



Dr. Mohamed Al-Amri & Co.
Accountants & Consultants

**FILLING AND PACKING MATERIALS
MANUFACTURING COMPANY**
(A Saudi Joint Stock Company)

**FINANCIAL STATEMENTS FOR
THE YEAR ENDED DECEMBER 31, 2012
AND INDEPENDENT AUDITOR'S REPORT**

FILLING AND PACKING MATERIALS MANUFACTURING COMPANY
(A Saudi Joint Stock Company)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Filling and Packing Materials Manufacturing Company
Riyadh – Kingdom of Saudi Arabia

Scope of Audit:

We have audited the accompanying balance sheet of Filling and Packing Materials Manufacturing Company (A Saudi Joint Stock Company) ("the Company") as of December 31, 2012 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended, including the related notes from 1 to 23. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with the provisions of the Regulations for Companies and presented to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit.


We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified Opinion:



In our opinion, the accompanying financial statements, taken as a whole:

- present fairly, in all material respects, the financial position of **Filling and Packing Materials Manufacturing Company** as of December 31, 2012 and the results of its operations, cash flows and changes in shareholders' equity for the year then ended in conformity with generally accepted accounting principles in the Kingdom of Saudi Arabia; and
- comply with the requirements of the Regulations for Companies and the Company's Articles of Association with respect to the preparation and presentation of financial statements.

For Dr. Mohamed Al-Amri & Co.


Gihad Al-Amri
Certified Public Accountant
Registration No. 362



January 19, 2013 (G)
Rabi Al-Awwal 7, 1434 (H)

FILLING AND PACKING MATERIALS MANUFACTURING COMPANY
(A Saudi Joint Stock Company)

BALANCE SHEET
AS OF DECEMBER 31, 2012

| | | 2012 SR | 2011 SR |
|--|----|--------------------|--------------------|
| Current assets | | | |
| Cash and cash equivalents | 3 | 39,258,468 | 22,514,904 |
| Investments - Murabaha | | 5,870,402 | 5,817,440 |
| Accounts receivable | 4 | 32,294,514 | 39,433,097 |
| Inventories and work in progress | 5 | 35,083,548 | 29,581,446 |
| Prepayments and other receivables | 6 | 10,419,390 | 12,143,872 |
| Total current assets | | 122,926,322 | 109,490,759 |
| Non-current assets | | | |
| Property, plant and equipment | 7 | 80,681,453 | 76,671,146 |
| Spare parts | | 3,126,422 | 2,858,485 |
| Projects in progress | 8 | 7,367,025 | 9,550,668 |
| Intangible assets | | 1,273,637 | 1,594,346 |
| Total non-current assets | | 92,448,537 | 90,674,645 |
| TOTAL ASSETS | | 215,374,859 | 200,165,404 |
| <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u> | | | |
| Current liabilities | | | |
| Current portion of long-term loan | 9 | 3,500,000 | 2,400,000 |
| Accounts payable | | 8,595,917 | 6,898,340 |
| Accruals and other payables | 10 | 11,603,581 | 8,919,339 |
| Dividends unpaid | 19 | 5,187,401 | 5,333,166 |
| Provision for zakat | 11 | 2,530,965 | 2,307,903 |
| Total current liabilities | | 31,417,864 | 25,858,748 |
| Non-current liabilities | | | |
| Long-term loan | 9 | 16,228,000 | 19,728,000 |
| Employees end of service benefits | 12 | 5,581,612 | 4,526,671 |
| Total non-current liabilities | | 21,809,612 | 24,254,671 |
| Total liabilities | | 53,227,476 | 50,113,419 |
| Shareholders' equity | | | |
| Share capital | 1 | 115,000,000 | 115,000,000 |
| Statutory reserve | | 8,229,486 | 5,714,946 |
| Retained earnings | | 38,917,897 | 29,337,039 |
| Total shareholders' equity | | 162,147,383 | 150,051,985 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 215,374,859 | 200,165,404 |

The accompanying notes 1 through 23 form an integral part of these financial statements.

