

FOOD PRODUCTS CO.
(A Saudi Joint Stock Company)

THE INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2012
TOGETHER WITH AUDITORS' REPORT ON THE REVIEW
OF INTERIM FINANCIAL STATEMENTS



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FOOD PRODUCTS CO.
(A Saudi Joint Stock Company)

THE INTERIM FINANCIAL STATEMENT TOGETHER WITH AUDITORS'
REPORT ON THE REVIEW OF THE INTERIM FINANCIAL STATEMENT FOR
THE PERIOD ENDED JUNE 30, 2012

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**AUDITORS' REPORT ON THE REVIEW OF INTERIM
FINANCIAL STATEMENTS**

**SHAREHOLDERS OF
FOOD PRODUTCS CO.
(A Saudi Joint Stock Company)**


Scope of examination: We have examined the accompanying Interim balance sheet of **FOOD PRODUTCS CO. (A Saudi Joint Stock Company)** as of September 30, 2012 and the related interim statements of income, interim cash flows for nine months period then ended, and the notes from 1 to 13 which are an integral part of these interim financial statements which have been prepared by the Company's management and submitted to us together with all the information and explanations which we requested. These financial statements are the responsibility of the Company's management.

Our examination was limited for the Interim financial statements and was conducted in accordance with the Saudi Organization for Certified Public Accountants standard on interim financial statements. The limited examination consists principally of analytical procedures applied to financial data and inquiries of the Company's personnel responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion: Based on our limited review, we are not aware of any material modifications that should be made to the interim financial statements for the nine months' period ended September 30, 2012 to be in conformity with generally accepted accounting principles in the Kingdom of Saudi Arabia.



**AlAzem & AlSudairy
Certified Public Accountants**



**Salman B. Al-Sudairy
License No. 283**

20 Dhu Al-Qadah 1433H (October 6, 2012)
Riyadh, Saudi Arabia

FOOD PRODUCTS CO.
(A Saudi Joint Stock Company)
INTERIM BALANCE SHEET (UNAUDITED)
AS OF SEPTEMBER 30, 2012
(Saudi Riyals)

	<u>30/09/2012</u>	<u>30/09/2011</u>
<u>ASSETS</u>		
Current Assets:		
Cash and bank balances (Note 4)	45,261,137	71,360,313
Accounts receivable	31,354,826	33,581,792
Inventory (Notes 2b and 5)	15,124,774	17,866,317
Prepayments and other assets (Note 6)	<u>33,986,131</u>	<u>5,059,824</u>
Total current assets	<u>125,726,868</u>	<u>127,868,246</u>
Investments in companies (Notes 2c and 7a)	17,050,000	17,050,000
Investments in security		
available for sales, net (Note 2c)	14,139,962	13,159,551
Deferred expenses	179,929	1,158,151
Projects under progress	13,575,390	12,413,699
Property and equipment, net (Notes 2d and 8a)	40,012,490	42,707,255
Unused Property and equipment, net (Notes 2d and 8b)	<u>14,661,916</u>	<u>15,001,186</u>
Total non-current assets	<u>99,619,687</u>	<u>91,489,842</u>
Total assets	<u>225,346,555</u>	<u>219,358,088</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current Liabilities:		
Accounts payable	3,332,775	3,942,437
Oversubscribed payable	3,285,800	3,285,800
Accrued expenses and other liabilities (Note 9)	1,139,163	1,935,249
Accrued Zakat (Note 2h)	<u>2,151,629</u>	<u>2,458,222</u>
Total current liabilities	9,909,367	11,621,708
End of Service Benefits (Note 2e)	<u>4,563,378</u>	<u>4,350,186</u>
Total liabilities	<u>14,472,745</u>	<u>15,971,894</u>
Shareholders' Equity:		
Paid-up capital	200,000,000	200,000,000
Statutory reserve	5,903,590	4,920,978
Unrealized loss from Investments		
in security available for sales (Note 2c)	(734,926)	(1,715,338)
Retained earnings	<u>5,705,146</u>	<u>180,554</u>
Total Shareholders' equity	<u>210,873,810</u>	<u>203,386,194</u>
Total liabilities and shareholders' equity	<u>225,346,555</u>	<u>219,358,088</u>

Finance Manager

General Manager

Managing Director

The accompanying notes from (1) to (13) are an integral part of these interim financial statements

FOOD PRODUCTS CO.
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF INCOME (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2012
(Saudi Riyals)

