

TAKWEEN ADVANCED INDUSTRIES
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS (UN-AUDITED)
FOR THE THREE AND SIX MONTHS PERIODS ENDED
JUNE 30, 2020
WITH INDEPENDENT AUDITOR'S REVIEW REPORT**

TAKWEEN ADVANCED INDUSTRIES
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2020
WITH INDEPENDENT AUDITOR'S REVIEW REPORT

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**INDEPENDENT AUDITOR'S REVIEW REPORT ON CONDENSED
 CONSOLIDATED INTERIM 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 June 30, 2020, the related condensed consolidated interim statement of profit or loss and other comprehensive income for the three and six months periods then ended, the condensed consolidated interim statements of changes in equity and cash flows for the six months period then ended and notes including 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" ("IAS 34") 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.

Emphasis of matter

We draw attention to Note 1 of the condensed consolidated financial statements which states that management performed annual impairment testing of Goodwill amounting to SR 323.58 million as of December 31, 2019. The assessment, which was reviewed by an independent party for the reasonableness of the methodology used by management, included assumptions related to the future sales volume, prices, operating assets, growth rates, terminal value and other related assets. The outcome of those assumptions is highly dependent on the success of the future operations of the Group and market conditions as estimated by management and achieving its plans in future. Management considers the assumptions to be realistic and achievable in view of its operational plan and is confident of its ability to meet these future plans. Management believes that the carrying value of cash generating units' assets including goodwill does not exceed their recoverable amount. Accordingly, no impairment was recorded for goodwill as of December 31, 2019 and June 30, 2020.

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 July 21, 2020

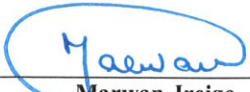


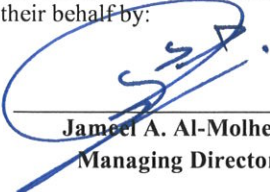
TAKWEEN ADVANCED INDUSTRIES
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2020

		June30, 2020 (Un-audited) SR '000	December 31, 2019 (Audited) SR '000
	<u>Note</u>		
ASSETS			
Non-current assets			
Property, plant and equipment		978,373	1,009,262
Intangible assets		4,356	4,934
Goodwill		323,582	323,582
Total non-current assets		<u>1,306,311</u>	<u>1,337,778</u>
Current assets			
Inventories	5	241,652	240,863
Trade receivables	6	309,069	289,316
Prepaid expenses and other assets		40,113	51,162
Investment held at amortized cost		-	7,016
Cash and cash equivalents		51,029	40,274
Total current assets		<u>641,863</u>	<u>628,631</u>
TOTAL ASSETS		<u>1,948,174</u>	<u>1,966,409</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	1	950,000	950,000
Other reserves		(43,592)	(43,392)
Accumulated losses		(322,455)	(313,694)
Total equity		<u>583,953</u>	<u>592,914</u>
LIABILITIES			
Non-current liabilities			
Medium and long term loans	7	312,272	173,934
Lease liabilities – non-current portion		16,608	16,147
Employee benefits		36,726	35,769
Total non-current liabilities		<u>365,606</u>	<u>225,850</u>
Current liabilities			
Current portion of medium and long term loans	7	91,782	174,420
Short-term loans	7	485,779	695,313
Lease liabilities – current portion		743	1,409
Trade payables and other liabilities		420,311	276,503
Total current liabilities		<u>998,615</u>	<u>1,147,645</u>
Total liabilities		<u>1,364,221</u>	<u>1,373,495</u>
TOTAL EQUITY AND LIABILITIES		<u>1,948,174</u>	<u>1,966,409</u>

These condensed consolidated interim financial statements were authorized for issue by board of directors, on behalf of shareholders on July 21, 2020 and signed on their behalf by:


Marwan Jreige
Chief Financial Officer


Jameel A. Al-Molhem
Managing Director


Abdulmohsen Al-Othman
Chairman

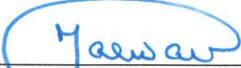
The accompanying notes form an integral part of these condensed consolidated interim financial statements.

