

FOOD PRODUCTS CO.
(A Saudi Joint Stock Company)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
TOGETHER WITH INDEPENDENT AUDITORS'
REPORT

Crowe HorwathTM

Al Azem & Al Sudairy
CPA's & Consultants
Member Crowe Horwath International

FOOD PRODUCTS CO.
(A Saudi Joint Stock Company)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
TOGETHER WITH INDEPENDENT AUDITORS' REPORT

Index	Page
Independent Auditors Report	1
Balance Sheet	2
Statement of Income	3
Statement of Cash Flows	4
Statement of Changes in Shareholders' Equity	5
Notes to Financial Statements	6-13

INDEPENDENT AUDITORS' REPORT

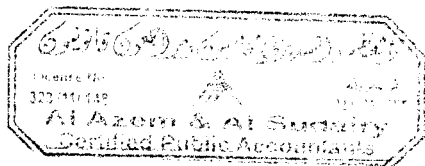
SHAREHOLDERS OF FOOD PRODUCTS CO. (A Saudi Joint Stock Company)

Scope of audit: We have audited the accompanying balance sheet of **FOOD PRODUCTS CO. (A Saudi Joint Stock Company)** as of December 31, 2013 and the related statements of income, cash flows and changes in shareholders equity for the year then ended, and the notes from 1 to 20 which are an integral part of these financial statements. These financial statements are the responsibility of the Company's management in accordance with Article (123) of the Companies Regulations. Our responsibility is to express our opinion on these financial statements based on our audit and the information and explanations we obtained which we considered necessary for the purposes of our audit.

We conducted our audit in accordance with auditing standards generally accepted 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 misstatement. 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 financial statements referred to above:

1. Present fairly, in all material respects, the financial position of **FOOD PRODUCTS CO. (A Saudi Joint Stock Company)** as of December 31, 2013 and the results of its operations and its cash flows for the year then ended based on the presentation and disclosure of the information included in the financial statements and in conformity with generally accepted accounting principles in the Kingdom of Saudi Arabia which are suitable to the Company's operations.
2. Comply with the financial statement preparation and presentation requirement of the Commercial Code and the Company's by-laws.



AlAzem & AlSudairy
Certified Public Accountants

Salman B. AlSudairy
License No. 283

18 Rabi Al Awal 1435H (January 19, 2014)
Riyadh, Saudi Arabia

FOOD PRODUCTS CO.
(A Saudi Joint Stock Company)
BALANCE SHEET
AS OF DECEMBER 31, 2013
(Saudi Riyals)

2013

2012

ASSETS

Current Assets:

Cash and banks balances (Note 4)	21,390,077	38,559,523
Accounts receivable	31,930,870	26,923,548
Inventory (Notes 3a and 5)	20,203,174	19,995,634
Prepayments and other assets (Note 6)	<u>5,937,988</u>	<u>39,530,805</u>

Total current assets	<u>79,462,109</u>	<u>125,009,510</u>
----------------------	-------------------	--------------------

Investments in companies (Notes 3b and 7a)	17,050,000	17,050,000
--	------------	------------

Investments in security available for sales, net (Notes 3b and 8)	16,356,969	14,233,901
--	------------	------------

Deferred expenses	14,224	20,075
-------------------	--------	--------

Projects under progress (Note 9)	41,121,049	6,970,142
----------------------------------	------------	-----------

Property, plant and equipment, net (Notes 3c and 11)	80,341,598	46,652,180
--	------------	------------

Unused Property, plant and equipment, net (Notes 3c and 12)	<u>919,700</u>	<u>14,577,088</u>
---	----------------	-------------------

Total non-current assets	<u>155,803,540</u>	<u>99,503,386</u>
--------------------------	--------------------	-------------------

Total assets	<u>235,265,649</u>	<u>224,512,896</u>
--------------	--------------------	--------------------

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:

Accounts payable	3,038,980	1,618,307
Oversubscribed payable	3,285,800	3,285,800
Accrued expenses and other liabilities (Note 10)	2,043,675	1,149,427
Zakat provision (Notes 3d and 13b)	<u>1,661,046</u>	<u>2,705,116</u>

