

JAZAN DEVELOPMENT COMPANY (JAZADCO)
(SAUDI JOINT STOCK COMPANY)
JAZAN - SAUDI ARABIA
INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30TH SEPTEMBER 2012
(UNAUDITED)

JAZAN DEVELOPMENT COMPANY (JAZADCO)
(SAUDI JOINT STOCK COMPANY)
JAZAN - SAUDI ARABIA
INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30TH SEPTEMBER 2012 (UNAUDITED)

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REVIEW REPORT

**THE SHAREHOLDERS
JAZAN DEVELOPMENT COMPANY (JAZADCO)
(SAUDI JOINT STOCK COMPANY)
JAZAN - SAUDI ARABIA**

Review report: We have reviewed the accompanying interim balance sheet of "Jazan Development Company" (JAZADCO) - Saudi Joint Stock Company (The Company), as at 30th September 2012, and the related interim statement of income for three months and nine months periods ended 30th September 2012 and the related interim cash flows for nine months period ended 30th September 2012, and the notes thereon. 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 information and explanations which we required.

Our review was conducted in accordance with Saudi Organization of Certified Public Accountants (SOCPA) standards. A review is limited primarily to analytical procedures applied to interim financial data and inquiries of the Company personnel on interim financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Review results: Based on our review, we are not aware of any material modifications that should be made to the accompanying interim financial statements as of 30th September 2012 for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

FOR EL SAYED EL AYOUTY & CO.
CERTIFIED PUBLIC ACCOUNTANTS

**JEDDAH: 13th October 2012
27th Zul Qadah 1433H**

A. Balamesh
Abdullah A. Balamesh
Registration No. 345



JAZAN DEVELOPMENT COMPANY (JAZADCO)
(SAUDI JOINT STOCK COMPANY)
JAZAN - SAUDI ARABIA
INTERIM BALANCE SHEET AS AT 30TH SEPTEMBER 2012 (UNAUDITED)

	<u>NOTE</u>	<u>30/09/2012</u> <u>SR</u>	<u>30/09/2011</u> <u>SR</u>
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	2/2	3,868,085	32,468,716
Accounts receivable and debit balances		15,893,056	14,590,093
Due from related parties		11,378,801	23,881,952
Inventories	2/3	15,223,116	13,604,161
Total current assets		46,363,058	84,544,922
Non-Current assets			
Long term investments	2/4	185,172,900	206,545,263
Fixed assets - Net	2/5	291,801,125	290,926,470
Projects -in- progress	2/6	70,459,098	62,673,523
Deferred charges - Net	2/7	13,147,653	16,364,613
Total non-current assets		560,580,776	576,509,869
TOTAL ASSETS		606,943,834	661,054,791
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
Current liabilities			
Accounts payable and credit balances		47,732,944	42,387,759
Short term loans		3,654,709	1,554,703
Dividends and other accruals to shareholders		5,198,632	5,395,837
Provision for zakat	2/8	3,200,508	2,759,062
Total current liabilities		59,786,793	52,097,361
Non-Current liabilities			
Long term loans		31,317,141	36,295,679
Provision for staff indemnities	2/9	4,464,837	3,969,090
Restricted government grants	2/10	6,116,000	6,116,000
Total non-current liabilities		41,897,978	46,380,769
Total liabilities		101,684,771	98,478,130
<u>SHAREHOLDERS' EQUITY</u>			
Share capital		500,000,000	500,000,000
Unrestricted government grants	2/10	11,120,000	11,120,000
Statutory reserve	3	150,373,126	150,373,126
Unrealized (losses)/gains on investments in available for sale securities		(1,156,626)	308,236
Accumulated losses		(155,077,437)	(99,224,701)
Total shareholders' equity		505,259,063	562,576,661
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		606,943,834	661,054,791

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

F.M

Mr. Saad A. Al Desi



G.M

ENGR. NASSER J. ALJAMEL



Dr. Abdul Rahman m. Altassan



JAZAN DEVELOPMENT COMPANY (JAZADCO)
(SAUDI JOINT STOCK COMPANY)
JAZAN - SAUDI ARABIA
INTERIM STATEMENT OF INCOME FOR THREE MONTHS AND NINE MONTHS PERIOD
ENDED 30TH SEPTEMBER 2012 (UNAUDITED)