FILLING AND PACKING MATERIALS MANUFACTURING COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2012

| | <u>Note</u> | <u>2012</u> <u>SR</u> | <u>2011</u> <u>SR</u> |
|--|-------------|--------------------------|--------------------------|
| Net sales | | 206,648,716 | 205,837,578 |
| Cost of sales | | <u>(163,616,967)</u> | <u>(173,845,065)</u> |
| Gross profit | | 43,031,749 | 31,992,513 |
| Selling and distribution expenses | 14 | <u>(6,367,914)</u> | <u>(6,276,175)</u> |
| General and administrative expenses | 15 | <u>(8,791,222)</u> | <u>(7,230,677)</u> |
| Income from continuing main operation | | 27,872,613 | 18,485,661 |
| Finance charges | 16 | <u>(574,009)</u> | <u>(458,578)</u> |
| Other income/(expenses) | 17 | <u>366,184</u> | <u>(253,682)</u> |
| Net income before zakat | | 27,664,788 | 17,773,401 |
| Provision for zakat | 11 | <u>(2,519,390)</u> | <u>(2,049,944)</u> |
| Net income | | <u>25,145,398</u> | <u>15,723,457</u> |
| Earnings (loss) per share from: | | | |
| Continuing main operations | | <u>2.42</u> | <u>1.61</u> |
| Continuing other operations | | <u>(0.23)</u> | <u>(0.24)</u> |
| Earnings per share | | <u>2.19</u> | <u>1.37</u> |

The accompanying notes 1 through 23 form an integral part of these financial statements.

FILLING AND PACKING MATERIALS MANUFACTURING COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

| <u>CASH FLOWS FROM OPERATING ACTIVITIES:</u> | 2012 | 2011 |
|---|---------------------|--------------------|
| | SR | SR |
| Net income before zakat | 27,664,788 | 17,773,401 |
| <i>Adjustments to reconcile net income before zakat to net cash provided by operating activities:</i> | | |
| Provision for doubtful debts, net of amounts written off | 278,950 | 220,000 |
| Provision for slow moving and defective inventories | 1,245,806 | - |
| Depreciation and amortization | 8,675,860 | 7,122,171 |
| Loss/(gain) on sale of property, plant and equipment | 21,608 | (108,358) |
| Investment income | (52,962) | (118,356) |
| Employees end of service benefits (net) | 1,054,941 | 990,997 |
| (Increase) decrease in operating assets: | | |
| Accounts receivable | 6,859,633 | (17,174,526) |
| Inventories and work in progress, & spare parts for plant & equipment | (7,015,845) | 2,210,896 |
| Prepayments and other receivables | 1,724,482 | (3,704,206) |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | 1,697,577 | 224,852 |
| Accruals and other payables | 2,684,242 | (154,224) |
| Cash from operations | 44,839,080 | 7,282,647 |
| Zakat paid | (2,296,328) | (2,187,081) |
| Net cash provided by operating activities | 42,542,752 | 5,095,566 |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES:</u> | | |
| Proceeds from disposal of investments | - | 23,500,000 |
| Purchase of property, plant and equipment, & projects in progress | (10,211,816) | (13,573,621) |
| Proceeds from sale of property, plant and equipment | 8,393 | 165,735 |
| Intangible assets | - | (700,000) |
| Net cash (used in) provided by investing activities | (10,203,423) | 9,392,114 |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES:</u> | | |
| Loan from Saudi Industrial Development Fund | - | 7,909,000 |
| Repayment of loans | (2,400,000) | (1,700,000) |
| Payments to the Board of Directors | (1,550,000) | (1,350,000) |
| Dividends paid | (11,645,765) | (11,527,255) |
| Net cash used in financing activities | (15,595,765) | (6,668,255) |
| Net increase in cash and cash equivalents | 16,743,564 | 7,819,425 |
| Cash and cash equivalents at the beginning of the year | 22,514,904 | 14,695,479 |
| Cash and cash equivalents at the end of the year | 39,258,468 | 22,514,904 |

The accompanying notes 1 through 23 form an integral part of these financial statements.