Total current liabilities	10,029,501	8,758,650
---------------------------	------------	-----------

End of Service Benefits (Note 3e)	<u>4,800,496</u>	<u>4,557,263</u>
-----------------------------------	------------------	------------------

Total liabilities	<u>14,829,997</u>	<u>13,315,913</u>
-------------------	-------------------	-------------------

Shareholders' Equity:

Paid-up capital	200,000,000	200,000,000
-----------------	-------------	-------------

Statutory reserve (Note 14)	7,199,061	6,487,501
-----------------------------	-----------	-----------

Unrealized profit (loss) from Investments in security available for sales (Notes 3b and 8)	1,482,080	(640,988)
---	-----------	-----------

Retained earnings	<u>11,754,511</u>	<u>5,350,470</u>
-------------------	-------------------	------------------

Total Shareholders' equity	<u>220,435,652</u>	<u>211,196,983</u>
----------------------------	--------------------	--------------------

Total liabilities and shareholders' equity	<u>235,265,649</u>	<u>224,512,896</u>
--	--------------------	--------------------

Finance Manager

[Signature]

General Manager

[Signature]

Authorized Member

[Signature]

The accompanying notes from (1) to (20) are an integral part of these financial statements

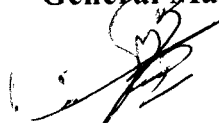
FOOD PRODUCTS CO.
(A Saudi Joint Stock Company)
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2013
(Saudi Riyals)

	<u>2013</u>	<u>2012</u>
Sales (Notes 3f and 15)	86,161,748	80,077,755
Cost of sales (Note 3g)	(53,067,236)	(48,168,255)
Depreciations	<u>(4,939,152)</u>	<u>(5,271,574)</u>
Gross operation profit	28,155,360	26,637,926
General and administrative expenses (Notes 3g and 16)	(7,345,627)	(6,582,601)
Selling and distributing expenses (Notes 3g and 17)	<u>(12,884,074)</u>	<u>(12,170,828)</u>
Net profit from the main operation	7,925,659	7,884,497
Other income (Note 3f)	<u>850,988</u>	<u>659,728</u>
Net profit for the year before Zakat	8,776,647	8,554,225
Zakat provision for the year (Notes 3d and 13b)	<u>(1,661,046)</u>	<u>(2,705,116)</u>
Net profit for the year	<u><u>7,115,601</u></u>	<u><u>5,839,109</u></u>
Earnings per share:		
From net income from the operation (Note 18)	<u><u>0.40</u></u>	<u><u>0.39</u></u>
From net income (Note 18)	<u><u>0.36</u></u>	<u><u>0.29</u></u>

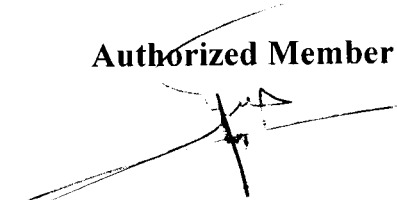
Finance Manager

- ١٦٧

General Manager



Authorized Member



The accompanying notes from (1) to (20) are an integral part of these financial statements

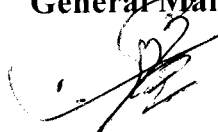
FOOD PRODUCTS CO.
(A Saudi Joint Stock Company)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Saudi Riyals)

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities:		
Net profit for the period	7,115,601	5,839,109
Adjustments to reconcile net profit to net cash provided by (used in) operating activities:		
Depreciation for the period	6,302,600	6,757,347
Amortization for the period	5,851	893,521
Gain from selling of property and equipment	(299,741)	(63,614)
Zakat provision for the period	1,661,046	2,705,116
End of Service Benefits	863,322	683,468
Changes in assets and liabilities:		
Accounts receivable	(5,007,322)	(3,207,717)
Inventory	(207,540)	(1,457,381)
Prepayments and other assets	33,592,817	(31,933,686)
Accounts payable	1,420,673	(1,523,684)
Accrued expenses and other liabilities	894,248	(302,985)
End of Service Benefits paid during the period	(620,089)	(514,042)
Zakat paid during the period	<u>(2,705,116)</u>	<u>(2,439,544)</u>
Net cash provided by (used in) operating activities	<u>43,016,350</u>	<u>(24,564,092)</u>
Cash Flows from Investing Activities:		
Net change in Investments	-	(5,000,000)
Purchase of property and equipment	(26,468,909)	(5,425,809)
Projects under progress	(34,150,907)	(893,592)
Proceeds from selling of property and equipment	<u>434,020</u>	<u>63,625</u>
Net cash used in investing activities	<u>(60,185,796)</u>	<u>(11,255,776)</u>
Net decrease in cash and banks balances	<u>(17,169,446)</u>	<u>(35,819,868)</u>
Cash and banks balances at beginning of the period	<u>38,559,523</u>	<u>74,379,391</u>
Cash and banks balances at end of the period	<u>21,390,077</u>	<u>38,559,523</u>
Non-cash item:		
Transfers from projects under progress during the year	<u>24,511,303</u>	<u>6,437,649</u>