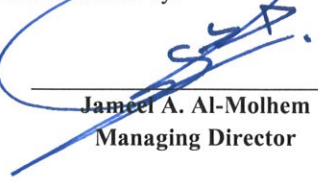
TAKWEEN ADVANCED INDUSTRIES
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2020**

	Note	From April 1 to June 30		From January 1 to June 30	
		2020 (Un-audited) SR '000	2019 (Un-audited) SR '000	2020 (Un-audited) SR '000	2019 (Un-audited) SR '000
Revenue	8, 9	292,720	319,149	566,734	622,619
Cost of revenue	8	(244,362)	(288,407)	(492,901)	(558,897)
Gross profit		48,358	30,742	73,833	63,722
Administrative expenses	8	(13,760)	(19,545)	(30,293)	(38,848)
Selling, marketing and distribution expenses		(15,598)	(13,816)	(29,911)	(27,620)
Research expenses		(333)	(211)	(739)	(516)
Operating income (loss)		18,667	(2,830)	12,890	(3,262)
Finance charges	9	(11,519)	(14,851)	(25,406)	(28,976)
Other income, net		2,884	4,528	3,755	6,746
Income (loss) before zakat and income tax		10,032	(13,153)	(8,761)	(25,492)
Zakat and income tax		-	121	-	(88)
Net income (loss) for the period		10,032	(13,032)	(8,761)	(25,580)
Other Comprehensive income (loss):					
<i>Item that may be reclassified to statement of profit or loss</i>					
Exchange differences on translation of foreign operation		(1,001)	1,404	(200)	2,535
Other comprehensive (loss) income for the period		(1,001)	1,404	(200)	2,535
Total comprehensive income (loss) for the period		9,031	(11,628)	(8,961)	(23,045)
Earnings (loss) per share (SR)					
Basic and diluted earnings (loss) per share	10	0.11	(0.14)	(0.09)	(0.27)

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Marwan Jreige
Chief Financial Officer


Jameel A. Al-Molhem
Managing Director


Abdulmohsen Al-Othman
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 SIX MONTHS PERIOD ENDED JUNE 30, 2020

	Share capital SR '000	Other reserves SR '000	Accumulated losses SR '000	Total SR '000
Balance as at January 1, 2019 (audited)	950,000	(49,495)	(216,977)	683,528
Net loss for the period	-	-	(25,580)	(25,580)
Other comprehensive income for the period	-	2,535	-	2,535
Total comprehensive income (loss) for the period	-	2,535	(25,580)	(23,045)
Balance as at June 30, 2019 (un-audited)	<u>950,000</u>	<u>(46,960)</u>	<u>(242,557)</u>	<u>660,483</u>
Balance as at January 1, 2020 (audited)	950,000	(43,392)	(313,694)	592,914
Net loss for the period	-	-	(8,761)	(8,761)
Other comprehensive loss for the period	-	(200)	-	(200)
Total comprehensive loss for the period	-	(200)	(8,761)	(8,961)
Balance as at June 30, 2020 (un-audited)	<u>950,000</u>	<u>(43,592)</u>	<u>(322,455)</u>	<u>583,953</u>

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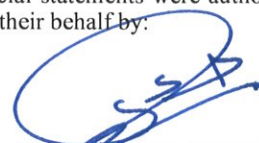
TAKWEEN ADVANCED INDUSTRIES
(A SAUDI JOINT STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

	For the six months periods ended	
	June 30, 2020 (Un-audited) SR '000	June 30, 2019 (Un-audited) SR '000
OPERATING ACTIVITIES		
Net loss for the period	(8,761)	(25,580)
<i>Adjustments for:</i>		
Depreciation and amortization	49,909	51,775
Provision for zakat and income tax	-	88
Write off of property, plant and equipment	260	-
Reversal for impairment of trade receivables	(1,204)	-
Allowance (reversal of allowance) for inventories	1,130	(3,591)
Finance charges	25,406	28,976
Provision for employee benefits	3,025	3,123
	<u>69,765</u>	<u>54,791</u>
Movement in working capital:		
Inventories	(1,907)	(16,927)
Trade receivables	(18,523)	(21,932)
Prepaid expenses and other assets	11,049	(77,606)
Trade payables and other liabilities	143,808	48,816
Cash generated from (used in) operations	<u>204,192</u>	<u>(12,858)</u>
Finance charges paid	(24,988)	(28,955)
Employee benefits paid	(2,068)	(2,651)
Net cash generated from (used in) operating activities	<u>177,136</u>	<u>(44,464)</u>
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(18,817)	(9,758)
Proceeds from disposal of investment held at amortized costs	7,016	-
Net cash used in investing activities	<u>(11,801)</u>	<u>(9,758)</u>
FINANCING ACTIVITIES		
Change in short term loans	(134,534)	155,746
Changes in medium and long term loans	(19,300)	(68,109)
Repayment of principal of lease liability	(623)	-
Net cash (used in) generated from financing activities	<u>(154,457)</u>	<u>87,637</u>