FILLING AND PACKING MATERIALS MANUFACTURING COMPANY
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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2012

| | SHARE CAPITAL SR | STATUTORY RESERVE SR | RETAINED EARNINGS SR | TOTAL SR |
|--|------------------------|----------------------------|----------------------------|--------------------|
| 2012 | | | | |
| Balance, January 1, 2012 | 115,000,000 | 5,714,946 | 29,337,039 | 150,051,985 |
| Dividends (note 18) | - | - | (11,500,000) | (11,500,000) |
| Board of Directors' remuneration (note 18) | - | - | (1,550,000) | (1,550,000) |
| Net income | - | - | 25,145,398 | 25,145,398 |
| Transfer to statutory reserve | - | 2,514,540 | (2,514,540) | - |
| Balance, December 31, 2012 | <u>115,000,000</u> | <u>8,229,486</u> | <u>38,917,897</u> | <u>162,147,383</u> |
| 2011 | | | | |
| Balance, January 1, 2011 | 115,000,000 | 4,142,600 | 28,035,928 | 147,178,528 |
| Dividends (note 18) | - | - | (11,500,000) | (11,500,000) |
| Board of Directors' remuneration (note 18) | - | - | (1,350,000) | (1,350,000) |
| Net income | - | - | 15,723,457 | 15,723,457 |
| Transfer to statutory reserve | - | 1,572,346 | (1,572,346) | - |
| Balance, December 31, 2011 | <u>115,000,000</u> | <u>5,714,946</u> | <u>29,337,039</u> | <u>150,051,985</u> |


The accompanying notes 1 through 23 form an integral part of these financial statements.

FILLING AND PACKING MATERIALS MANUFACTURING COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

1. ORGANIZATION AND ACTIVITIES

Filling and Packing Materials Manufacturing Company ("the Company") is a Saudi Joint Stock Company, registered in Riyadh on Dhul Hijjah 4, 1411 (H) corresponding to June 17, 1991 (G) under Commercial Registration number 1010084155 and Industrial License No. 356 dated Rabia II, 26 1431 (H) corresponding to April 11, 2010 (G).

The Company is engaged in the production of polypropylene bags with coated and uncoated low-density polyethylene for heavy-duty purposes, and filling and packing materials used for local industrial and agricultural products, and marketing them inside and outside the Kingdom of Saudi Arabia.

The share capital of the Company is SR 115,000,000, divided into 11,500,000 shares of SR 10 each.

The financial year of the Company commences on 1 January of each year and ends on 31 December of the same year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared under the historical cost convention on the accruals basis of accounting in accordance with generally accepted accounting principles applicable in the Kingdom of Saudi Arabia. Significant accounting policies adopted in the preparation of these financial statements are summarized below:

Accounting Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of estimates and judgments which might affect the valuation of recorded assets, liabilities and the disclosure of contingencies in the notes to the financial statements at the balance sheet date. Although these estimates are based on the best information available to management at the date of issuing the financial statements, the actual end results might differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of revision and future years if the revision affects both current and future years. The significant areas of estimation uncertainty and critical judgments in applying accounting policies that have most significant effect on the amounts recognized in the financial statements are as follows:

- estimated useful economic lives and residual values of property, plant and equipment
- provisions for bad and doubtful debts
- Provision for slow moving and defective inventories
- Accruals

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances and deposits with banks, and all highly liquid investments with maturity of 3 months or less from their acquisition date.

A large, stylized handwritten signature in blue ink is written over a circular blue stamp. The signature is highly cursive and difficult to decipher. The stamp is also circular and contains some illegible text.

