenue	829,912	223,124	1,053,036
As of December 31, 2018 (audited)			
Segment assets	3,169,976	544,699	3,714,675
Consolidated adjustments	(1,597,036)	(11,957)	(1,608,993)
Total assets	1,572,940	532,742	2,105,682
Segment liabilities	1,605,016	420,187	2,025,203
Consolidated adjustments	(341,107)	(261,942)	(603,049)
Total liabilities	1,263,909	158,245	1,422,154

TAKWEEN ADVANCED INDUSTRIES
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2019

12. SEGMENTAL INFORMATION (Continued)

The Group's operations are conducted in Saudi Arabia, and the Arab Republic of Egypt. Selected financial information for the period / year then ended summarized by geographic area, was as follows:

	Kingdom of Saudi Arabia	Arab Republic of Egypt	Total
	SR '000	SR '000	SR '000
For the nine months ended September 30, 2019			
(Un-audited)			
External revenue	882,142	55,149	937,291
Finance cost	44,834	920	45,754
Depreciation and amortization	78,073	1,214	79,287
(Loss) income before zakat and income tax	(55,183)	636	(54,547)
As of September 30, 2019 (Un-audited)			
Total assets	2,039,766	83,733	2,123,499
Total liabilities	1,476,728	14,155	1,490,883
For the nine months ended September 30, 2019			
(Un-audited)			
Segment revenue	885,908	55,149	941,057
Intersegment revenue	(3,766)	-	(3,766)
External revenue	882,142	55,149	937,291
As of September 30, 2019 (Un-audited)			
Segment assets	3,629,956	83,733	3,713,689
Consolidated adjustments	(1,589,478)	(712)	(1,590,190)
Total assets	2,040,478	83,021	2,123,499
Segment liabilities	2,071,643	44,329	2,115,972
Consolidated adjustments	(594,915)	(30,174)	(625,089)
Total liabilities	1,476,728	14,155	1,490,883
For the nine months ended September 30, 2018			
(Un-audited)			
External revenue	994,279	58,757	1,053,036
Finance cost	37,769	1,207	38,976
Depreciation and amortization	69,905	1,312	71,217
(Loss) income before zakat and income tax	(7,648)	3,736	(3,912)
As of December 31, 2018 (audited)			
Total assets	2,035,715	69,967	2,105,682
Total liabilities	1,413,667	8,487	1,422,154

TAKWEEN ADVANCED INDUSTRIES
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2019

12. SEGMENTAL INFORMATION (Continued)

	Kingdom of Saudi Arabia	Arab Republic of Egypt	Total
	SR '000	SR '000	SR '000
For the nine months ended September 30, 2018			
(Un-audited)			
Segment revenue	1,008,996	58,757	1,067,753
Intersegment revenue	(14,717)	-	(14,717)
External revenue	994,279	58,757	1,053,036
As of December 31, 2018 (audited)			
Segment assets	3,643,994	70,681	3,714,675
Consolidated adjustments	(1,608,279)	(714)	(1,608,993)
Total assets	2,035,715	69,967	2,105,682
Segment liabilities	1,989,652	35,551	2,025,203
Consolidated adjustments	(575,985)	(27,064)	(603,049)
Total liabilities	1,413,667	8,487	1,422,154

13. (LOSS) EARNINGS PER SHARE

Basic (loss) earnings per share is calculated by dividing the (loss) earnings attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. With regard to diluted (loss) earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares, if any. (Loss) earnings per share are represented as follows:

	From January 1 to September 30	
	2019	2018
	(Un-audited)	(Un-audited)
Basic and dilutive (loss) earnings per share (SR)	(0.57)	0.03
(Loss) earnings for the period (SR '000)	(54,348)	2,498
Weighted average number of outstanding shares	95,000,000	95,000,000

TAKWEEN ADVANCED INDUSTRIES
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2019

14. FINANCIAL RISK MANAGEMENT

The Group's principal financial liabilities comprise trade and other payables / liabilities and loans. The Group's principal financial assets are cash and cash equivalents and trade and other receivables / assets. The main financial risks arising from the Group's financial instruments are market risk, credit risk and liquidity risk. Management reviews and agrees policies for managing each of these risks which are summarized below:

Market risk:

Market risk is the risk that changes in market prices, such as interest rates and foreign currency exchange rates may affect the Group's income. The Group was exposed to market risk, in the form of interest rate risk and foreign currency risk as described below, during the period under review. There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

Foreign currency risk management:

Foreign currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates. The Group's major financial assets and financial liabilities are denominated in Saudi Riyal, US Dollars (USD), Euro (EUR), Emirates Dirham (AED), and Egyptian Pounds (EGP). Saudi riyals and Emirates Dirham are pegged to the US Dollar, consequently balances in those currencies are not considered to represent a currency risk. Management monitors the fluctuations in Euro, Egyptian Pound currency exchange rates with Saudi Riyals and manages its effect on the financial statements accordingly. The Group did not have any significant foreign currency denominated monetary assets or liabilities at the reporting date except for assets and liabilities in Egyptian Pound, for which it was exposed to foreign currency fluctuations. Consequently, no foreign currency sensitivity analysis has been presented.

