

**ANAAM INTERNATIONAL HOLDING
GROUP COMPANY
(SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE-MONTH PERIODS
ENDED SEPTEMBER 30, 2013
WITH
AUDITORS' LIMITED REVIEW REPORT**

Anaam International Holding Group Company

(Saudi Joint Stock Company)

Interim condensed consolidated financial statements (unaudited)

For the three-month and nine-month periods ended September 30, 2013

Expressed in Saudi Riyals

Contents

	<u>Page</u>
• Review report on the interim condensed consolidated financial statements	-
• Interim consolidated balance sheet	1
• Interim consolidated statement of income	2
• Interim consolidated statement of cash flows	3
• Interim consolidated statements of changes in shareholders' equity	4
• Notes to the interim condensed consolidated financial statements	5-10

Al Sabti & Bannaga

Certified Public Accountants

Member of RSM International



Office No. 204, Al Amal Plaza, Hail Street
P.O.Box 6659, Jeddah 21452, K.S.A
Tel.: +966 2 6534021 Fax: +966 2 6578957
JCC :120082

AUDITORS' LIMITED REVIEW REPORT

The Shareholders

Anaam International Holding Group Company
Jeddah, Saudi Arabia

Scope of review

We have reviewed the accompanying interim consolidated balance sheet of Anaam International Holding Group Company (the Company) and its wholly owned subsidiaries (collectively described as "the Group") as at September 30, 2013 and the interim consolidated statement of income for the three and nine-month periods then ended and the interim consolidated statements of cash flows and changes in shareholders' equity for the nine-month period then ended, and the accompanying condensed notes 1 through 9 which form an integral part of these interim condensed consolidated financial statements. These interim condensed consolidated financial statements are the responsibility of Group's management and have been prepared and submitted to us together with all the information and explanations which we required. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A review is limited primarily to inquiries of the Group's personnel and analytical procedures applied to financial data. 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 on 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 accompanying interim condensed consolidated financial statements for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

Abdelgadir Bannaga, PhD/FCCA
License No. 22



Jeddah on Dul Hijja 25, 1434H
Corresponding to October 30, 2013G

Anaam International Holding Group Company
(Saudi Joint Stock Company)

Interim consolidated balance sheet (unaudited)

As at September 30, 2013

Expressed in Saudi Riyals

	Note	2013	2012
ASSETS			
Current assets			
Cash and cash equivalents		2,523,539	5,142,428
Short-term deposit	6	50,202,382	-
Trade receivables		42,137,497	39,224,637
Prepayments and other current assets		2,505,082	11,260,809
Inventories		58,856,280	48,546,121
Total current assets		156,224,780	104,173,995
Non-current assets			
Deferred costs		7,537,986	2,886,917
Leased assets	4	18,087,288	19,129,288
Property and equipment	5	158,963,310	130,300,703
Total non-current assets		184,588,584	152,316,908
Total assets		340,813,364	256,490,903
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term bank loans	6	40,977,301	-
Trade payables		23,409,406	23,877,004
Current portion of long-term loans	7	2,669,336	2,943,821
Current portion of finance lease obligation		3,403,830	3,176,558
Due to related parties		955,129	955,129
Distributions and dues to shareholders		11,836,644	8,938,611
Zakat payable	8	5,259,458	7,341,200
Deferred income – current portion	4	1,069,308	1,069,308
Accrued expenses and other current liabilities		24,832,191	31,992,310
Total current liabilities		114,412,603	80,293,941
Non-current liabilities			
Long-term loans	7	5,721,640	9,798,769
Non-current portion of finance lease obligation		10,999,440	14,838,214
Deferred income – non-current portion	4	2,643,394	3,623,593
End of service benefits		4,903,263	4,068,254
Total non-current liabilities		24,267,737	32,328,830
Total liabilities		138,680,340	112,622,771
Shareholders' equity			
Capital	9	196,000,000	109,000,000
Statutory reserve		4,399,214	3,464,601
Retained earnings		1,733,810	31,403,531
Total shareholders' equity		202,133,024	143,868,132
Total liabilities and shareholders' equity		340,813,364	256,490,903

The accompanying notes 1 through 9 form an integral part of these interim condensed consolidated financial statements