	From 01/07/2012 To 30/09/2012	From 01/07/2011 To 30/09/2011	From 01/01/2012 To 30/09/2012	From 01/01/2011 To 30/09/2011
Sales (Notes 2f and 10)	20,947,946	21,279,074	63,595,852	66,691,017
Costs of sales	(12,726,746)	(12,498,790)	(38,293,050)	(38,393,231)
Depreciations	(1,312,676)	(1,253,213)	(3,956,164)	(3,741,188)
Gross operation profit	6,908,524	7,527,071	21,346,638	24,556,598
General and administrative expenses (Note 2g)	(1,473,987)	(1,432,540)	(4,843,404)	(5,026,185)
Selling and distributing expenses (Note 2g)	(3,241,077)	(3,270,598)	(9,251,374)	(9,766,639)
Net profit from the main operation	2,193,460	2,823,933	7,251,860	9,763,774
Other income (Note 2f)	106,073	61,366	509,643	1,623,238
Net profit for the period before Zakat	2,299,533	2,885,299	7,761,503	11,387,012
Accrued Zakat for the period (Note 2h)	(704,150)	(872,006)	(2,151,629)	(2,458,222)
Net profit for the period	1,595,383	2,013,293	5,609,874	8,928,790
Net profit for the period per share (Note 11)	0.08	0.10	0.28	0.45
	Finance Manager	General Manager	Managing Director	

The accompanying notes from (1) to (13) are an integral part of these interim financial statements

FOOD PRODUCTS CO.
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2012
(Saudi Riyals)

	From 1/1/2012 To 30/09/2012	From 1/1/2011 To 30/09/2011
Cash Flows from Operating Activities:		
Net profit for the period	5,609,874	8,928,790
Adjustments to reconcile net profit to net cash used in operating activities:		
Depreciation for the period	5,080,742	5,053,666
Amortization for the period	733,667	733,666
Gain from selling of property and equipment	(49,365)	-
Zakat provision for the period	2,151,629	2,458,222
End of Service Benefits	541,575	526,156
Changes in assets and liabilities:		
Accounts receivable	(7,638,995)	(14,298,654)
Inventory	3,413,479	114,107
Prepayments and other assets	(26,389,012)	(1,926,856)
Accounts payable	190,784	(225,648)
Accrued expenses and other liabilities	(313,249)	971,400
End of Service Benefits paid during the period	(366,034)	(199,537)
Zakat paid during the period	(2,439,544)	(2,960,732)
Net cash used in operating activities	(19,474,449)	(825,420)
Cash Flows from Investing Activities:		
Net change in Investments	(4,999,999)	6,999,254
Purchase of property and equipment	(3,631,990)	(2,157,219)
Projects under progress	(1,061,191)	(61,390)
Proceeds from selling of property and equipment	49,375	-
Net cash (used in) provided by investing activities	(9,643,805)	4,780,645
Net (decrease) increase in cash and bank balances	(29,118,254)	3,955,225
Cash and bank balances at beginning of the period	74,379,391	67,405,088
Cash and bank balances at end of the period	45,261,137	71,360,313
Non-cash item:		
Unrealized loss from Investments in security available for sales	753,369	163,194

Finance Manager

General Manager

Managing Director

The accompanying notes from (1) to (13) are an integral part of these interim financial statements

FOOD PRODUCTS CO.
(A Saudi Joint Stock Company)
INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2012
(Saudi Riyals)

	<u>From 1/1/2012</u> <u>To 30/09/2012</u>	<u>From 1/1/2011</u> <u>To 30/09/2011</u>
Paid-up capital	<u>200,000,000</u>	<u>200,000,000</u>
Statutory reserve (Note 11)	<u>5,903,590</u>	<u>4,920,978</u>
Unrealized loss from Investments in security available for sales (Note 2c):		
Beginning of the period	<u>(1,488,295)</u>	<u>(1,878,532)</u>
Net movement during the period	<u>753,369</u>	<u>163,194</u>
End of the period	<u>(734,926)</u>	<u>(1,715,338)</u>
Retained earnings:		
Beginning of the period	<u>95,272</u>	<u>(8,748,236)</u>
Net profit for the period	<u>5,609,874</u>	<u>8,928,790</u>
End of the period	<u>5,705,146</u>	<u>180,554</u>
Total Shareholders' Equity	<u>210,873,810</u>	<u>203,386,194</u>

Finance Manager

General Manager

Managing Director

The accompanying notes from (1) to (13) are an integral part of these interim financial statements

FOOD PRODUCTS CO.
(A Saudi Joint Stock Company)
NOTES TO INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2012
(Saudi Riyals)

1. GENERAL

Food Products Co. is a Saudi Joint Stock Company founded according to the commercial registration No. 1010076996 issued in Riyadh dated 24/10/1410H (corresponding to 19/05/1990). The paid up capital of the Company is 200 Millions Saudi Riyals comprising of 20 million shares at a par value of Saudi Riyals 10 per share.