Finance Manager



General Manager



Authorized Member



The accompanying notes from (1) to (20) are an integral part of these financial statements

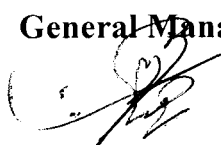
FOOD PRODUCTS CO.
(A Saudi Joint Stock Company)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2013
(Saudi Riyals)

	<u>2013</u>	<u>2012</u>
Paid-up capital	<u>200,000,000</u>	<u>200,000,000</u>
Statutory reserve:		
Beginning of the year	6,487,501	5,903,590
Transfer from retained earnings	<u>711,560</u>	<u>583,911</u>
End of the year	<u>7,199,061</u>	<u>6,487,501</u>
Unrealized profit (loss) from Investments in security available for sales (Notes 3b and 8):		
Beginning of the year	(640,988)	(1,488,295)
Net movement during the year	<u>2,123,068</u>	<u>847,307</u>
End of the year	<u>1,482,080</u>	<u>(640,988)</u>
Retained earnings:		
Beginning of the year	5,350,470	95,272
Transfer to statutory reserve	(711,560)	(583,911)
Net profit for the year	<u>7,115,601</u>	<u>5,839,109</u>
End of the year	<u>11,754,511</u>	<u>5,350,470</u>
Total Shareholders' Equity	<u>220,435,652</u>	<u>211,196,983</u>

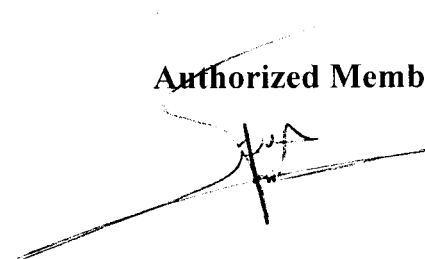
Finance Manager

٢٠١٦

General Manager



Authorized Member



The accompanying notes from (1) to (20) are an integral part of these financial statements

FOOD PRODUCTS CO.
(A Saudi Joint Stock Company)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Saudi Riyals)

1. ACTIVITES

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 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. BASIS OF PREPARATION

The accompanying financial statements have been prepared on the basis of historical cost in accordance with the accrual concept except for the investment in securities for sale which are evaluated and the difference in re-evaluation is recorded within the statement of charges in shareholders equity, and prepared in accordance with generally accepted accounting principles issued by Saudi Organization for Certified Public Accountants – SOCPA.

Items appear in the financial statements for the Company in Saudi Riyals which is the functional currency and disclosure of the Company.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with the accounting principles generally accepted in Saudi Arabia which are included in the financial statement standards. The following is a summary of Company's significant accounting policies:

a) 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.

b) 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 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 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.

c) Property, plant 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:

Machinery and equipments	5 %
Buildings	3 – 15 %
Tools	5 – 15 %
Artesian wells	5 %
Furniture and fixture	2.5 – 15 %
Air conditions	15 %
Motor vehicles	25 %
Fitting and equipments	10 %
Pickles production	0.6 %

d) Zakat provision --

Zakat is a company obligation and the estimated Zakat is provided within the accompanying financial statements and is charged to the statement of income in accordance with Zakat standards issued by the Saudi Organization for Certified Public Accountants.