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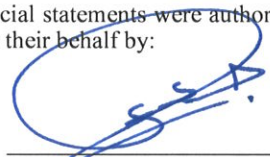
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (Continued)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

	For the six months period ended	
	June 30, 2020 (Un-audited) SR '000	June 30, 2019 (Un-audited) SR '000
Net change in cash and cash equivalents	10,878	33,415
Cash and cash equivalents at the beginning of the period	40,274	9,943
Foreign currency translation reserve	(123)	1,945
Cash and cash equivalents at the end of the period	51,029	45,303
NON-CASH TRANSACTIONS:		
Recognition of right of use assets and lease liabilities on adoption of IFRS 16	-	11,186
Re-scheduling of short term loans to medium and long term loans	75,000	-

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TAKWEEN ADVANCED INDUSTRIES
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

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 Company and its subsidiaries (“the Group”), 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 June 30, 2020, the current liabilities of the Group exceeded its current assets by SR 356.8 million (December 31, 2019: SR 519 million) mainly on account of short term loans and current portion of medium and long term loans amounting to SR 485.8 million and SR 91.8 million, respectively (December 31, 2019: SR 695.3 million and SR 174.4 million, respectively). Additionally, as mentioned in note 7, the Group was in breach of its loans’ financial covenants as of June 30, 2020. The Group is currently taking necessary remedial actions in order to resolve the breach in covenants. Management of the Company believes that it would be successful in resolving the breach in near future in addition to availing new facilities as required. Accordingly, these condensed consolidated interim financial statements have been prepared on going concern basis and loans are continued to be classified as per their original terms of repayment.

Management performed annual impairment testing of Goodwill amounting to SR 323.58 million as of December 31, 2019. The assessment, which was reviewed by an independent party for the reasonableness of the methodology used by management, included assumptions related to the future sales volume, prices, operating assets, growth rates, terminal value and other related assets. The outcome of those assumptions is highly dependent on the success of the future operations of the Group and market conditions as estimated by management and achieving its plans in future. Management considers these assumptions to be realistic and achievable in view of its operational plan and is confident of its ability to meet these future plans. Management believes that the carrying value of cash generating units’ assets including goodwill does not exceed their recoverable amount. Accordingly, no impairment was recorded for goodwill as of December 31, 2019 and June 30, 2020.

On June 8, 2020, the Company signed a non-binding memorandum of understanding with a third party to sell 70% of the entire shares of the Advanced Fabrics Factory Company - SAAF (one of the subsidiaries of the Group). The agreement stipulated various conditions including preliminary fair value for the entire shares of SAAF of SR 307.5 million, completion of a due diligence exercise and other related matters. Negotiations on the final agreement will be made following the completion of the due diligence exercise and will be subject to approval of the Board of Directors of both parties and other relevant regulatory requirements. The financial impact of this agreement will be determined later and will be reflected in the financial period in which the final agreement will be signed.

TAKWEEN ADVANCED INDUSTRIES
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

2. STRUCTURE OF THE GROUP

The condensed consolidated interim financial statements include the financial statements of the Company and its subsidiaries as listed below:

	Effective ownership	
	June 30, 2020	December 31, 2019
• 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 six months period ended June 30, 2020 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, 2019.

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 where International Financial Reporting Standards (“IFRSs”) requires other measurement basis.

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.

The preparation of condensed consolidated interim financial statements 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.

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 SIX MONTHS PERIOD ENDED JUNE 30, 2020

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
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 New Standards, Amendments to Standards and Interpretations

A number of new standards, amendments to standards are effective from January 1, 2020 but they do not have a material effect on the Group's condensed consolidated interim financial statements.