The principal activities of the Company are manufacturing, canning, preserving, processing and development and marketing food products for the local and foreign markets and to take advantage of seasonal surplus from agricultural crops, especially those which are perishable in nature, which are presented to the consumers after treatment and are subjected to varying degrees of agro-processing services.

The accompanying interim financial statements represents Company's financial statement and it's branch as follow.

<u>Branch Name</u>	<u>Commercial registration No.</u>	<u>Activity</u>
Food Products Co. – Jeddah	4030108227	Marketing of the company's products
Food Products Co. – Dammam	2050028895	Marketing of the food products

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim financial statements are prepared in accordance with generally accepted accounting principles in Saudi Arabia including interim financial report standard and in the same principles and the accounting policies used in the preparation of annual financial statements. The following is a summary of the Company's significant accounting policies:

a) Accounting convention --

The financial statements are prepared under historical cost convention and accrual base, except for the investments in securities available for sales which are evaluated at fair value and the difference in re-evaluation is recorded within the statement of changes in shareholders' equity.

b) Inventory --

Inventories comprise of finished goods, work in process raw materials, accessories and spare parts which are stated at the lower of cost or estimated net realizable value. Costs include raw materials, direct labor and manufacturing overheads appropriate provisions are made for slow moving and redundant inventories, if any.

c) Investments --

Investments in subsidiaries: Investments in subsidiaries companies represent shares in companies owned by the company in different percentages; when the percentage does not exceeds 20%, investments are shown at cost. When the percentage ranges between 20% to 50%, investments are accounted for, using the equity methods, whereas investment accounted for, using the consolidation methods, when the percentage exceeds 50%, if any.

Investments in securities held for trading: Investments in securities held for trading are reported in the accompanying interim consolidated financial statements at market value. Realized gains or losses on sale of these investments are reported in the statement of income.

Investments in securities available for sale: Investments in securities available for sale are reported in the accompanying interim consolidated financial statements at fair value. Realized gains or losses on sale are recorded in the statement of income, and unrealized gains or losses are reported in the statement of equity section.

d) Property and equipment --

Property and equipment are stated at net cost of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets based on the following annual percentage rates:

Buildings	3 – 15 %
Motor vehicles	25 %
Furniture and fixture	2.5 – 15 %
Machinery and equipments	5 %
Tools	5 – 15 %
Artesian wells	5 %
Air conditions	15 %
Fitting and equipments	10 %

e) End of service benefits --

Benefits payable to the employees at the end of their services are provided in accordance with the guidelines set by the Saudi Arabian Labor Law.

f) Revenue recognition --

Revenue is recognized when goods are delivered and invoices are issued to customers. Other income is recorded when earned.

g) Expenses --

Selling and distribution expenses represent expenses resulting from the company's activities in the functions of sales, marketing and distribution. All other expenses are classified as general and administrative expense. General and administrative expenses contains direct and indirect expenses which are not directly related to selling and marketing expenses, according to the accounting standards

h) Zakat --

Zakat is an obligation payable by the Company. Estimated Zakat is provided for in the accompanying financial statements and charged to the statement of income, in accordance with Zakat standard issued by the Saudi Organization for Certified Public Accountants. Zakat calculation is made quarterly according to the accrual accounting concept. Any differences between Zakat provision and final settlement at the end of the year are settled.

i) Transfer of foreign currencies --

The accompanying financial statements are denominated in Saudi Riyals. Appropriate exchange rates have been used to translate transactions or balances denominated in foreign currencies. There were no material exchange gains or losses during the period.

3. ADJUSTMENTS RELATED TO THE PERIOD

The company's management has prepared all the adjustments needed to fairly present The financial position and the results of its operations, however the results of its operations for the period ended september 30, 2012 and 2011 do not give an accurate resemblance of the actual results of the whole year's operations.

