HALWANI BROTHERS COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AS AT 30 SEPTEMBER 2011

ERNST & YOUNG

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LIMITED REVIEW REPORT TO THE SHAREHOLDERS OF HALWANI BROTHERS COMPANY (A SAUDI JOINT STOCK COMPANY) ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Scope of review

We have reviewed the interim consolidated balance sheet of Halwani Brothers Company (a Saudi Joint Stock Company) and its subsidiary as at 30 September 2011 and the related interim consolidated statement of income for the three-month and nine-month periods then ended, and the related interim consolidated statements of cash flows and changes in shareholders' equity for the nine-month period then ended, which have been prepared by the Company's Board of Directors and submitted to us together with all the information and explanations which we required. We conducted our review in accordance with the standard on examining interim financial statements issued by the Saudi Organization for Certified Public Accountants (SOCPA). A review is limited primarily to analytical procedures applied to financial data and inquiries of Company's personnel on 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 on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim condensed consolidated financial statements for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

for Ernst & Young

Ahmed I. Reda
Certified Public Accountant
Licence No. 356

12 Dhul Qa'da 1432 H
10 October 2011

Jeddah

Halwani Brothers Company (A Saudi Joint Stock Company)

INTERIM CONSOLIDATED BALANCE SHEET

As at 30 September 2011

	Note	*2011* *SR* *(Unaudited)*	*2010* *SR* *(Unaudited)*
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		**97,585,913**	125,210,323
Accounts receivable, net		**117,898,237**	135,596,408
Inventories, net		**201,938,737**	166,856,462
Prepaid expenses and other assets		**16,293,962**	17,245,831
Due from related parties		**1,299,180**	4,446,814
TOTAL CURRENT ASSETS		**435,016,029**	449,355,838
NON-CURRENT ASSETS			
Property and equipment, net		**246,820,576**	181,694,660
TOTAL ASSETS		**681,836,605**	631,050,498
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Current portion of term loan	5	**3,000,000**	-
Accounts payable		**71,051,542**	65,940,786
Due to related parties		**681,781**	608,457
Accrued expenses and other payables		**37,896,980**	37,709,281
Zakat Payable		**6,654,671**	5,801,403
TOTAL CURRENT LIABILITIES		**119,284,974**	110,059,927
NON-CURRENT LIABILITIES			
Deferred tax liability		**1,263,869**	1,343,181
Term loan	5	**9,540,000**	-
Employees' terminal benefits		**28,304,593**	27,567,852
TOTAL NON-CURRENT LIABILITIES		**39,108,462**	28,911,033
TOTAL LIABILITIES		**158,393,436**	138,970,960
SHAREHOLDERS' EQUITY			
Capital	3	**285,714,300**	285,714,300
Statutory reserve		**123,633,880**	115,419,597
General reserve		**9,005,096**	9,005,096
Retained earnings		**126,009,026**	97,137,622
Translation adjustments of financial statements of a subsidiary		**(20,919,133)**	(15,197,077)
TOTAL SHAREHOLDERS' EQUITY		**523,443,169**	492,079,538
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**681,836,605**	631,050,498

The attached notes 1 to 11 form part of these unaudited interim condensed consolidated financial statements.

Halwani Brothers Company (A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the period ended 30 September 2011

	Note	*For the three-month period ended 30 September (Unaudited)*		*For the nine-month period ended 30 September (Unaudited)*	
		2011	*2010*	***2011***	*2010*
		SR	*SR*	***SR***	*SR*
Sales		**206,200,251**	186,064,513	**615,667,483**	538,363,544
Cost of sales		**(146,175,304)**	(127,351,136)	**(427,539,740)**	(362,842,731)
GROSS PROFIT		**60,024,947**	58,713,377	**188,127,743**	175,520,813
Selling and distribution expenses		**(23,241,708)**	(22,580,114)	**(73,224,863)**	(68,707,477)
General and administration expenses		**(8,817,194)**	(9,378,519)	**(27,875,313)**	(27,606,545)
provisions		**(143,001)**	(978,354)	**(3,102,911)**	(3,998,933)
NET INCOME FROM THE OPERATIONS		**27,823,044**	25,776,390	**83,924,656**	75,207,858
Returns on time deposits		**401,343**	403,992	**775,945**	1,175,166
Other income		**225,658**	-	**1,923,164**	1,889,255
Other expenses		**(141,461)**	(238,601)	**(938,738)**	(691,655)
NET INCOME BEFORE ZAKAT AND INCOME TAX		**28,308,584**	25,941,781	**85,685,027**	77,580,624
Zakat		**(2,177,216)**	(1,884,000)	**(6,531,647)**	(5,652,000)
Income tax		**(6,497,772)**	(3,784,252)	**(14,471,115)**	(8,988,858)
NET INCOME FOR THE PERIOD		**19,633,596**	20,273,529	**64,682,265**	62,939,766
Earnings per share:	4				
From net income from the operations		**0.97**	0.90	**2.94**	2.63
From net income		**0.69**	0.71	**2.26**	2.20

The attached notes 1 to 11 form part of these unaudited interim condensed consolidated financial statements.