5. INVENTORIES

	June 30, 2020 (Un-audited) SR '000	December 31, 2019 (Audited) SR '000
Finished goods	80,441	95,042
Raw and packaging materials and work in process	134,832	120,293
Spare parts	53,143	51,174
	268,416	266,509
Allowance for inventories	(26,764)	(25,646)
	241,652	240,863

6. TRADE RECEIVABLES

	June 30, 2020 (Un-audited) SR '000	December 31, 2019 (Audited) SR '000
Trade receivables	335,198	337,484
Trade receivables - related parties	23,127	2,302
Due from a related party	-	17
	358,325	339,803
Allowance for impairment of trade receivables	(49,256)	(50,487)
	309,069	289,316

7. BORROWINGS

	June 30, 2020 (Un-audited) SR '000	December 31, 2019 (Audited) SR '000
Medium and long-term loans (a)	404,054	348,354
Short-term loans (b)	485,779	695,313

a) Medium and long-term loans

	June 30, 2020 (Un-audited) SR '000	December 31, 2019 (Audited) SR '000
Commercial loans	336,269	280,989
Saudi Industrial development fund ("SIDF") Loans	67,785	67,365
	404,054	348,354
Less: current portion	91,782	174,420
	312,272	173,934

TAKWEEN ADVANCED INDUSTRIES
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

7. BORROWINGS (Continued)

a) Medium and long-term loans (Continued)

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 was rescheduled accordingly. During 2018 and 2020, in continuation of the original Murabaha Facilities Agreement with Arab National Bank, the Company has restructured SR 150 million and SR 75 million respectively from short term loan to medium and long term loan.

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 year ended December 31, 2019 and for the period ended June 30, 2020. Management of the Company believes that it would be successful in resolving the breach in near future in addition to availing new facilities as required. Accordingly, this loan continues to be classified as non-current.

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 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. This loan has been restructured during the period ended June 30, 2020. Management of the Company believes that it would be successful resolving the breach in near future. Accordingly, as of June 30, 2020, this loan is continued to be classified as per its original terms of repayment.

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.

8. 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.

Company

Relationship

Al Othman Group of companies

Affiliates

TAKWEEN ADVANCED INDUSTRIES
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

8. RELATED PARTIES TRANSACTIONS (Continued)

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>	June 30, 2020 (Un-audited)	June 30, 2019 (Un-audited)
	SR '000	SR '000
Revenue	31,219	36,862
IT services	2,667	1,897
Accommodation, food and other miscellaneous expenses	1,287	2,050
Rentals	877	889
Purchase of materials	865	792
Purchase of air tickets	799	1,393
Expenses incurred for affiliates	-	6

9. 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
2020			
For the six months period ended June 30, 2020 (Un-audited)			
External revenue	399,177	167,557	566,734
Finance cost	19,669	5,737	25,406
Depreciation and amortization	34,516	15,393	49,909
(Loss) income before zakat and income tax	(25,355)	16,594	(8,761)
For the three months period from April 1 to June 30, 2020 (Un-audited)			
External revenue	198,538	94,182	292,720
Finance cost	8,882	2,637	11,519
Depreciation and amortization	17,394	7,703	25,097
(Loss) income before zakat and income tax	(9,483)	19,515	10,032

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

9. 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 six months period ended June 30, 2020 (Un-audited)			
Segment revenue	404,067	167,557	571,624
Intersegment revenue	(4,890)	-	(4,890)
External revenue	399,177	167,557	566,734
For the three months period from April 1 to June 30, 2020 (Un-audited)			
Segment revenue	201,790	94,182	295,972
Intersegment revenue	(3,252)	-	(3,252)
External revenue	198,538	94,182	292,720
As of June 30, 2020 (Un-audited)			
Total assets	1,471,290	476,884	1,948,174
Total liabilities	1,220,639	143,582	1,364,221
As of June 30, 2020 (Un-audited)			
Segment assets	3,052,549	550,647	3,603,196
Consolidated adjustments	(1,581,259)	(73,763)	(1,655,022)
Total assets	1,471,290	476,884	1,948,174
Segment liabilities	1,643,177	434,439	2,077,616
Consolidated adjustments	(422,538)	(290,857)	(713,395)
Total liabilities	1,220,639	143,582	1,364,221
2019			
For the six months ended June 30, 2019 (Un-audited)			
External revenue	483,329	139,290	622,619
Finance cost	23,651	5,325	28,976
Depreciation and amortization	35,905	15,870	51,775
Loss before zakat and income tax	(20,435)	(5,057)	(25,492)