Anaam International Holding Group Company

(Saudi Joint Stock Company)

Interim condensed consolidated statement of income (unaudited)

For the three and nine-month periods ended September 30, 2013

Expressed in Saudi Riyals

	For the three-month period ended September 30		For the nine-month period ended September 30	
	2013	2012	2013	2012
Sales	57,398,491	54,601,251	161,270,449	147,100,193
Cost of Sales	(54,840,278)	(41,497,666)	(150,829,358)	(121,044,250)
Gross profit	2,558,213	13,103,585	10,441,091	26,055,943
Storage and rental income	308,509	1,722,712	1,583,672	6,623,313
Total operating income	2,866,722	14,826,297	12,024,763	32,679,256
General and administrative expenses	(3,151,377)	(4,739,191)	(17,969,352)	(14,383,171)
Selling and marketing expenses	(3,940,370)	(3,431,301)	(9,637,072)	(8,104,436)
Net operating (loss) income	(4,225,025)	6,655,805	(15,581,661)	10,191,649
Financial lease cost	(474,479)	(581,512)	(1,506,733)	(1,817,792)
Financial expenses	(1,234,764)	-	(1,872,633)	-
Profit on sale of property and equipment	70,205	1,447,608	70,205	1,446,512
Other (expenses) income - net	(1,070,999)	(24,936)	(1,130,815)	753,866
Net (loss) income before Zakat	(6,935,062)	7,496,965	(20,021,637)	10,574,235
Zakat	(600,000)	(450,000)	(1,000,000)	(1,500,000)
Net (loss) income	(7,535,062)	7,046,965	(21,021,637)	9,074,235
Earning per share:				
Number of shares	19,600,000	10,900,000	19,600,000	10,900,000
Net operating (loss) income	(0.22)	0.61	(0.79)	0.94
Net (loss) income	(0.38)	0.65	(1.07)	0.83

The accompanying notes 1 through 9 form an integral
part of these interim condensed consolidated financial statements

Anaam International Holding Group Company

(Saudi Joint Stock Company)

Interim condensed consolidated statement of cash flows (unaudited)

For the nine-month period ended September 30, 2013

Expressed in Saudi Riyals

	<u>2013</u>	<u>2012</u>
<u>Cash flows from operating activities</u>		
Net (loss) income	(21,021,637)	9,074,235
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation of property and equipment and leased assets	8,346,283	6,680,510
Amortization of deferred costs	1,736,257	1,040,305
(Gain) on sale of property and equipment	(70,205)	(1,446,512)
(Increase) decrease in operating assets:		
Trade receivables	(17,162,711)	(1,669,607)
Prepayments and other current assets	15,793,214	(2,998,710)
Inventories	(8,814,819)	(7,217,418)
Increase (decrease) in operating liabilities:		
Trade payables	16,232,235	6,617,889
Accrued expenses and other current liabilities	7,453,092	(1,565,515)
Net movement in deferred income	(712,872)	(801,981)
Zakat payable	303,482	1,500,000
End of service benefits	49,307	304,926
Net cash provided by operating activities	<u>2,131,626</u>	<u>9,518,122</u>
<u>Cash flows from investing activities</u>		
Short-term bank loans	(50,202,382)	-
Additions to property and equipment	(36,689,504)	(7,281,245)
Payments against leased assets	(2,281,589)	(1,746,270)
Proceeds from sale of property and equipment	254,743	1,543,023
Additions to deferred expenses	(7,409,493)	(1,237,356)
Net cash (used in) investing activities	<u>(96,328,225)</u>	<u>(8,721,848)</u>
<u>Cash flows from financing activities</u>		
Payment of loans	(1,407,409)	-
Short-term bank loan	40,977,301	-
Distributions and dues to shareholders	1,613,982	(22,266)
Net cash provided by (used in) financing activities	<u>41,183,874</u>	<u>(22,266)</u>
Net (decrease) increase in cash and cash equivalents	(53,012,725)	774,008
Cash and cash equivalents at beginning of the period	55,536,264	4,368,420
Cash and cash equivalents at end of the period	<u>2,523,539</u>	<u>5,142,428</u>

The accompanying notes 1 through 9 form an integral part of these interim condensed consolidated financial statements.