Halwani Brothers Company (A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 September 2011

	2011 SR (Unaudited)	2010 SR (Unaudited)
OPERATING ACTIVITIES		
Net income for the period before zakat and income tax	**85,685,027**	77,580,624
Adjustments for:		
Depreciation	**14,247,501**	13,244,017
Employees terminal benefits, net	**670,974**	710,329
Loss/(gain) on sale of property and equipment	**284,807**	(820,771)
provisions	**3,102,911**	3,998,933
	103,991,220	94,713,132
Changes in operating assets and liabilities:		
Accounts receivable	**5,408,992**	(18,299,829)
Inventories	**(22,517,493)**	(36,805,481)
Prepaid expenses and other assets	**(596,523)**	(5,344,419)
Due from/to related parties	**3,231,318**	(50,114)
Accounts payable	**3,370,842**	20,852,608
Accrued expenses and other payables	**(5,622,186)**	3,841,726
Cash from operations	**87,266,170**	58,907,623
Zakat paid	**(8,891,540)**	(8,732,711)
Tax paid	**(10,787,398)**	-
Net cash from operating activities	**67,587,232**	50,174,912
INVESTING ACTIVITIES		
Purchase of property and equipment	**(53,604,349)**	(40,456,086)
Proceeds from disposal of property and equipment	**67,087**	1,766,398
Net cash used in investing activities	**(53,537,262)**	(38,689,688)
FINANCING ACTIVITIES		
Proceeds from term loan	**12,540,000**	-
Dividends	**(42,857,145)**	(28,571,430)
Directors' remuneration	**(2,200,000)**	(1,204,569)
Net cash used in financing activities	**(32,517,145)**	(29,775,999)
DECREASE IN CASH AND CASH EQUIVALENTS	**(18,467,175)**	(18,290,775)
Effect of exchange rate change on cash and cash equivalents	**(847,277)**	(698,914)
Cash and cash equivalents at the beginning of the period	**116,900,365**	144,200,012
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**97,585,913**	125,210,323

SUPPLEMENTARY INFORMATION FOR NON-CASH TRANSACTIONS:

Effect of exchange rate change on translating a subsidiary's financial statements	**3,705,308**	4,143,038

The attached notes 1 to 11 form part of these unaudited interim condensed consolidated financial statements.

Halwani Brothers Company (A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the period ended 30 September 2011

	Note	2011 SR (Unaudited)	2010 SR (Unaudited)
CAPITAL	3	**285,714,300**	285,714,300
STATUTORY RESERVE			
Balance at the beginning of the period		**117,165,653**	109,125,620
Transferred from retained earnings		**6,468,227**	6,293,977
Balance at the end of the period		**123,633,880**	115,419,597
GENERAL RESERVE		**9,005,096**	9,005,096
RETAINED EARNINGS			
Balance at the beginning of the period		**112,852,133**	70,267,832
Net profit for the period		**64,682,265**	62,939,766
Transferred to statutory reserve		**(6,468,227)**	(6,293,977)
Directors' remuneration		**(2,200,000)**	(1,204,569)
Dividends		**(42,857,145)**	(28,571,430)
Balance at the end of the period		**126,009,026**	97,137,622
TRANSLATION ADJUSTMENTS OF FINANCIAL STATEMENTS OF A SUBSIDIARY			
Balance at the beginning of the period		**(17,213,825)**	(11,054,039)
Translation difference during the period		**(3,705,308)**	(4,143,038)
Balance at the end of the period		**(20,919,133)**	(15,197,077)
TOTAL SHAREHOLDERS' EQUITY		**523,443,169**	492,079,538

The attached notes 1 to 11 form part of these unaudited interim condensed consolidated financial statements.

1 ACTIVITIES

Halwani Brothers Company ("The Company"," The Parent Company")is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030005702 issued in Jeddah on 11 Rabie II 1388 H (corresponding to 7 July 1968).

The Company is engaged in manufacturing, packaging, wholesale and retail trade in food products.