TAKWEEN ADVANCED INDUSTRIES
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

9. 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 three months period from April 1 to June 30, 2019 (Un-audited)			
External revenue	252,886	66,263	319,149
Finance cost	11,808	3,043	14,851
Depreciation and amortization	17,941	7,725	25,666
Loss before zakat and income tax	(9,773)	(3,380)	(13,153)
For the six months ended June 30, 2019 (Un-audited)			
Segment revenue	497,432	139,290	636,722
Intersegment revenue	(14,103)	-	(14,103)
External revenue	483,329	139,290	622,619
For the three months period from April 1 to June 30, 2019 (Un-audited)			
Segment revenue	265,533	66,263	331,796
Intersegment revenue	(12,647)	-	(12,647)
External revenue	252,886	66,263	319,149
As of December 31, 2019 (audited)			
Total assets	1,465,072	501,337	1,966,409
Total liabilities	1,246,115	127,380	1,373,495
As of June 30, 2019 (Un-audited)			
Total assets	1,672,000	558,795	2,230,795
Total liabilities	1,390,854	179,458	1,570,312
As of December 31, 2019 (audited)			
Segment assets	2,939,120	534,624	3,473,744
Consolidated adjustments	(1,474,048)	(33,287)	(1,507,335)
Total assets	1,465,072	501,337	1,966,409
Segment liabilities	1,504,403	435,010	1,939,413
Consolidated adjustments	(258,288)	(307,630)	(565,918)
Total liabilities	1,246,115	127,380	1,373,495

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FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

9. SEGMENTAL INFORMATION (Continued)

	Disposable polystyrene cups, lids, other plastic-related products and others	Non-woven fabrics	Total
	SR '000	SR '000	SR '000
As of June 30, 2019 (Un-audited)			
Segment assets	3,334,796	584,524	3,919,320
Consolidated adjustments	(1,662,796)	(25,729)	(1,688,525)
Total assets	1,672,000	558,795	2,230,795
Segment liabilities	1,804,443	469,804	2,274,247
Consolidated adjustments	(413,589)	(290,346)	(703,935)
Total liabilities	1,390,854	179,458	1,570,312

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
2020			
For the six months period ended June 30, 2020 (Un-audited)			
External revenue	544,216	22,518	566,734
Finance cost	25,202	204	25,406
Depreciation and amortization	48,937	972	49,909
Loss before zakat and income tax	(6,327)	(2,434)	(8,761)
For the three months period from April 1 to June 30, 2020 (Un-audited)			
External revenue	282,192	10,528	292,720
Finance cost	11,397	122	11,519
Depreciation and amortization	24,615	482	25,097
Loss before zakat and income tax	11,143	(1,111)	10,032
For the six months period ended June 30, 2020 (Un-audited)			
Segment revenue	549,106	22,518	571,624
Intersegment revenue	(4,890)	-	(4,890)
External revenue	544,216	22,518	566,734
For the three months period from April 1 to June 30, 2020 (Un-audited)			
Segment revenue	285,444	10,528	295,972
Intersegment revenue	(3,252)	-	(3,252)
External revenue	282,192	10,528	292,720

TAKWEEN ADVANCED INDUSTRIES
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

9. SEGMENTAL INFORMATION (Continued)

	Kingdom of Saudi Arabia	Arab Republic of Egypt	Total
	SR '000	SR '000	SR '000
As of June 30, 2020 (Un-audited)			
Total assets	1,876,203	71,971	1,948,174
Total liabilities	1,347,725	16,496	1,364,221
As of June 30, 2020 (Un-audited)			
Segment assets	3,530,513	72,683	3,603,196
Consolidated adjustments	(1,654,310)	(712)	(1,655,022)
Total assets	1,876,203	71,971	1,948,174
Segment liabilities	2,035,981	41,635	2,077,616
Consolidated adjustments	(688,256)	(25,139)	(713,395)
Total liabilities	1,347,725	16,496	1,364,221
	Kingdom of Saudi Arabia	Arab Republic of Egypt	Total
	SR '000	SR '000	SR '000