Anaam International Holding Group Company
(Saudi Joint Stock Company)


Interim condensed consolidated statement of changes in shareholders' equity (unaudited)

For the nine-month period ended September 30, 2013

Expressed in Saudi Riyals

	<u>Capital</u>	<u>Statutory reserve</u>	<u>Retained earnings</u>	<u>Total</u>
<u>2013 (unaudited)</u>				
Balance at January 1, 2013	196,000,000	4,399,214	22,755,447	223,154,661
Net (loss) for the period	-	-	(21,021,637)	(21,021,637)
Balance at September 30, 2013	<u>196,000,000</u>	<u>4,399,214</u>	<u>1,733,810</u>	<u>202,133,024</u>
<u>2012 (unaudited)</u>				
Balance at January 1, 2012	109,000,000	3,464,601	22,329,296	134,793,897
Net income for the period	-	-	9,074,235	9,074,235
Balance at September 30, 2012	<u>109,000,000</u>	<u>3,464,601</u>	<u>31,403,531</u>	<u>143,868,132</u>

The accompanying notes 1 through 9 form an integral part of these interim condensed consolidated financial statements.





Anaam International Holding Group Company

(Saudi Joint Stock Company)

Notes to the interim condensed consolidated financial statements (unaudited)

For the three and nine-month periods ended September 30, 2013

Expressed in Saudi Riyals

1- ORGANIZATION AND ACTIVITIES

Anaam International Holding Group Company is a listed Saudi Joint Stock Company (the Company) registered under Commercial Registration number 4030035073 issued from Jeddah, Kingdom of Saudi Arabia on Ramadan 7, 1402 H corresponding to June 29, 1982.

At June 30, 2013, the Company has investment in the following subsidiaries collectively referred to as "the Group". All these companies are established in the Kingdom of Saudi Arabia and are fully owned (100%) by the Company direct and indirect.

Description	Main activity	Commercial Registration
Saudi Cold Store Company Limited	Trading of Frozen Food	4030007971
Anaam International Investment Company Limited and subsidiaries (Dormant)	Real estates and services	4030165735
Anaam International Financial Company Limited and subsidiaries (Dormant)	Real estates and services	4030165733
Anaam International Agricultural Company (Dormant)	Agricultural Production	4030035281

The Company owns agricultural land with an area of 100 million square meters in the agricultural area of Busayta, Al Jouf region in the northern Saudi Arabia which is mainly engaged in agricultural activities for animal feeds.

The Group's objective is to engage in performing all operations of marine transport of livestock within and outside the Kingdom, possession of all means of marine and land transport necessary to the Company, trading of marine equipment necessary for the vessels of the Company, trading of livestock and fodder, related operations of meat production and transport, management and operation of slaughterhouses and meat processing, establishing , managing and operating centers and industrial projects, wholesale and retail trade in foodstuff, carryout import , export and marketing to third parties and public services in the fields of trading and distribution agencies.

However, currently the Group's main activity represents growing of agriculture products for animal feeds, wholesale and retail trade in animal feeds and frozen foodstuff and storage services.

The Company has 20% ownership interest in Al Mawashi Al Mukairish – United Arab Emirates. The Company is under liquidation and because of impairment; investment value of SR 2,875,503 has been reduced to nil value.

The financial year of the Company starts from January 1, and ends at December 31, for the same year.

The current period starts from January1, 2013 and ends at September 30, 2013. The interim results may not be accurate indicator for the operations results for the final financial statements.

Notes to the interim condensed consolidated financial statements (unaudited)

For the three and nine-month periods ended September 30, 2013

Expressed in Saudi Riyals

2- BASIS OF PREPARATION

a- Statement of Compliance

The accompanying interim condensed consolidated financial statements have been prepared in accordance with accounting standard applicable to interim financial reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA).

b- Basis of measurement

The interim condensed consolidated financial statements have been prepared under the historical cost basis (except investments available for sale which are recorded in fair value), using the accrual basis of accounting and the going concern concept.

c- Functional and presentation currency

The interim condensed consolidated financial statements are presented in Saudi Riyals which is the functional currency.