		<u>The period fm: 1/7 to 30/9</u>		<u>The period fm: 1/1 to 30/9</u>	
	<u>NOTE</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
		<u>SR</u>	<u>SR</u>	<u>SR</u>	<u>SR</u>
Net sales	2/11	8,578,297	16,149,509	23,583,545	57,184,853
Cost of sales		(12,732,370)	(21,174,312)	(36,724,980)	(66,182,404)
Gross loss		(4,154,073)	(5,024,803)	(13,141,435)	(8,997,551)
Selling and marketing expenses	2/12	(2,364,823)	(2,048,432)	(6,299,934)	(5,278,793)
General and administrative expenses	2/12	(1,622,024)	(1,550,854)	(5,212,857)	(4,259,521)
Total expenses		(3,986,847)	(3,599,286)	(11,512,791)	(9,538,314)
Net operating loss		(8,140,920)	(8,624,089)	(24,654,226)	(18,535,865)
Other income		144,634	4,314,212	3,125,907	4,686,516
Loss on investments		-	(22,000,000)	-	(22,000,000)
(Loss)/gain from valuation of investments		(1,597,600)	-	1,760,171	(1,703,385)
Net (loss) for the period - Before zakat		(9,593,886)	(26,309,877)	(19,768,148)	(37,552,734)
Provision for zakat		(100,000)	(200,000)	(300,000)	(600,000)
Net loss for the period		(9,693,886)	(26,509,877)	(20,068,148)	(38,152,734)
Loss per share (from operations)	6	(0,16)	(0,17)	(0,49)	(0,37)
Loss per share (from net income)	6	(0,19)	(0,53)	(0,40)	(0,76)

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

JAZAN DEVELOPMENT COMPANY (JAZADCO)
(SAUDI JOINT STOCK COMPANY)
JAZAN - SAUDI ARABIA
INTERIM STATEMENT OF CASH FLOWS FOR NINE MONTHS PERIOD
ENDED 30TH SEPTEMBER 2012 (UNAUDITED)

	The period fm: 1/1 to 30/9	
	<u>2012</u>	<u>2011</u>
	<u>SR</u>	<u>SR</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net loss for the period	(20,068,148)	(38,152,734)
Adjustments to reconcile net loss to net cash flow		
(used in)/provided by operating activities:		
Depreciation of fixed assets	14,217,022	13,424,779
Amortization of deferred charges	2,412,720	2,412,720
Gain on sale of fixed assets	(4,788)	(24,974)
Provision for staff indemnities	357,235	585,278
Provision for zakat	300,000	600,000
Loss from valuation of investments	(1,498,471)	23,363,235
	<u>(4,284,430)</u>	<u>2,208,304</u>
Changes in operating assets and liabilities:		
Decrease/(increase):		
Accounts receivable and debit balances	(1,453,641)	(1,643,580)
Due from related parties	-	(6,570,631)
Inventories	(5,711,041)	13,628,265
(decrease)/Increase:		
Accounts payable and credit balances	3,741,170	(3,113,763)
Provision for zakat	(58,554)	(2,525,911)
Net cash (used in)/provided by operating activities	<u>(7,766,496)</u>	<u>1,982,684</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Fixed assets	(2,644,992)	(2,417,811)
Proceeds from sale of fixed assets	1,727,906	1,980,997
Projects -in- progress	(22,655,780)	(15,379,293)
Purchase of investments	9,074,264	10,816,937
Net cash used in investing activities	<u>(14,498,602)</u>	<u>(4,999,170)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Loans	(2,878,532)	-
Accrued dividends to shareholders	(189,817)	94,321
Net cash (used in)/provided by financing activities	<u>(3,068,349)</u>	<u>94,321</u>
Net decrease in cash and cash equivalents	(25,333,447)	(2,922,165)
Cash and cash equivalents at beginning of the period	29,201,532	35,390,881
Cash and cash equivalents at end of the period	<u>3,868,085</u>	<u>32,468,716</u>