4. CASH AND BANKS BALANCES

Cash and banks balances comprised of the following as of September 30:

	<u>2012</u>	<u>2011</u>
Cash on hand	42,731	72,681
Cash at banks	20,218,406	9,196,161
Time deposits	25,000,000	62,091,471
	<u>45,261,137</u>	<u>71,360,313</u>

5. INVENTORY

Inventory comprised of the following as of September 30:

	<u>2012</u>	<u>2011</u>
Raw materials	8,768,291	9,892,972
Finished goods	2,892,079	5,336,763
Spare parts	<u>3,464,404</u>	<u>2,636,582</u>
	<u>15,124,774</u>	<u>17,866,317</u>

6. PREPAYMENTS AND OTHER ASSETS

Prepayments and other assets comprised of the following as of September 30:

	<u>2012</u>	<u>2011</u>
LC's	27,003,062	-
Advance to suppliers	5,588,985	-
Employee receivables	439,232	247,893
Prepaid housing allowance	303,325	270,663
Prepaid rents	267,400	184,142
Prepaid insurance	150,420	160,980
Other receivables	128,516	866,026
Operation loans	68,879	301,823
Accrued revenue	18,500	23,813
Refundable deposit	17,812	17,812
Checks under collection	-	<u>2,986,672</u>
	<u>33,986,131</u>	<u>5,059,824</u>

7. INVESTMENT IN COMPANIES

a) Investments in companies comprised of the following as of September 30:

	<u>2012</u>	<u>2011</u>
East Asia Company for Development and Agricultural Investment (Note 7b)	10,000,000	-
Jannat for Agricultural Investment (Note 7c)	<u>7,050,000</u>	<u>7,050,000</u>
	<u>17,050,000</u>	<u>7,050,000</u>

b) Investment in East Asia Company for Development and Agricultural Investment represents advance payment to purchase investments in the Company's capital (Closed Joint Stock Company under formation) Which ranges from SAR 100 million to SAR 150 million, The final determination of capital will be made after the completion of a business plan based on the signing of the agreement dated 9/1/1433H (corresponding 4/12/2011).

c) Investment in Jannat for Agricultural Investment (A Saudi Limited Liabilities Company) is for 11.1 % in the company's capital which amount to SAR 63 million and the remaining balance of SAR 50,000 represents the company's shares in pre-operating expenses.

8. PROPERTY AND EQUIPMENT, NET

Property and equipment comprised of the following as of September 30, 2012 and 2011:

	<u>Cost</u>	<u>Accumulated Depreciations</u>	<u>N.B.V 2012</u>	<u>N.B.V 2011</u>
a) Used Property and equipment	<u>155,416,817</u>	<u>(115,404,327)</u>	<u>40,012,490</u>	<u>42,707,255</u>
	<u>155,416,817</u>	<u>(115,404,327)</u>	<u>40,012,490</u>	<u>42,707,255</u>
b) Unused production lines				
Dates production line	<u>43,892,243</u>	<u>(30,185,100)</u>	<u>13,707,143</u>	<u>14,025,369</u>
Pickles production line	<u>9,352,804</u>	<u>(8,398,031)</u>	<u>954,773</u>	<u>975,817</u>
	<u>53,245,047</u>	<u>(38,583,131)</u>	<u>14,661,916</u>	<u>15,001,186</u>
Total	<u>208,661,864</u>	<u>(153,987,458)</u>	<u>54,674,406</u>	<u>57,708,441</u>

9. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities comprised of the following as of September 30:

	<u>2012</u>	<u>2011</u>
Employees' benefits	<u>735,600</u>	<u>862,952</u>
Other payable balances	<u>403,563</u>	<u>1,072,297</u>
	<u>1,139,163</u>	<u>1,935,249</u>

10. SALES

Sales comprised of the following for the periods ended September 30 as follow:

	<u>2012</u>	<u>2011</u>
Pastry factory	<u>35,553,070</u>	<u>33,420,584</u>
Vegetables factory	<u>19,843,952</u>	<u>25,530,101</u>
Food factory	<u>7,438,697</u>	<u>6,824,980</u>
Breakfast cereals factory	<u>760,133</u>	<u>915,352</u>
	<u>63,595,852</u>	<u>66,691,017</u>

11. NET PROFIT PER SHARE

The earnings per share were calculated for the nine months ended September 30, 2012, 2011 by dividing the net profit for the period by the weighted average number of ordinary shares during those periods, which amounted to 20 million shares.

12. RECLASSIFICATIONS

Certain reclassifications have been made to the 3rd quarter of 2011 to conform to the classification used in the 3rd quarter of 2012.

13. GENERAL

The figures in these financial statements are rounded to the nearest Saudi Riyal.