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 --

Expenses incurred by the Company comprised of operating expenses, selling and marketing expenses and general and administrative expenses. All expenses relating to marketing, selling and distribution of finished goods are classified under a separate line item as selling and marketing expenses. Other direct and indirect management expenses, which are not related to operating or selling and marketing functions, are classified as general and administrative expenses. Un-allocated expenses, if any, are distributed between general and administrative expenses, selling and marketing expenses, and operating expenses using fixed basis. General and administrative expenses and selling and marketing expenses are accounted for based on the accrual basis of accounting and charged to the related financial year.

h) 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 year.

4. CASH AND BANKS BALANCES

Cash and banks balances comprised of the following as of December 31:

	<u>2013</u>	<u>2012</u>
Cash on hand	24,071	4,138
Cash at banks	<u>21,366,006</u>	<u>38,555,385</u>
	<u>21,390,077</u>	<u>38,559,523</u>

5. INVENTORY

Inventory comprised of the following as of December 31:

	<u>2013</u>	<u>2012</u>
Raw materials	10,508,180	10,307,793
Finished goods	6,022,026	6,374,800
Spare parts	<u>3,672,968</u>	<u>3,313,041</u>
	<u>20,203,174</u>	<u>19,995,634</u>

6. PREPAYMENTS AND OTHER ASSETS

Prepayments and other assets comprised of the following as of December 31:

	<u>2013</u>	<u>2012</u>
Advance to suppliers	5,259,209	1,595,859
Employee receivables	253,685	451,775
Prepaid rents	193,304	195,694
Other receivables	122,623	70,453
Operation loans	90,855	20,000
Refundable deposit	18,312	17,813
LC's	-	<u>37,179,211</u>
	<u>5,937,988</u>	<u>39,530,805</u>

7. INVESTMENT IN COMPANIES

a) Investments in companies comprised of the following as of December 31:

	<u>2013</u>	<u>2012</u>
East Asia Company for Development and Agricultural Investment (Note 7b)	10,000,000	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>17,050,000</u>

- b) Investment in East Asia Company for Development and Agricultural Investment (Closed Joint Stock Company) represent an investment of 10 % from disclosed company's capital amounted SAR 100 million. Were the paid in capital reached SAR 70 million.
- c) Investment in Jannat for Agricultural Investment (A Saudi Limited Liabilities Company) represent an investment of 11.1 % from 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. INVESTMENT IN SECURITIES AVAILABLE FOR SALES

- a) Investments in securities available for sales comprised of the following as of December 31:

	<u>2013</u>	<u>2012</u>
Investment in local		
portfolio (Note 8b)	13,619,190	13,619,190
Investment in stocks (Note 8c)	1,255,699	1,255,699
Unrealized profit (loss) from Investments		
in securities available for sales	<u>1,482,080</u>	<u>(640,988)</u>
	<u>16,356,969</u>	<u>14,233,901</u>

- b) This item represents the balance of investments in local portfolio managed by local banks and these investments which are assessed at fair value as of 31 December 2012 has recorded as net portfolio result towards shareholders' equity in the Balance Sheet.
- c) This item represents the balance of the company's investment in Yanbu National Petrochemicals (YNSAB) and these investments which are assessed at fair value as of 31 December 2012 has resulted in losses. These losses were recorded as unrealized loss on investments securities available for sale at 31 December 2012 and were later adjusted towards shareholders' equity in the Balance Sheet.

9. PROJECTS UNDER PROGRESS

Following is a summary of Projects under progress as of December 31:

	<u>2013</u>	<u>2012</u>
Vegetables factory	41,001,049	6,850,142
Study of potatoes production line	<u>120,000</u>	<u>120,000</u>
	<u>41,121,049</u>	<u>6,970,142</u>

10. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities comprised of the following as of December 31:

	<u>2013</u>	<u>2012</u>
Accrued expenses salaries and vacation	1,269,021	42,406
Other payable balances	<u>774,346</u>	<u>1,107,021</u>
	<u>2,043,675</u>	<u>1,149,427</u>

11. PROPERTIES, PLANT AND EQUIPMENTS, NET

Property and equipment comprised of the following at December 31:

	Machinery And Equip.	Building	Tools	Artesian Wells	Furniture & Fixture	Air conditions.	Motor Vehicles	Fitting & equip.	Total
<u>Cost</u>									
Beginning of the year	88,037,807	44,548,004	10,208,055	105,416	5,297,499	4,986,872	6,551,178	3,878,456	163,613,287
Additions during the year	15,610,285	7,812,184	1,390,739	-	171,131	616,935	845,735	21,900	26,468,909
Transfers during the year	30,942,521	12,203,130	1,368,458	115,400	89,200	37,300	-	-	44,756,009
Disposals during the year	-	-	-	-	(692,895)	(6,530)	(1,604,960)	-	(2,304,385)
End of the year	134,590,613	64,563,318	12,967,252	220,816	4,864,935	5,634,577	5,791,953	3,900,356	232,533,820
<u>Depreciations</u>									
Beginning of the year	73,261,615	20,655,189	7,351,016	105,413	4,596,977	4,690,097	5,549,277	751,523	116,961,107
Additions during the year	3,121,722	1,467,927	507,906	554	142,112	46,278	604,466	383,577	6,274,542
Transfers during the year	25,085,489	4,502,927	1,314,481	97,348	89,142	37,295	-	-	31,126,682
Disposals during the year	-	-	-	-	(692,795)	(6,525)	(1,470,786)	-	(2,170,106)
End of the year	101,468,826	26,626,043	9,173,403	203,315	4,135,436	4,767,145	4,682,957	1,135,100	152,192,225
<u>Net Book Value</u>									
December 31, 2013	33,121,787	37,937,275	3,793,849	17,501	729,499	867,432	1,108,996	2,765,256	80,341,595
December 31, 2012	14,776,192	23,892,815	2,857,039	3	700,522	296,775	1,001,901	3,126,933	46,652,180

- Depreciation was amounted to SAR 6,274,542 and SAR 6,418,067 for the years ended December 31, 2013 and 2012 respectively.
- Including the used property and equipment's there are a property and equipment's amounted to 13,629,327 SAR reclassified as used property and equipment's based on the management decision on his third meeting dated December 15, 2013. These property and equipment's are the Dates line production.

12. PROPERTIES, PLANT AND EQUIPMENTS UNUSED, NET

Property and equipment comprised of the following at December 31:

	Machinery And Equip.	Building	Tools	Artesian Wells	Furniture & Fixture	Air conditions	pickles production	Chips line & others	Total
<u>Cost</u>									
Beginning of the year	28,919,812	12,203,130	1,368,458	115,400	89,200	37,300	9,352,804	2,022,709	54,108,813
transfer during the year	(28,919,812)	(12,203,130)	(1,368,458)	(115,400)	(89,200)	(37,300)	-	(2,022,709)	(44,756,009)
End of the year	-	-	-	-	-	-	9,352,804	-	9,352,804
<u>Realizable fair value losses</u>									
Beginning of the year	23,062,780	4,502,927	1,314,481	97,348	89,142	37,295	8,405,043	2,022,709	39,531,725
Realizable fair value losses	-	-	-	-	-	-	28,058	-	28,058
Disposals during the year	(23,062,780)	(4,502,927)	(1,314,481)	(97,348)	(89,142)	(37,295)	-	(2,022,709)	(31,126,682)
End of the year	-	-	-	-	-	-	8,433,101	-	8,433,101
<u>Net Book Value</u>									
December 31, 2013	-	-	-	-	-	-	919,703	-	919,703
December 31, 2012	5,857,032	7,700,203	53,977	18,052	58	5	947,761	-	14,577,088

- Realizable fair value losses was amounted to SAR 28,058 and SAR 339,280 the years ended December 31, 2013 and 2012 respectively.
- The apparent explanation for the balance of unused assets stated above is that it refers to balance of machinery and equipment unused from 1998 until the date of preparation of these financial statements however there are internal indicators which infer that there might be a fall in the value of the asset or there may be restructuring of operations related to the asset.