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

**JAZAN DEVELOPMENT COMPANY (JAZADCO)
(SAUDI JOINT STOCK COMPANY)**

JAZAN - SAUDI ARABIA

**NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD
ENDED 30TH SEPTEMBER 2012 (UNAUDITED)**

1. GENERAL

1/1. Jazan Development Company (JAZADCO) - Saudi Joint Stock Company - was established under the Companies Act in the Kingdom of Saudi Arabia issued by the Royal Decree No. (M/6) dated 22-03-1385H and licensed by Ministerial Resolution No. 223 dated 7/2/1414H (corresponding to 26/7/1993). The company was registered under Commercial Registration No.5900005403 dated 29-2-1414H (corresponding to 17-08-1993) in Jazan city.

1/2. The company has obtained the commercial registrations of the following branches:

<u>C.R. No.</u>	<u>Date of issue</u>	<u>City</u>
5900011471	9/6/1428H	Jazan
4030132365	24/9/1421H	Jeddah
1010174468	26/12/1422H	Riyadh
5855020669	-	Khamis Mushait
5906016168	9/8/1432H	Jazan
5906016169	9/8/1432H	Jazan
5906016170	9/8/1432H	Jazan

Furthermore, the company has obtained the following industrial licences:

<u>Licence no.</u>	<u>Date of issue</u>	<u>City</u>	<u>The purpose</u>
546/S	26/8/1430H	Jazan	Production of drinking water
2852/S	30/11/1428H	Jazan	Production of drinking water
5/3/6526	1/2/1425H	Jazan	Shrimp farming
5/3/79862	20/11/1418H	Jazan	Shrimp farming in salt water

1/3. SHARE CAPITAL

The company's authorized and fully paid up capital amounting to SR 500,000,000 (Saudi Riyal Five Hundred Million) divided into 50,000,000 shares (Fifty Million Shares) of a nominal value SR 10 per share - wholly owned by individuals, Saudi companies and equivalents.

1/4. The company's objectives:

- Possession and land reclamation, drilling wells for exploitation in setting up animal and plant agricultural projects, breeding and fattening sheep and calves, production of poularde and layer chickens, setting up fish farms and fishing, setting up nurseries farms, seedlings of fruit, forest, zinnia, aromatic and medicinal trees, processing of agricultural products, animal, plant and fish and their derivatives, obtaining trading agencies, Wholesale and retail trade of agricultural machinery and supplies, working in the field of agricultural marketing of agricultural, animal and plant products and its derivatives as per the resolution of his excellency Minister of Commerce no. 223 dated 7/2/1414H, purchase of land for purpose of building for investment by the sale or lease for the benefit of the company, maintenance and development of property, setting up, management, maintenance and operation of industrial projects, wholesale and retail trade of foodstuffs, industrial tools, building materials, electrical, mechanical and electronic devices and appliances.
- Real estate services represented in sale, purchase and lease of land real estate, its development and investment, general contracting represented in construction, repair, demolition, restoration of public buildings, residential and commercial buildings, health care and recreational facilities, airports and seaports buildings, road works and asphaltting, lighting works, water and telephone extensions, sewage, infrastructure, maintenance, cleaning, planting gardens and parks.
- Production of closed bottled drinking water.
- Marketing the company's products.

2. SIGNIFICANT ACCOUNTING POLICIES

The interim financial statements are prepared in accordance with interim financial reporting standards issued by SOCPA applicable in the Kingdom of Saudi Arabia. The following is a summary of significant accounting policies:

2/1. Accounting convention

The financial statements are prepared in accordance with the historical cost convention. The company adopts the accrual basis in recording its revenues and expenses.

2/2. Cash and cash equivalents

For the purpose of preparing the statement of cash flows, cash and cash equivalents are represented in cash in hand, cash at banks and investment portfolios with maturity of three months or less.

2/3. Inventories

Inventories are valued at the lower of cost and net realizable value. Inventories include cost of finished products, production in process, raw materials and supplies of production. Cost of finished products and production in process include cost of raw materials, labour and indirect manufacturing expenses, while cost of raw materials and supplies are valued based on the weighted average method. Provision is made, wherever necessary, for obsolete and slow moving stock.