FILLING AND PACKING MATERIALS MANUFACTURING COMPANY
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

Accounts Receivable

Accounts receivable is stated net of provisions. Provision is made for accounts receivable where recovery is considered doubtful by the management.

Inventories and Work in Progress

Inventories are stated at the lower of cost or net realizable value (selling price less costs to sell). Cost is determined on the weighted average cost basis. Cost of finished goods and work in process includes cost of materials, labor and an appropriate proportion of indirect overheads. Cost of finished goods also includes goods purchased for resale.

Slow-moving and defective inventories are provided for based on management assessment.

Strategic spare parts for property, plant and equipment are recognized as non-current assets when purchased and are expensed when used.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Assets sold or otherwise disposed of and the related accumulated depreciation are removed from the accounts at the time of disposal and the related gain or loss is recognized in the statement of income. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining term of the lease. The plastic cement bags line is depreciated using the units of production method. Depreciation of other property, plant and equipment is provided over the estimated useful lives of the applicable assets using the straight line method. The depreciation rates are as follows:

| | % |
|--|---------|
| Buildings | 3.33 |
| Plant and equipment | 8.5 |
| Motor vehicles | 25 |
| Furniture, fixtures and office equipment | 10 - 25 |

Projects in progress

Projects in progress include the cost of materials, labor and all related overheads in connection with the construction and purchase of machines and equipment for the expansion of the Company's branch factory. When complete, the cost is transferred to property, plant and equipment.

Intangible assets

Intangible assets represents fees and expenses of the Saudi Industrial Development Fund loans which were paid in advance and are being amortized over the period of the loans.

Impairment of Non-Current Assets

At each balance sheet date, management assesses whether indication of impairment exists. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment loss is recognized as an expense in the statement of income immediately.

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

Borrowings

Borrowings are initially recognized based on gross proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective yield method; any difference between proceeds and the redemption value is recognized in the statement of income over the period of borrowings.

Borrowings costs incurred to finance the construction of property, plant and equipment (including projects in progress) are capitalized as part of the cost of the asset during the period of the time that is required to complete and prepare the asset for its intended use. Commission relating to borrowings which is not capitalized is reported within finance charges in the statement of income.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Employees End of Service Benefits

Employees end of service benefits, required by Saudi Arabian Labor Law, are provided in the financial statements based on the employees' length of service.

Zakat

Zakat is accrued for in accordance with the Regulations of the Department of Zakat and Income Tax in the Kingdom of Saudi Arabia. Adjustments arising from final zakat assessments, if any, are recorded in the year in which such assessments are made.

Statutory Reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's Articles of Association, the Company has established a statutory reserve by the appropriation of 10% of annual net income. The General Assembly may decided to discontinue such appropriation when the reserve equals 50% of the share capital. This reserve cannot be distributed as dividends.

Revenue Recognition

Sales are recognized upon delivery of goods to customers and issuance of the invoice.

Cost of Sales

Cost of sales includes materials, direct labor costs and direct overheads (including depreciation) attributable to goods sold.

Expenses

Selling and distribution expenses include salaries and related costs of the selling and distribution department, all transportation related costs, and depreciation and other overheads attributable to the selling and marketing department.

General and administrative expenses include all costs not included as cost of sales or selling and distribution expenses.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

Foreign Currency

The Company maintains its accounts in Saudi Riyals. Transactions denominated in foreign currencies are translated into Saudi Riyals at rates prevailing at the dates of such transactions. Monetary assets and liabilities recorded in foreign currencies are translated into Saudi Riyals at rates prevailing on the balance sheet date. Exchange gains or losses are taken to the statement of income.