13. ZAKAT PROVISION

- a) The company has submitted all the Zakat declaration for the previous years up to 2012, and obtained the temporary Zakat up to 2012.
- b) The following is an analysis of movements in the provision for Zakat during the years ended December 31:

c)	<u>2013</u>	<u>2012</u>
Balance, beginning for the year	2,705,116	4,439,544
Provision for current year	1,661,046	2,705,116
Zakat paid during the year	(2,705,116)	(4,439,544)
Balance, end of the year	<u>1,661,046</u>	<u>2,705,116</u>

- d) Following is a summary of the main items included in the Zakat base for the years ended December, 31:

e)	<u>2013</u>	<u>2012</u>
Non current assets	155,803,540	99,503,386
Non current liabilities	4,800,496	4,557,263
Shareholders' Equity	220,435,652	211,196,983
Adjusted net profit for the year	2,358,409	2,274,970

14. STATUTORY RESERVE

In accordance with the Saudi Arabian Companies Regulations and the Company's Articles of Association, 10% of the annual net income is required to be transferred to a statutory reserve until this reserve equals 50% of the capital. This reserve is not available for dividend distribution.

15. SALES

Sales comprised of the following for the years ended December 31 as follow:

	<u>2013</u>	<u>2012</u>
Pastry factory	39,661,074	40,983,055
Vegetables factory	35,372,092	28,333,210
Food and meet factory	10,798,784	9,894,310
Breakfast cereals factory	<u>329,798</u>	<u>867,180</u>
	<u>86,161,748</u>	<u>80,077,755</u>

16. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprised of the following for the years ended December 31:

	<u>2013</u>	<u>2012</u>
Employees' salaries & benefits	4,750,392	4,135,392
Depreciations	660,987	730,848
Prior year expenses	427,316	427,316
Subscriptions	353,524	277,951
Rents	260,400	206,150
Advertisement	156,985	159,075
Allowances for presence board of director meting	133,138	80,000
Telephone and postage	75,314	63,637
Bonuses	65,400	54,000
Repair and maintenance	75,991	53,402
Insurance	51,619	51,272
Stationery and printing	76,610	43,020
Electricity, water and oils	42,507	39,102
Others	<u>215,444</u>	<u>261,436</u>
	<u>7,345,627</u>	<u>6,582,601</u>

17. SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses comprised of the following for the years ended December 31:

	<u>2013</u>	<u>2012</u>
Promotion	4,129,612	3,913,416
Employees' salaries and benefits	3,996,392	3,083,119
Shipment	1,038,554	737,014
Temporary labor	691,068	826,685
Depreciation	637,444	754,926
Subscriptions	398,399	213,730
Repair and maintenance	395,759	300,026
Damage	332,176	389,033
Electricity, water and oils	281,766	108,835
Rents	176,017	228,050
Commissions	172,889	136,929
Telephone and postage	140,532	133,773
Insurance	112,759	79,139
Consulting	52,683	140,000
Stationery and printing	51,333	37,354
Amortization	5,851	893,521
Bonus	-	3,300
Others	<u>270,840</u>	<u>191,978</u>
	<u>12,884,074</u>	<u>12,170,828</u>

18. EARNING PER SHARE

Earnings per share on net operating income is calculated by dividing net operating income for the year by the weighted average number of shares during the year.

Earnings per share on net income is calculated by dividing the net income for the year by the weighted average number of shares during the year.

19. RISK MANAGEMENT

Financial instruments carried on the balance sheet principally include cash and its equivalents, accounts receivables and other assets, investments, accounts payable, accruals and other non-current liabilities.

- **Credit risk:** is the risk that one party will fail to fulfill an obligation and will cause the other party to incur a financial loss. The company seeks to reduce its credit risk with respect to customers by regular monitoring of outstanding receivables.
- **Liquidity risk:** is the risk that the company will encounter difficulties in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell financial assets quickly at an amount close to its fair value. The company manages its liquidity risk by ensuring that the necessary funds are available when needed.
- **Currency risk:** is the risk that the value of financial instruments will fluctuate due to change in foreign exchange rates. The transactions of the company are principally in Saudi Riyals and US Dollars. Management keeps monitoring the associated currency risk which is mostly not material.
- **Fair value:** is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in a arm's length transaction. As the Company's financial statements are prepared under the historical cost convention, differences can arise between book value and fair value estimates. Management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values.

20. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by the Board of Directors on 11/02/2014 corresponding to 11/04/1435H.