d- Use of estimates and judgments

The preparation of the interim financial statements requires management to use judgments, estimates and assumptions which affect the presented amounts of assets and liabilities. It also requires from the management to exercise its judgment in the process of applying the Group's accounting policies.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

3- SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set below are consistently applied for all periods presented in the financial statements. Significant accounting policies adopted by the Group are summarized as follow:

Certain comparative figures have been reclassified to conform with the current period presentation.

a- Basis of consolidation

The interim condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries (the Group) set forth in note 1, above.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the interim condensed consolidated financial statements from the date that control commences until the date control ceases. All intra-group balances and financial transactions resulting from transactions between the Company and the subsidiaries and those arising between the subsidiaries are eliminated in preparing these consolidated financial statements. Also, any unrealized gains and losses arising from intra-group transactions are eliminated on consolidation.

b- Cash and cash equivalents

For the purpose of preparation of the interim consolidated statement of cash flow, cash and cash equivalents comprise of cash on hand and balances with banks.

Anaam International Holding Group Company
(Saudi Joint Stock Company)

Notes to the interim condensed consolidated financial statements (unaudited)

For the three and nine-month periods ended September 30, 2013

Expressed in Saudi Riyals

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

c- Trade receivables

Trade receivables are stated at original invoice amount less provision for doubtful amounts. An estimate for doubtful debts is made based on the study of the accounts receivable balances and an assessment of the extent of their ultimate collectability.

d- Inventories

Inventories are valued at the lower of cost (determined principally by using the weighted average method) and net realizable value. Cost of ready fodder and those in progress includes the cost of raw material, direct labor and appropriate overheads.

e- Deferred expenses

Deferred expenses represent costs incurred in development of agricultural farm. Such costs are amortized using the straight- line method over the related economic benefits of three years.

f- Investments in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Associates are accounted for using the equity method (equity accounted investee) and are initially recognized at cost. The Group's share of income and expenses and equity movement of the equity accounted investees are accounted for from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate. The Group's share of profits or losses of the investee companies is credited or charged to the statement of income.

g- Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged to statement of income on a straight- line basis over the estimated useful lives of individual item of property and equipment. The annual depreciation rates are as follows:

Buildings	3.33% - 4%
Vehicles and trucks	10% - 20%
Furniture	10% - 20%
Machineries, equipment and tools	10% - 25%
Leasehold improvements	10%
Stockyards	5%
Agricultural equipment	7.5%
Water wells	3.33%
Irrigation equipment	7.5%
Other equipment	10%

Notes to the interim condensed consolidated financial statements (unaudited)

For the three and nine-month periods ended September 30, 2013

Expressed in Saudi Riyals

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

h- Sales and lease back transactions

The Company has entered into sales and lease back transaction of certain land and buildings. Based on the agreement the lease has been classified as finance lease. The sale price was greater than the book value of the assets and resultant gain has been deferred. Such deferred gain is recognized in the statement of income in proportion to the depreciation of the leased assets except for land where deferred gain is recognized over the lease term using the straight line method. The Company has accounted for the finance lease by recording the asset and the related liability. The amounts are determined on the basis of lower of fair value of assets and discounted value of minimum lease payments. Finance charges are allocated to accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Land is not depreciated. Depreciation on building is charged applying the straight-line method on the remaining useful lives of the leased machinery and buildings which is 5 and 24 years respectively.

i- Zakat

The Company and its registered subsidiaries in Kingdom of Saudi Arabia are subject to zakat and income tax in accordance with the regulations of the Department of Zakat and Income Tax (DZIT) and charged to the consolidated statement of income on accrual basis. Adjustments arising from DZIT final assessment (if any) are accounted for in the period assessment is made.

j- Revenue recognition

Revenue on sale of goods is recognized upon delivery of goods to the customer and are recorded net of discounts.

Storage revenue is measured based on the specified and agreed price with the third parties during the storage period on accrual basis. Rental income for the use of Group's land by other parties is recorded on accrual basis.

k- Expenses

Marketing expenses are those arising from the Group's efforts underlying the marketing functions. All other expenses are classified as general and administrative expenses.

l- End of service benefits

End of service benefits, calculated in accordance with Saudi labor regulations are accrued and charged to statement of income currently.

m- Foreign currency transactions

Transactions denominated in foreign currencies are translated to the Saudi Riyal at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Saudi Riyal at the exchange rate ruling at balance sheet date. Exchange differences arising on translation are recognized in the statement of income currently.