Earnings Per Share

Earnings per share is calculated using the weighted average number of shares outstanding during the year. The Company's share capital consists of common shares only.

| | As of December 31, | |
|---|---------------------------|--------------------------|
| | 2012 | 2011 |
| | SR | SR |
| 3. <u>CASH AND CASH EQUIVALENTS</u> | | |
| Cash at banks | 39,007,176 | 22,466,415 |
| Cash in hand | <u>251,292</u> | <u>48,489</u> |
| | <u>39,258,468</u> | <u>22,514,904</u> |
| 4. <u>ACCOUNTS RECEIVABLE</u> | | |
| Trade balances | 34,298,965 | 41,158,598 |
| Provision for doubtful debts | <u>(2,004,451)</u> | <u>(1,725,501)</u> |
| | <u>32,294,514</u> | <u>39,433,097</u> |
| The movement in provision for doubtful debts comprised: | | |
| Balance brought forward | 1,725,501 | 1,505,501 |
| Provision for the year | 500,000 | 220,000 |
| Amounts written off | <u>(221,050)</u> | <u>-</u> |
| Balance carried forward | <u>2,004,451</u> | <u>1,725,501</u> |
| 5. <u>INVENTORIES AND WORK IN PROGRESS</u> | | |
| Raw materials | 10,958,740 | 9,120,543 |
| Work in progress | 11,264,150 | 8,957,641 |
| Finished goods | 5,333,277 | 4,819,724 |
| Spare parts | 3,664,386 | 3,282,468 |
| Other inventories | <u>5,308,801</u> | <u>3,601,070</u> |
| | <u>36,529,354</u> | <u>29,781,446</u> |
| Provision for slow moving/defective inventories | <u>(1,445,806)</u> | <u>(200,000)</u> |
| | <u>35,083,548</u> | <u>29,581,446</u> |
| 6. <u>PREPAYMENTS AND OTHER RECEIVABLES</u> | | |
| Rebates due from, and advances to, suppliers | 9,795,000 | 10,930,495 |
| Employees advances | 394,817 | 612,545 |
| Prepayments | <u>229,573</u> | <u>600,832</u> |
| | <u>10,419,390</u> | <u>12,143,872</u> |



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

7. PROPERTY, PLANT AND EQUIPMENT

| | <u>Buildings</u> <u>SR</u> | <u>Plant &</u> <u>Machinery</u> <u>SR</u> | <u>Motor</u> <u>Vehicles</u> <u>SR</u> | <u>Furniture &</u> <u>Equipment</u> <u>SR</u> | <u>Total</u> <u>SR</u> |
|----------------------------------|-------------------------------|---|--|---|---------------------------|
| Cost: | | | | | |
| Balance, January 1, 2012 | 33,744,208 | 152,612,079 | 3,120,599 | 5,948,558 | 195,425,444 |
| Additions | 174,290 | 11,969,874 | - | 251,295 | 12,395,459 |
| Disposals | - | - | (90,000) | - | (90,000) |
| Balance, December 31, 2012 | <u>33,918,498</u> | <u>164,581,953</u> | <u>3,030,599</u> | <u>6,199,853</u> | <u>207,730,903</u> |
| Accumulated depreciation: | | | | | |
| Balance, January 1, 2012 | 16,622,537 | 94,231,702 | 2,655,413 | 5,244,646 | 118,754,298 |
| Depreciation | 1,062,254 | 6,843,499 | 218,689 | 230,709 | 8,355,151 |
| Disposals | - | - | (59,999) | - | (59,999) |
| Balance, December 31, 2012 | <u>17,684,791</u> | <u>101,075,201</u> | <u>2,814,103</u> | <u>5,475,355</u> | <u>127,049,450</u> |
| Net book value: | | | | | |
| As at December 31, 2012 | <u>16,233,707</u> | <u>63,506,752</u> | <u>216,496</u> | <u>724,498</u> | <u>80,681,453</u> |
| As at December 31, 2011 | <u>17,121,671</u> | <u>58,380,377</u> | <u>465,186</u> | <u>703,912</u> | <u>76,671,146</u> |

The major additions to plant and machinery include SR 8,371,942 in respect of assets which were included in projects in progress as of December 31, 2011.

