



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

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

**INTERIM FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS  
ENDED SEPTEMBER 30, 2013  
AND LIMITED REVIEW REPORT**

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

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THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2013 AND LIMITED REVIEW REPORT**

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### LIMITED REVIEW REPORT

To: **THE SHAREHOLDERS OF**  
**Filling and Packing Materials Manufacturing Company**  
(A Saudi Joint Stock Company)

We have reviewed the accompanying interim balance sheet of Filling and Packing Materials Manufacturing Company (A Saudi Joint Stock Company) ("the Company") as of September 30, 2013, the related interim statement of income for the three and nine month periods then ended, the related interim statement of cash flows for the nine months period ended September 30, 2013, and the notes relating thereto. These interim financial statements are the responsibility of the Company's management and have been prepared by them and presented to us together with all the information and explanations which we required.

We conducted our limited review in accordance with the Interim Financial Information Review Standard issued by the Saudi Organization for Certified Public Accountants. A limited review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted 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.

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

**For Dr. Mohamed Al-Amri & Co.**



Gihad Al-Amri  
Certified Public Accountant  
Registration No. 362



October 23, 2013 (G)  
Dhul Hijjah 18, 1434 (H)



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

<u>ASSETS</u>	<u>Note</u>	<u>As of September 30,</u>	
		<u>2013</u>	<u>2012</u>
		<u>SR</u>	<u>SR</u>
<b>Current assets</b>			
Cash and cash equivalents		19,952,179	28,706,911
Investments – Murabaha		5,899,598	5,853,933
Accounts receivable	4	36,423,129	38,671,402
Inventories and work in progress	5	32,717,036	28,424,351
Spare parts for plant and equipment		7,459,281	6,795,916
Prepayments and other receivables		10,381,917	8,164,287
<b>Total current assets</b>		<b>112,833,140</b>	<b>116,616,800</b>
<b>Non-current assets</b>			
Property, plant and equipment	6	76,895,055	82,768,390
Projects in progress	6	21,928,673	4,026,700
Intangible assets		1,033,106	1,353,815
<b>Total non-current assets</b>		<b>99,856,834</b>	<b>88,148,905</b>
<b>TOTAL ASSETS</b>		<b>212,689,974</b>	<b>204,765,705</b>
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>			
<b>Current liabilities</b>			
Current portion of long-term loan	7	4,020,000	3,500,000
Accounts payable		5,618,783	7,614,534
Accruals and other payables		8,395,551	8,322,602
Dividends unpaid	8	5,186,099	5,190,125
Provision for zakat		1,850,000	1,681,575
<b>Total current liabilities</b>		<b>25,070,433</b>	<b>26,308,836</b>
<b>Non-current liabilities</b>			
Long-term loan	7	13,507,000	16,228,000
Employees end of service benefits		5,729,815	5,497,049
<b>Total non-current liabilities</b>		<b>19,236,815</b>	<b>21,725,049</b>
<b>Total liabilities</b>		<b>44,307,248</b>	<b>48,033,885</b>
<b>Shareholders' equity</b>			
Share capital	1	115,000,000	115,000,000
Statutory reserve		10,158,020	7,687,929
Retained earnings		43,224,706	34,043,891
<b>Total shareholders' equity</b>		<b>168,382,726</b>	<b>156,731,820</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>212,689,974</b>	<b>204,765,705</b>

The accompanying notes 1 through 10 form an integral part of these interim financial statements.

**FILLING AND PACKING MATERIALS MANUFACTURING COMPANY**  
(A Saudi Joint Stock Company)  
**STATEMENT OF INCOME**  
For the three and nine months ended September 30, 2013 (Unaudited)