2/4. Investments

- Investments in associate companies

Investments in associate companies, in which the company holds not less 20% of its share capital, and has significant influence over its operations, are accounted for using the equity method according to the latest audited financial statements available at the balance sheet date. Equity share in income/(losses) in investee associate company are shown in the statement of income (Except for the companies in which the company has no significant influence over its operations, are recorded at cost and its return is taken to the statement of income on distribution.

- Other investments

Investments in which the company holds less than 20% of its share capitals, are recorded based on the fair value at the date of the financial statements. Unrealized gain and loss resulting from revaluation, are recognized as separate item in shareholders' equity. The fair value of these investments are determined through the market value of marketable securities. Non-temporary decline resulting from revaluation of the company's investments in available for sale securities, is charged to the statement of income.

2/5. Fixed assets

Land is not depreciated - while other fixed assets are depreciated by the straight - line method over the estimated useful lives of the assets at the following annual depreciation rates:

- Buildings and constructions	3% - 20%
- Vehicles and coolers	20%
- Machinery and equipments	10% - 20%
- Plant, machinery and pumps	10% - 15%
- Trees and windbreaks	3,85%
- Artesian wells	5%

2/6. Projects -in- progress

- Projects -in- progress include actual costs which make the asset qualified for use, and appear as projects -in- progress till final handing over to be shown in the balance sheet under fixed assets, and start calculation of its depreciation. Land on which projects -in- progress are constructed, is included within land for the purpose of investment and construction on.

- Expenses incurred by the company for planting fruitful trees, are recorded in projects -in- progress item till its output. When such trees become fruitful and productive, are transferred to fixed assets and start calculating its depreciation.

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JAZAN DEVELOPMENT COMPANY (JAZADCO)

(SAUDI JOINT STOCK COMPANY)

JAZAN - SAUDI ARABIA

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD

ENDED 30TH SEPTEMBER 2012 (UNAUDITED)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2/7. Deferred charges and its amortization

- Deferred charges comprise expenses incurred before the commencement of commercial production and also other overhaul and maintenance costs for the the company's factories which will benefit the company in future years.
- Deferred expenses are amortized over the estimated term of usufruct.

2/8. Provision for zakat

- The company is subject to zakat in accordance with the regulations issued by the Department of Zakat & Income Tax. The company makes provision for zakat due on a quarterly basis and charges it to the statement of income annually. Adjustments arising at the stage of final assessment of zakat, if any, are recorded in the period in which the final assessment is issued.

2/9. Provision for staff indemnities

Provision is made for staff indemnities payable under the Saudi Arabian Labour Laws applicable to employees' cumulative period of services up to the balance sheet date.

2/10. Government grants

Government grants are measured and recognized as follows:

- Unrestricted grants

They are measured and recognized in the shareholders' equity based on the assets obtained at the date of acquisition. These grants are not available for distribution.

- Restricted grants

They are measured and recognized in the non-current liabilities till issuance of deeds of ownership, then, they will be transferred to unrestricted grants.

2/11. Income recognition

- Sales are recorded net, and income from sales is recognized upon issuance of invoices and delivering the products to the clients.
- Rental revenue is recognized according to the accrual basis.

2/12. Marketing and administrative expenses

- Expenses relating to sales and marketing are charged to selling and marketing expenses.
- Expenses relating to management and which are not relating to production or selling are charged to general and administrative expenses.

2/13. Foreign currencies

Transactions denominated in foreign currencies during the year are translated to Saudi Riyals at the exchange rates prevailing at the date of such transactions. Assets and liabilities denominated in foreign currency at the year end are translated to Saudi Riyal at exchange rates prevailing at that date. The exchange differences are taken to the statement of income.

2/14. Segments information

The division is an essential part of the company's activity. The company sells or renders products or certain services (Business sector), or sells or renders products or services in certain economic environments (Geographical sector). The division is usually exposed to risks and returns of a different nature from other sectors.

3. STATUTORY RESERVE

As per the Saudi Companies Act and the Company's Articles of Association, 10% of the annual net income is required to be set aside to statutory reserve till such reserve reaching 50% of the paid up capital. This reserve is not available for distribution currently.