2019

For the six months ended June 30, 2019 (Un-audited)

External revenue	584,763	37,856	622,619
Finance cost	28,449	527	28,976
Depreciation and amortization	51,006	769	51,775
(Loss) income before zakat and income tax	(26,353)	861	(25,492)

For the three months period from April 1 to June 30, 2019 (Un-audited)

External revenue	302,546	16,603	319,149
Finance cost	15,027	(176)	14,851
Depreciation and amortization	25,402	264	25,666
Loss before zakat and income tax	(13,272)	119	(13,153)

For the six months ended June 30, 2019 (Un-audited)

Segment revenue	598,866	37,856	636,722
Intersegment revenue	(14,103)	-	(14,103)
External revenue	584,763	37,856	622,619

For the three months period from April 1 to June 30, 2019 (Un-audited)

Segment revenue	315,193	16,603	331,796
Intersegment revenue	(12,647)	-	(12,647)
External revenue	302,546	16,603	319,149

TAKWEEN ADVANCED INDUSTRIES
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

9. SEGMENTAL INFORMATION (Continued)

	Kingdom of Saudi Arabia	Arab Republic of Egypt	Total
	SR '000	SR '000	SR '000
As of December 31, 2019 (audited)			
Total assets	1,896,810	69,599	1,966,409
Total liabilities	1,361,916	11,579	1,373,495
As of June 30, 2019 (Un-audited)			
Total assets	2,141,085	89,710	2,230,795
Total liabilities	1,548,212	22,100	1,570,312
As of December 31, 2019 (audited)			
Segment assets	3,403,432	70,312	3,473,744
Consolidated adjustments	(1,506,622)	(713)	(1,507,335)
Total assets	1,896,810	69,599	1,966,409
Segment liabilities	1,902,786	36,627	1,939,413
Consolidated adjustments	(540,870)	(25,048)	(565,918)
Total liabilities	1,361,916	11,579	1,373,495
As of June 30, 2019 (Un-audited)			
Segment assets	3,828,896	90,424	3,919,320
Consolidated adjustments	(1,687,811)	(714)	(1,688,525)
Total assets	2,141,085	89,710	2,230,795
Segment liabilities	2,222,262	51,985	2,274,247
Consolidated adjustments	(674,050)	(29,885)	(703,935)
Total liabilities	1,548,212	22,100	1,570,312

10. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. With regard to diluted loss 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 per share are represented as follows:

	From January 1 to June 30	
	2020	2019
	(Un-audited)	(Un-audited)
Basic and dilutive loss per share (SR)	(0.09)	(0.27)
Loss for the period (SR '000)	(8,761)	(25,580)
Weighted average number of outstanding shares	95,000,000	95,000,000

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2020

11. CONTINGENCIES AND COMMITMENTS

The Group had the following contingencies and commitments:

	June 30, 2020 (Un-audited) SR '000	December 31, 2019 (Audited) SR '000
Letters of credit	<u>16,378</u>	<u>32,149</u>
Letters of guarantee and others	<u>2,095</u>	<u>2,404</u>
Capital commitments against purchase of property, plant and equipment	<u>48,351</u>	<u>41,830</u>

12. SIGNIFICANT EVENT

In March 2020, the Kingdom of Saudi Arabia announced a global pandemic due to the novel coronavirus (COVID-19). The impact of outbreak and long hours of curfew has caused a significant change in business activities and increase in economy uncertainty. The Group proactively took a range of operational preventive measures in response to the situation by modifying certain operations to comply with health and safety guidelines to protect employees, customers and suppliers, secure smooth supply chain process to avoid any business interruption benefiting from all supports announced by the Government for the private sectors.

Management believes that the Covid-19 pandemic had no major impact on the Group reported results for the period ended June 2020 due to the steps taken by the company and the diversification of its portfolio, the company will continue to assess this situation moving forward.

13. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved by the Board of Directors for issuance on July 21, 2020 corresponding to Dhul Qa'dah 30, 1441H.