	For the three months ended September 30,		For the nine months ended September 30,	
	2013 <u>SR</u>	2012 <u>SR</u>	2013 <u>SR</u>	2012 <u>SR</u>
Net sales	52,001,886	51,688,898	165,593,749	159,069,684
Cost of sales	<u>(40,979,489)</u>	<u>(42,041,903)</u>	<u>(131,414,443)</u>	<u>(126,185,156)</u>
<b>Gross profit</b>	<b>11,022,397</b>	9,646,995	<b>34,179,306</b>	32,884,528
Selling and distribution expenses	(2,279,841)	(1,596,032)	(5,923,735)	(4,744,843)
General and administrative expenses	<u>(2,174,765)</u>	<u>(2,060,397)</u>	<u>(6,698,301)</u>	<u>(6,552,995)</u>
<b>Operating income</b>	<b>6,567,791</b>	5,990,566	<b>21,557,270</b>	21,586,690
Other income/expenses	510,605	71,020	528,521	306,976
Finance charges	<u>(199,177)</u>	<u>(205,977)</u>	<u>(487,031)</u>	<u>(493,831)</u>
<b>Net income before zakat</b>	<b>6,879,219</b>	5,855,609	<b>21,598,760</b>	21,399,835
Provision for zakat	<u>(1,113,417)</u>	<u>(570,000)</u>	<u>(2,313,417)</u>	<u>(1,670,000)</u>
<b>Net income</b>	<b><u>5,765,802</u></b>	<b><u>5,285,609</u></b>	<b><u>19,285,343</u></b>	<b><u>19,729,835</u></b>
<b>Earnings (loss) per share in Saudi Riyals from:</b>				
Continuing main operations	<u>0.58</u>	<u>0.52</u>	<u>1.88</u>	<u>1.88</u>
Continuing other operations	<u>(0.07)</u>	<u>(0.06)</u>	<u>(0.20)</u>	<u>(0.16)</u>
<b>Earnings per share</b>	<b><u>0.51</u></b>	<b><u>0.46</u></b>	<b><u>1.68</u></b>	<b><u>1.72</u></b>



The accompanying notes 1 through 10 form an integral part of these interim financial statements.



**FILLING AND PACKING MATERIALS MANUFACTURING COMPANY**  
(A Saudi Joint Stock Company)  
**STATEMENT OF CASH FLOWS**  
For the nine months ended September 30, 2013 (Unaudited)

	For the nine months ended September 30,	
	2013	2012
	<u>SR</u>	<u>SR</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Net income before zakat	21,598,760	21,399,835
<i>Adjustments to reconcile net income before zakat to net cash provided by operating activities:</i>		
Provision for doubtful debts	522,848	400,000
Provision for slow moving and defective inventories	(367,018)	690,000
Depreciation and amortization	6,773,940	5,766,375
Loss on disposal of property, plant and equipment	30,199	21,608
Investment income	(29,196)	(36,493)
Employees end of service benefits	148,203	970,378
<b>(Increase) decrease in operating assets:</b>		
Accounts receivable	(4,651,463)	(132,807)
Inventories and work in progress, & spare parts for plant & equipment	(1,599,329)	(3,660,334)
Prepayments and other receivables	37,473	2,699,776
<b>Increase (decrease) in operating liabilities:</b>		
Accounts payable	(2,977,134)	1,995,503
Accruals and other payables	(3,208,030)	88,264
<b>Cash from operations</b>	<u>16,279,253</u>	<u>30,202,105</u>
Zakat paid	<u>(2,994,382)</u>	<u>(2,296,328)</u>
<b>Net cash provided by operating activities</b>	<u>13,284,871</u>	<u>27,905,777</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Purchase of property, plant and equipment, & projects in progress	(17,338,858)	(6,129,122)
Proceeds from sale of property, plant and equipment	-	8,393
<b>Net cash used in investing activities</b>	<u>(17,338,858)</u>	<u>(6,120,729)</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES:</u></b>		
Net repayment of short-term loans	(2,201,000)	(2,400,000)
Payments to the Board of Directors	(1,550,000)	(1,550,000)
Dividends paid	(11,501,302)	(11,643,041)
<b>Net cash used in financing activities</b>	<u>(15,252,302)</u>	<u>(15,593,041)</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<u>(19,306,289)</u>	<u>6,192,007</u>
<b>Cash and cash equivalents at the beginning of the period</b>	<u>39,258,468</u>	<u>22,514,904</u>
<b>Cash and cash equivalents at the end of the period</b>	<u>19,952,179</u>	<u>28,706,911</u>

The accompanying notes 1 through 10 form an integral part of these interim financial statements.

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
For the nine months ended September 30, 2013 (Unaudited)

**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 under Commercial Registration number 1010084155. The Company was formed in accordance with Ministerial Resolution No. 851 dated Shawal 17, 1411 and No. 935 dated Dhul Qa'adah 29, 1411. The Company's factory operates as per Ministerial License No. 585 dated Dhul Qa'adah 13, 1410, as amended by Ministerial Resolution No. 955 dated Dhul Qa'adah 6, 1414.

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 interim 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. The accounting policies used in the preparation of these interim financial statements are consistent with those used in the preparation of the annual financial statements. Significant accounting policies are summarized below:

**Accounting Estimates**

The preparation of condensed interim 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 and events available to management at the date of issuing the financial statements, the actual end results may 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 adjustments in applying accounting policies that have the 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 doubtful debts
- provisions 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.