TAKWEEN ADVANCED INDUSTRIES
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2019

14. FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency risk management (Continued):

Following balances are exposed to foreign currency risks;

		September 30, 2019	December 31, 2018
		(Un-audited)	(Audited)
	Currency	SR '000	SR '000
Cash and cash equivalent	USD	16,902	2,645
	AED	2,073	395
	EGP	645	37
	EUR	369	1,093
		19,989	4,170
Trade receivables	USD	102,042	115,107
	EGP	24,842	13,566
	EUR	2,720	8,957
	AED	4,188	1,114
		133,792	138,744
Trade payable and other liabilities	USD	(29,741)	(13,494)
	EUR	(6,407)	(1,860)
	EGP	(1,716)	(1,075)
	AED	(122)	(26)
	BHD	(35)	-
	CHF	-	-
	GBP	(79)	(10)
	(38,100)	(16,465)	
Short-term loans	EGP	-	(14)
		-	(14)
Net statement of financial position exposure		115,681	126,435

Interest rate and liquidity risk management:

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

TAKWEEN ADVANCED INDUSTRIES
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2019

14. FINANCIAL RISK MANAGEMENT (Continued)

Interest rate and liquidity risk management (Continued):

The following table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows:

September 30, 2019	Within one year	One year to five years	Total
	SR '000	SR '000	SR '000
Trade payable and other liabilities	385,424	-	385,424
Short term loans	697,336	-	697,336
Medium and long term loan	217,743	139,094	356,837
	1,300,503	139,094	1,439,597
	Within one year	One year to five years	Total
	SR '000	SR '000	SR '000
December 31, 2018			
Trade payable and other liabilities	306,751	-	306,751
Short term loans	575,671	-	575,671
Medium and long term loan	223,370	277,215	500,585
	1,105,792	277,215	1,383,007

*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has interest bearing loans at September 30, 2019.

The Group is exposed to interest rate risk because entities in the Group borrow funds at floating interest rates. The group does not hedge its exposure to movements in interest rates. Management limits the Group's interest rate risk by monitoring changes in interest rates.

As at September 30, 2019 the Group's current liabilities exceed its current assets. The Group is managing its future cash flow requirements through the cash inflows from operations and unavailed credit facilities. Management is confident of its ability to renew these facilities as they become due and avail new facilities as required in addition to restructuring its short term loans to medium and long term loans as the need necessitates.

Credit risk:

Credit risk is the risk that one party may fail to discharge an obligation and cause the other party to incur a financial loss. The Group has no significant concentration of credit risk. Cash and cash equivalents are placed with national banks with sound banking reputation. Trade and other accounts receivable are mainly due from local customers and related parties and are stated at amortized cost.

TAKWEEN ADVANCED INDUSTRIES
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2019

14. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued):

The maximum exposure to credit risk at the reporting date was

Description	September 30, 2019 (Un-audited) SR '000	December 31, 2018 (Audited) SR '000
Trade receivables	397,687	389,678
Trade receivables – related parties	13,250	22,241
Due from a related party	-	93
Other assets	26,508	35,479
Cash at bank	49,916	9,718
	487,361	457,209

The Group seeks to manage its credit risk with respect to banks by only dealing with reputable banks. With respect to credit risk arising from the financial assets of the Group, including receivables from employees and bank balances, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these assets in the condensed consolidated interim statement of financial position.

Capital management:

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from the previous period/year.

The capital structure of the Group consists of equity and debt, comprising share capital, accumulated losses, other reserves and loans. The Group is not subject to any externally imposed capital requirements.

Fair value of financial instruments:

The directors consider that the carrying values of the financial instruments reported in the condensed consolidated interim statement of financial position approximate their fair values.

15. STATUTORY RESERVE

During the period ended March 31, 2018, the board of directors, in their meeting dated March 20, 2018, has recommended to utilize the statutory reserve against accumulated losses, which was later approved by the shareholders in the annual general meeting held on April 17, 2018. Accordingly, the balance of statutory reserve was adjusted against the accumulated losses.

TAKWEEN ADVANCED INDUSTRIES
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2019

16. CONTINGENCIES AND COMMITMENTS

The Group had the following contingencies and commitments:

	September 30, 2019 (Un-audited) SR '000	December 31, 2018 (Audited) SR '000
Letters of credit	<u>34,686</u>	<u>31,250</u>
Letters of guarantee and others	<u>3,055</u>	<u>3,690</u>
Capital commitments against purchase of property, plant and equipment	<u>40,042</u>	<u>15,036</u>

17. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved by the Board of Directors for issuance on November 6, 2019 corresponding to Rabi Al- Awwal 9, 1441H.