The interim condensed consolidated financial statements comprise the interim financial statements of the Parent Company and Halwani Brothers Company Egypt (Egyptian Joint Stock Company), a fully owned subsidiary. The subsidiary is engaged in the manufacturing and packaging of foodstuff.

2 SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial statements are prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia and in accordance with the interim financial information standard issued by the Saudi Organization for Certified Public Accountants. The accounting policies adopted in preparing these interim condensed consolidated financial statements are consistent with those used in the preparation of the company's consolidated financial statements for the year ended 31 December 2010. These interim condensed consolidated financial statements do not include all the information and disclosures required for the full annual financial statements prepared in accordance with accounting standards generally accepted in Kingdom of Saudi Arabia. The significant accounting policies adopted are as follows:

Accounting convention
The interim condensed consolidated financial statements are prepared under the historical cost convention

Basis of consolidation
The interim condensed consolidated financial statements comprise the interim financial statements of the Parent Company and its subsidiary as explained in note (1). All inter-company transactions and balances are eliminated on consolidation.

Use of estimate
The preparation of the interim condensed consolidated financial statements in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

Cash and cash equivalents
Cash and cash equivalents consists of bank balances, cash on hand and term deposits that are readily convertible into known amounts of cash and have a maturity of three months or less when purchased.

Accounts receivable
Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred and accounts receivable are stated at net amount.

Inventories
Inventories of raw materials, finished goods, packaging materials, work-in-progress and spare parts are stated at the lower of cost or estimated net realizable value. Cost of raw materials, packaging materials and spare parts are determined using the moving average method.

Cost of finished goods and work-in-progress include direct materials, direct labour and appropriate allocation of manufacturing overheads. Provision is made for slow moving inventories.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment / depreciation
Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Free-hold land are not depreciated; the cost less estimated residual value of property and equipment, from the date of purchase or installation is depreciated on a straight-line basis over the estimated useful lives.

The carrying values of property and equipment are reviewed for impairment in the value when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less cost to sell or their value in use.

Expenditures for repair and maintenance are charged to interim consolidated statement of income. Betterments that increase the value of the related assets or materially extend its lives are capitalized.

Impairment and uncollectibility of financial assets
An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the interim consolidated income statement. Impairment in value is determined as follows:

(a) For assets carried at fair value, impairment in value is the difference between cost and fair value, less any impairment loss previously recognised in the interim consolidated income statement;
(b) For assets carried at cost, impairment in value is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial assets;
(c) For assets carried at amortised cost, impairment in value is the difference between carrying value and the present value of cash flows discounted at the original effective interest rate.

Accounts payable and accruals
Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Employees' terminal benefits
Benefits payable to the employees of the Company at the end of their services is provided for in accordance with the guidelines set by the Saudi Arabian Labour Law.

Zakat and income tax
According to the financial accounting standard for Zakat, Zakat provision for each separate fiscal period is measured and recorded in accordance with the provisions and rules of Zakat applied in the Kingdom of Saudi Arabia based on accrual basis. Such provision is charged to the interim consolidated statement of income. As at 30 September 2011 a zakat provision has been estimated.

The subsidiary is subject to income tax which is accounted for in accordance with the tax rules in Egypt.

Revenue recognition
Sales are recognized when goods are delivered to the customer, net of commercial or quantity discounts.

Selling and distribution expenses and general and administration expenses
Selling and distribution expenses are those expenses related to salesmen and distribution, and other related expenses. All other expenses are included under general and administration expenses.

Provisions
Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and may be measured reliably.

Financial charges
Financial charges attributable to the construction of a fixed asset are capitalised during the construction period up to completion of the asset for the intended purpose. Subsequently, all financial charges are taken to consolidated interim statement of income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translations
Transactions in foreign currencies are recorded in Saudi Riyals at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the interim consolidated balance sheet date. All differences are taken to the interim consolidated statement of income.

Interim financial statements in foreign currencies are translated into Saudi Riyals using the exchange rate ruling at the interim consolidated balance sheet date for assets and liabilities, and the average exchange rate during the period for revenues and expenses. Components of shareholders' equity, other than retained earnings, are translated at the exchange rate ruling at the date of occurrence of respective component. Translation adjustments are recorded as a separate component in the interim consolidated statement of changes in shareholders' equity.

3 CAPITAL

Capital is divided into 28,571,430 shares of SR 10 each (28,571,430 shares for the year 2010).

4 EARNINGS PER SHARE

Earnings per share from net operating income is calculated by dividing net operating income for the period by the weighted average number of shares of 28,571,430 shares during that period. Earnings per share from net income is calculated by dividing the net income for the period by the weighted average number of shares of 28,571,430 shares during that period.