**FILLING AND PACKING MATERIALS MANUFACTURING COMPANY**  
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**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
For the nine months ended September 30, 2013 (Unaudited)

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**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. Cost is determined on the weighted average cost basis. Net realizable value is selling price less costs to sell. 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 plant and equipment are recognized as non-current assets when purchased and are expensed when used. Other spare parts are included in current assets.

**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 assess whether any 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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**FILLING AND PACKING MATERIALS MANUFACTURING COMPANY**  
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**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**For the nine months ended September 30, 2013 (Unaudited)**

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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, which appropriation continues until 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 invoices.

**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 operating costs not included as cost of sales or selling and distribution expenses.



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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
For the nine months ended September 30, 2013 (Unaudited)

**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 period. The Company's share capital consists of common shares only.

**3. ADJUSTMENTS FOR THE PERIOD**

All necessary adjustments have been made in the interim financial statements to present fairly the financial position and results of operations of the Company. The results of operations for the interim period may not be an accurate indication of the actual results for the full year.

	<b>As of September 30,</b>	
	<b>2013</b>	<b>2012</b>
	<b>SR</b>	<b>SR</b>
<b>4. <u>ACCOUNTS RECEIVABLE</u></b>		
Trade balances	<b>38,950,428</b>	40,796,903
Provision for doubtful debts	<b>(2,527,299)</b>	(2,125,501)
	<b><u>36,423,129</u></b>	<u>38,671,402</u>

**5. INVENTORIES AND WORK IN PROGRESS**

Raw materials	<b>14,940,929</b>	10,032,968
Work in progress	<b>11,813,583</b>	9,584,920
Finished goods	<b>4,294,936</b>	4,701,626
Other inventories	<b>2,746,377</b>	4,994,837
	<b><u>33,795,825</u></b>	<u>29,314,351</u>
Provision for slow moving/defective inventories	<b>(1,078,789)</b>	(890,000)
	<b><u>32,717,036</u></b>	<u>28,424,351</u>

**6. PROPERTY, PLANT AND EQUIPMENT AND PROJECTS IN PROGRESS**

**Property, plant and equipment**

Buildings	<b>15,688,905</b>	16,501,707
Plant and equipment	<b>58,843,609</b>	65,254,916
Motor vehicles	<b>781,456</b>	268,483
Furniture, fixtures and office equipment	<b>1,581,085</b>	743,284
	<b><u>76,895,055</u></b>	<u>82,768,390</u>

Projects in progress as at September, 30, 2013, amounting to SR 21,928,673, included SR 19,695,598 in respect of construction of a new plant, which is complete but awaiting certification, after which it will be re-classified as property, plant and equipment.

**7. LOANS**

Balance brought forward	<b>19,728,000</b>	22,128,000
Draw-down of loans	<b>1,279,000</b>	-
Repayments made	<b>(3,480,000)</b>	(2,400,000)
Total loan outstanding	<b><u>17,527,000</u></b>	<u>19,728,000</u>
Current portion	<b>(4,020,000)</b>	(3,500,000)
Long term portion	<b><u>13,507,000</u></b>	<u>16,228,000</u>



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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**For the nine months ended September 30, 2013 (Unaudited)**

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**8. DIVIDENDS AND APPROPRIATIONS**

During the nine months ended September 30, 2013, the Company paid dividends totaling SR 11.5 million in respect of the year 2012 (2012: SR 11.5 million in respect of the year 2011), equivalent to SR 1 per share (2012: SR 1 per share).

During the nine months ended September 30, 2013 the Company paid fees to the Board of Directors totaling SR 1,550,000 in respect of the year 2012 (2012: SR 1,550,000 in respect of the year 2011).

The Company has unpaid dividends totaling SR 5,186,099 in respect of dividends declared between 2003 and 2007 for which the shareholders have not been located and payment not made. During the nine months ended September 30, 2013, payments in respect of outstanding dividends totaled SR 1,302 (2012: SR 143,041).

**9. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES**

As at September 30, 2013, the Company had an outstanding capital commitment in respect of construction of new plant amounting to approximately SR 6.5 million (Euros 1,280,000). The total contract cost is Euros 1,600,000.

**10. APPROVAL OF INTERIM FINANCIAL STATEMENTS**

These interim financial statements were approved by the Board of Directors of the Company on October 23, 2013.

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The image shows three blue ink signatures and a circular blue stamp. The stamp is for the Filling and Packing Materials Manufacturing Company, with the text 'شركة تعبئة المواد التغليفية' at the top, 'C.R. 1010004169' in the center, and 'FILLING & PACKING MATERIALS MFG. CO.' at the bottom.