The buildings are situated on land which is leased from the Saudi Industrial Property Authority, Riyadh, with a lease period of 25 years from 24th Rajab 1412 to 23rd Rajab 1437 and can be renewed on same conditions for same period or more.

Property, plant and equipment are pledged to SIDF against the Company's loans (see note 9).

8. PROJECTS-IN-PROGRESS

Projects-in-progress as of December 31, 2012 amounting to SR 7,367,025 represented the cost of construction and purchase of machines and equipment for the expansion of the Company's branch's factory and relates to six projects.

9. LONG-TERM LOAN

The Company obtained loan from SIDF for the production of Woven Bags, Valve Sacks, Strapping tape, recycling wasted plastic polypropylene and polyethylene against mortgaging plant and machinery and motor vehicles. The agreement with SIDF includes terms related to financial ratios.

| | <u>As of December 31,</u> <u>2012</u> <u>SR</u> | <u>2011</u> <u>SR</u> |
|-------------------------------|---|--------------------------|
| Balance brought forward | 22,128,000 | 15,919,000 |
| Loan received during the year | - | 7,909,000 |
| Settlements made | (2,400,000) | (1,700,000) |
| Total loan outstanding | <u>19,728,000</u> | <u>22,128,000</u> |
| Current portion | <u>3,500,000</u> | <u>2,400,000</u> |
| Long term portion | <u>16,228,000</u> | <u>19,728,000</u> |
| Repayable: | | |
| Within one year | 3,500,000 | 2,400,000 |
| Within one to two years | 4,060,000 | 3,500,000 |
| Within two to five years | 8,668,000 | 13,828,000 |
| | <u>16,228,000</u> | <u>19,728,000</u> |

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Subsequent to the year end, a further SR 1,279,000 was drawn-down, resulting in the total amount drawn-down since the start of the loan increasing to SR 26,907,000. The Company is also negotiating changes to the repayment profile, as the profile at the year-end was based on a total draw-down of SR 27,308,000.

10. ACCRUALS AND OTHER PAYABLES

| | | |
|-------------------------|-------------------|------------------|
| Accrued expenses | 6,678,690 | 5,329,812 |
| Advances from customers | 896,666 | 495,002 |
| Other payables | 4,028,225 | 3,094,525 |
| | <u>11,603,581</u> | <u>8,919,339</u> |

11. PROVISION FOR ZAKAT

a) Summary of the main components and amounts of the zakat base

| | As of December 31, | |
|--------------------------------------|--------------------|-------------------|
| | 2012 | 2011 |
| | SR | SR |
| Shareholders' equity brought forward | 137,001,985 | 134,328,528 |
| Adjusted net income | 27,664,788 | 17,773,401 |
| Loans | 19,728,000 | 22,128,000 |
| Employees end of service benefits | 5,581,612 | 4,526,671 |
| Dividends unpaid | 5,187,401 | 5,333,166 |
| Spare parts | (6,790,808) | (6,140,953) |
| Provisions | 1,724,756 | 2,183,460 |
| Non-current assets | (89,322,115) | (87,816,160) |
| Total | <u>100,775,619</u> | <u>92,316,113</u> |
| Zakat at 2.5% | <u>2,519,390</u> | <u>2,307,903</u> |

b) Movement in provision for zakat

| | | |
|-------------------------|------------------|------------------|
| Balance brought forward | 2,307,903 | 2,445,040 |
| Payment during the year | (2,296,328) | (2,187,081) |
| Provision for the year | 2,519,390 | 2,049,944 |
| Balance carried forward | <u>2,530,965</u> | <u>2,307,903</u> |

c) Status of assessments

The Company has obtained the zakat certificate up to the year ended December 31, 2011. The DZIT did not issue any Zakat assessment.