JAZAN DEVELOPMENT COMPANY (JAZADCO)**(SAUDI JOINT STOCK COMPANY)****JAZAN - SAUDI ARABIA****NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD****ENDED 30TH SEPTEMBER 2012 (UNAUDITED)****4. SEGMENTS INFORMATION**

The company operates its activity in the Kingdom of Saudi Arabia through the following main sectors:

The period from 1/1/2012 to 30/9/2012

	Agricultural sector		Industrial sector	Real estate	Total
	Fruits	Shrimp	Water	sector	
	SR	SR	SR	SR	SR
Net sales	6,204,275	3,209	14,814,301	2,561,760	23,583,545
Cost of sales	(8,166,251)	(11,447,780)	(16,543,905)	(567,044)	(36,724,980)
Gross (loss)/incom	<u>(1,961,976)</u>	<u>(11,444,571)</u>	<u>(1,729,604)</u>	<u>1,994,716</u>	<u>(13,141,435)</u>

The period from 1/1/2011 to 30/9/2011

	Agricultural sector		Industrial sector	Real estate	Total
	Fruits	Shrimp	Water	sector	
	SR	SR	SR	SR	SR
Net sales	9,682,798	36,863,463	8,749,133	1,889,459	57,184,853
Cost of sales	(11,076,594)	(43,394,180)	(11,134,334)	(577,296)	(66,182,404)
Gross (loss)/incom	<u>(1,393,796)</u>	<u>(6,530,717)</u>	<u>(2,385,201)</u>	<u>1,312,163</u>	<u>(8,997,551)</u>

- Shrimp project has not realized revenue during the period, because of the disease which afflicted the project (White spot viral disease) which led to stop the project's operations in order to deal with this virus (See note no. 8).

5. LOSS ON INVESTMENTS

The extraordinary general meeting of Tabuk Fish Company (in which, the company owns 20% of its capital) has resolved at its meeting held on 16/7/2011, to reduce its capital by 50% in order to cover realized losses arising from investment in shares of some companies. The financial impact of this resolution on the company is represented in reducing its investments from SR 44 million to become SR 22 million, in addition, the company bears losses resulting from capital reduction and premium of SR 22 million.

6. LOSS PER SHARE

- Loss per share (LPS) for the period (from operations) has been computed on the basis of netloss from operations amounting to SR 24,654,226 (SR 18,535,865 - 2011) divided by the number of issued shares amounting to 50 million shares (50 million shares - 2011).
- Loss per share (LPS) for the period has been computed on the basis of net loss amounting to SR 20,068,148 (SR 38,152,734 - 2011) divided by the number of issued shares amounting to 50 million shares (50 million shares - 2011).

7. RESULTS INDICATOR

The results of operations for the period may not represent an accurate indicator of the actual results of operation for the full year.



JAZAN DEVELOPMENT COMPANY (JAZADCO)

(SAUDI JOINT STOCK COMPANY)

JAZAN - SAUDI ARABIA

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD

ENDED 30TH SEPTEMBER 2012 (UNAUDITED)

8. SIGNIFICANT EVENTS

- At the end of 2011, Shrimp project has been afflicted by White spot viral disease which led to stop the project's operations in order to deal with this virus. Loss resulting from production decline at the project for 2012 approximately amounted to SR 19 million. Farming shrimp operations in ponds resumed in May 2012. As stated in the announcement published on Tadawul website dated 16/11/1433H (corresponding 2/10/2012), that harvesting operations have been started successfully on Monday evening 15/11/1433H (corresponding 1/10/2012), without causing any virus infection.
- The company has filed lawsuit before the Grievance Court in Riyadh under no. 350/1/q dated 9/1/1433H, against the Ex-Board of Directors of Tabuk Fish Company relating to the irregularities committed by them, which resulted in losses amounted to SR 85 million representing approximately 42% of its capital as shown in the financial statements of Tabuk Fish Company as at 30/6/2011.

9. COMPARATIVE FIGURES

Certain comparative figures of the last period have been rearranged to conform to the current period's presentation of the financial statements.

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