5 CAPITAL COMMITMENTS

- On 4 July 2009, the Board of Directors resolved to build an industrial compound with construction cost of SR 52 million for the 1st phase and other additional works valued at SR 3 million. Accordingly, the Company signed a contract with a local contractor to start the 1st phase of the project. Up to 30 September 2011, The project has been completed but final hand over has not been finalized yet.

- On 17 October 2010, the Board of Directors resolved to build a labours house for the Company labours with construction cost of SR 6 million for the 1st phase and other additional works valued at SR 0.28 million. On 30 October 2010, the Company signed a contract with a local contractor to start the 1st phase of the project. The project has been completed but final hand over has not been finalized yet.

- On 15 June 2010, the Company signed a loan agreement with Saudi Industrial Development Fund ("SIDF") amounting to SR 165.2 million to finance the new industrial compound project of the Company in Jeddah. All existing properties and equipment of the new project and those to be constructed were pledged to SIDF as a security for the loan. During the period the Company has received the 1st payment from SIDF amounting to SR 12.54 million. The first instalment of SR 3 million is due on 2 September 2012.

- During 2010, the subsidiary entered into a contract of SR 4.9 million with a contractor for the expansion of the meat processing factory. As per the contract, the subsidiary settled an amount of SR 3.4 million up to 30 September 2011.

6 CONTINGENT LIABILITIES

The Company received the final zakat assessments from the Department of Zakat and Income Tax (DIZT) for the years 1998 through 2008 in which the DZIT claimed demands zakat differences of SR 8.8 million.

The Company reviewed these assessments and it is in the process of filing an objection against them. The Company believes that the result of the objection will be its in favour and therefore, no provisions have been made in the interim condensed consolidated financial statements for this claim.

7 FAIR VALUES OF FINANCIAL INSTRUMENTS

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. The Company's financial assets consist of cash and cash equivalents, accounts receivable, due from related parties and other assets, its financial liabilities consist of term loan accounts payable, due to related parties and other payables.

The fair values of the financial instruments are not materially different from their carrying values.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

8 RISK MANAGEMENT

Interest rate risk
The Company doesn't have any interest bearing liabilities and its financial assets are invested on Islamic basis, accordingly, the Company is not exposed to interest rate risk.

Liquidity risk
Liquidity risk arises from the inability of the Company to meet commitments associated with financial obligations when they fall due. The Company monitors its liquidity requirements on monthly basis and the management ensures that cash is available to meet any obligations when they arise.

The current financial liabilities of the Company consist of current portion of term loan, accounts payable, accruals, due to related parties and other liabilities. Substantially these financial liabilities are expected to be settled within twelve months from interim consolidated balance sheet date and the Company expects to have adequate funds to do so.

Credit risk
Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. The Company seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables. The Company also obtains letters of guarantees and letters of credit from certain customers as security. The 10 largest customers account for 47% of outstanding accounts receivable as at 30 September 2011 (2010: 48%).

With respect to credit risk arising from the other financial assets of the Company, including cash and cash equivalents, due from related parties and other assets, the Company's exposure to credit risk arises from default of the counter parties, with a maximum exposure equal to the carrying amount of these instruments.

Currency risk
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business, in addition to the exchange rate of the Egyptian pound as 46% of the Company's consolidated revenues come from the subsidiary (Halwani Brothers Egypt). The Company did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars during the period. As the Saudi Riyal is pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk.

Business risk
Business risks arise from several external factors including epidemic diseases like bird flu and swine flu that generally affect meat processing industry. Other risk may arise from the possible shortage of agriculture crops used as basic raw materials in food processing.

Raw material price risk
The Company is using various raw materials as production inputs in its production process. Such raw materials are subject to price fluctuations that may affect the business results of the Company. To minimise such risk, the management monitors the prices of raw materials and take the decisions to purchase in view of price forecasts.

9 KEY SOURCES OF ESTIMATION UNCERTAINTY

Impairment of accounts receivable
An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance applied according to the length of time past due, based on historical recovery rates.

Impairment of inventories
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and an allowance applied according to the inventory type and the degree of ageing or obsolescence, based on expected selling prices.

10 INTERIM FINANCIAL RESULTS

The results included in these interim condensed consolidated financial statements may not be an accurate indication of the annual operating results.

11 RECLASSIFICATION

Certain balances of the period ended 30 September 2010 have been reclassified to conform to presentation in the period ended 30 September 2011.