12. EMPLOYEE SEVERANCE BENEFITS

| | As of December 31, | |
|--------------------------|--------------------|------------------|
| | 2012 | 2011 |
| | SR | SR |
| Balance brought forward | 4,526,671 | 3,535,674 |
| Provision for the year | 1,615,177 | 2,357,032 |
| Payments during the year | (560,236) | (1,366,035) |
| Balance carried forward | <u>5,581,612</u> | <u>4,526,671</u> |

FILLING AND PACKING MATERIALS MANUFACTURING COMPANY
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13. SEGMENT INFORMATION

The Company is administered as one operating segment engaged in the production and sale of filling and packing materials. The Company carried out its activities primarily in the Kingdom of Saudi Arabia.

| | Year ended December 31, | |
|--|--------------------------------|------------------|
| | 2012 | 2011 |
| | SR | SR |
| 14. <u>SELLING AND DISTRIBUTION EXPENSES</u> | | |
| Salaries and related costs | 1,500,623 | 1,346,024 |
| Transportation | 3,527,106 | 3,856,499 |
| Depreciation | 66,000 | 66,000 |
| Provision for bad debts | 500,000 | 220,000 |
| Sales promotion and tender charges | 255,349 | 121,649 |
| Others | 518,836 | 666,003 |
| | <u>6,367,914</u> | <u>6,276,175</u> |
| 15. <u>GENERAL AND ADMINISTRATIVE EXPENSES</u> | | |
| Salaries and related costs | 6,498,593 | 4,745,384 |
| Depreciation | 474,621 | 521,519 |
| Professional fees | 579,899 | 450,500 |
| Others | 1,238,109 | 1,513,274 |
| | <u>8,791,222</u> | <u>7,230,677</u> |
| 16. <u>FINANCE CHARGES</u> | | |
| Loan follow-up charges | 253,230 | 234,039 |
| Amortization of intangible assets | 320,779 | 224,539 |
| | <u>574,009</u> | <u>458,578</u> |
| 17. <u>OTHER INCOME / EXPENSES</u> | | |
| Investment revenues | 52,962 | 118,356 |
| Exchange gains / (losses) | 106,431 | (722,396) |
| (Loss) / gain on disposal of property, plant and equipment | (21,608) | 108,358 |
| Others | 228,399 | 242,000 |
| | <u>366,184</u> | <u>(253,682)</u> |
| 18. <u>DIVIDENDS AND SUBSEQUENT EVENTS</u> | | |

During the year ended December 31, 2012, the Company paid dividends totaling SR 11,500,000 in respect of the year 2011 (2011: SR 11,500,000 in respect of the year 2010).

During the year ended December 31, 2012 the Company paid remuneration to the Board of Directors totaling SR 1,550,000 in respect of the year 2011 (2011: SR 1,350,000 in respect of the year 2010).

The Company has unclaimed dividends totaling SR 5,187,401 in respect of dividends declared between 2003 and 2007. During the year ended December 31, 2012, payments in respect of outstanding dividends totaled SR 145,765 (2011: SR 27,255).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

The Board of Directors, in its meeting held on Saturday Rabi'ul Awal 7, 1434 H (January 19, 2013), proposed the distribution of cash dividends amounting to SR 11,500,000 for 2012, at the rate of one Riyal per share.

19. RELATED PARTY TRANSACTIONS

The Company has a contract with the Chairman of the Board for providing advisory services amounting to SR 100,000 per year. Other than that the Company did not have any related party transactions during the year ended December 31, 2012 (2011: SR nil), except for the payments to the Board of Directors (see note 18), and Board of Directors' meetings expenses totaling SR 460,000 (2011: SR 364,000).

20. FINANCIAL RISKS AND MANAGEMENT

Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Management does not believe that the fair values of the Company's financial assets and liabilities differ materially from their carrying values.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management monitors fluctuations in foreign currency exchange rates and records its effects, if applicable, in the financial statements, and believes that the Company is not significantly vulnerable to exchange rate changes because the official currency of the Company is the Saudi Riyal and the majority of the Company's transactions are in Saudi Riyals.