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

n- Impairment of non-current assets

The book value of the non-current assets owned by the Group is reviewed at financial statements preparation date. In case there are indicators showing permanent impairment in the recoverable amount of such non-current assets, such noncurrent assets value are reduced to their recoverable amount. Such impairment amount is charged to statement of income. Depreciation of such non-current assets is calculated for the forthcoming years on basis of adjusted value. The Group's management evaluates at the date of preparing the financial statements the existence of any indicators showing decrease in the losses resulting from reduction of the non-current assets book value at previous periods. In case such indicators are found to be in existence, the amount of the impairment will be re-estimated, and the previously recorded impairment will be recovered, provided that the non-current assets book value will not exceed their original net book value before recording the value of the impairment losses and depreciation cost of such non-current assets will be adjusted during the forthcoming financial periods to charge the adjusted book value on systematic basis over the remaining productive life of such assets.

4- LEASED ASSETS AND DEFERRED INCOME

At the end of the fourth quarter of 2011, the Group sold certain fixed assets under agreement to a third party. The lease has been classified as finance lease of SR 27,250,000 paid by installments of SR 454,166 each ending on 28/11/2016.

Deferred income resulting from sale of fixed assets included under non-current liabilities and the current portion included under current liabilities.

5- PROPERTY AND EQUIPMENT

- i. The Company owns agricultural lands at Al Jouf region. The transfer of the title deeds of 7 plots of land of SR 4.1 million is currently under process. These plots are part of land owned by the Company as a result of the merger in 1995 through assignment. The Company has power of attorney, declarations and commitments from the persons who were partners of the Company before the merger in 1995. The Company is following up the necessary procedures to transfer the title deeds of the land.
- ii. The Company has land in Jeddah of SR 6.5 million which is owned by the Company since 1995 at the time of the merger and not yet registered in its name. The Company is following the necessary procedures to transfer the title deed of the land.

6- SHORT-TERM BANK LOANS AND SHORT-TERM DEPOSIT

During the period ended September 30, 2013, the Company has obtained bank facilities from a commercial bank for a total amount of SR 45 million in the form of short-term financing for working capital and issuance of bank guarantees. The facilities are secured against pledge of cash collateral (bank deposits) of SR 50 million in favor of the bank covering 110% of the total amount of facilities granted to the company. The bank debts commission is charged on the borrowing at commercial rates. The bank deposit obtains credit commission at a commercial rate and added to the deposit.

Anaam International Holding Group Company
(Saudi Joint Stock Company)

Notes to the interim condensed consolidated financial statements (unaudited)

For the three and nine-month periods ended September 30, 2013

Expressed in Saudi Riyals

7- LONG TERM LOANS

The Company obtained long-term loans from Saudi Arabian Agricultural Bank. The Bank has rescheduled the loans payments through unequal installments ending on 25/06/1439H corresponding to 13/03/2018. The long term loans balance at June 30, 2013 are classified as follows:

	<u>SR</u>
Long-term	5,721,640
Current portion	<u>2,669,336</u>
	<u>8,390,976</u>

The loans are secured by bank guarantees provided by the Chairman of the Company.

8- ZAKAT

During the year 2011, The Company has filed Zakat returns to Department of Zakat and Tax (DZIT) for the years 1995 through 2012 on the basis of the consolidated financial statements. The final zakat assessments for those years are under review by DZIT. The Group has obtained restricted zakat certificate for the Company and its subsidiaries which is valid for the period up to April 30, 2014 relating to the year ended December 31, 2012.

9- CAPITAL

The capital of the company is SR 196,000,000, consists of 19,600,000 shares fully paid of SR 10 each.

During the fourth quarter ended December 31, 2012 the Capital of the Company was increased to SR 196,000,000 by issuing additional capital of SR 87,000,000. The cost of raising capital amounted to SR 7,985,385 has been charged to retained earnings.