Credit risk

Credit risk is the risk that other parties will fail to discharge their obligations and cause the Company to incur a financial loss. Financial instruments that subject the Company to concentrations of credit risk consist primarily of bank balances and accounts receivable balances. The Company deposits its cash balances with high credit-rated financial institutions and does not believe that there is a significant risk of non-performance by these financial institutions. The credit risk on accounts receivable is subjected to credit evaluations and an allowance has been made for estimated irrecoverable amounts - the amounts presented in the balance sheet are net of allowances for doubtful receivables. The Company's major clients are high profile companies within the Kingdom of Saudi Arabia and whilst there is a high degree of exposure to such clients, management believes that the credit risk is very low.

Commission rate risk

Commission rate risk is the risk that a movement in commission rates would have an adverse effect on the value of assets and liabilities or would affect commission cash flows. The Company has commission bearing financial liabilities (loans and finance leases) which may expose it to adverse risks. The Company monitors its borrowings and other credit facilities, ensuring that wherever possible, borrowings are on fixed commission terms. The Company does not consider itself significantly exposed to commission rate risk.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity is managed periodically ensuring its availability in amounts sufficient to meet any future commitments of the Company. The Company does not consider itself exposed to significant risks in relation to liquidity.



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

21. CONTINGENCIES AND COMMITMENTS

As at December 31, 2012, the Company had a contingent liability in respect of a bank guarantee amounting to SR 2,879,450. The bank guarantee has been issued in connection with a customer contract requiring a performance bond.

As at December 31, 2012, the Company had capital commitments in respect of projects in progress amounting to SRM 30. Of this amount, SRM 27 is expected to be from third party suppliers and the remainder from the Company's own resources (labor and materials).

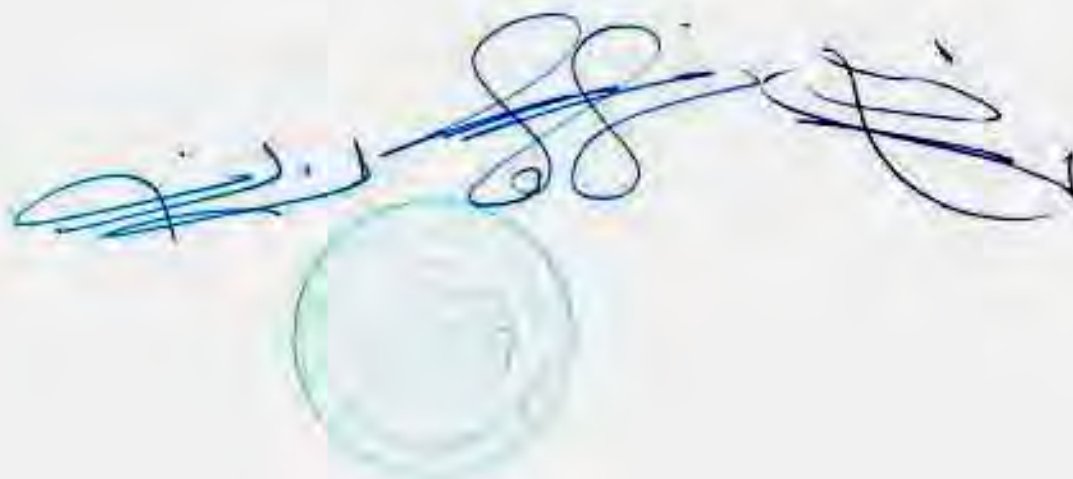
As at December 31, 2012, the Company had operating lease commitments in respect of the land which is the subject of a lease agreement with the Saudi Industrial Property Authority, Riyadh. The current rental payable is SR 89,000 per annum and the remaining term of the lease agreement is 5 years.

22. COMPARATIVE FIGURES

Certain comparatives have been reclassified to conform with the current year presentation.

23. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on January 19 2013.

A handwritten signature in blue ink is written across the page. Below the signature is a circular stamp, also in blue ink, which is mostly illegible but appears to contain some text or a logo.

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