

JAZAN DEVELOPMENT COMPANY (JAZADCO)  
A SAUDI JOINT STOCK COMPANY  
JAZAN – SAUDI ARABIA

THE INTERIM FINANCIAL  
STATEMENTS AND INDEPENDENT  
ACCOUNTS REVIEW REPORT FOR  
THE THREE MONTHS ENDED  
31 MARCH 2012



# Aldar Audit Bureau

Abdullah Al Basri & Co

Certified Accountants  
Professional Partnership Co  
Licence 323 / 11 / 36  
Member Firm of  
Grant Thornton International

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## REPORT ON LIMITED REVIEW

### TO THE SHAREHOLDERS' OF JAZAN DEVELOPMENT COMPANY (JAZADCO) A SAUDI JOINT STOCK COMPANY

#### Scope of review

We have reviewed the accompanying interim balance sheet of Jazan Development Company. (A Saudi Joint Stock Co.) – as of 31 March 2012, and the related interim statements of income for the three months ended 31 March 2012 and interim cash flow for the period of three months including the related notes 1 to 10. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards established by the Saudi Organization for Certified Public Accountants. A limited review of interim financial statements consists principally of applying analytical procedures to financial data and making inquiries of persons responsible in the Company 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 interim financial statements taken as 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 financial statements in order to be in conformity with generally accepted accounting principles.



Aldar Audit Bureau  
Abdullah Al Basri & Co.

Abdullah M. AlBasri  
Certified Public Accountant  
(License No.171)

Riyadh, 22 Jumada Al-awal 1433 A.H  
Corresponding to 14 April 2012

Head Office - Riyadh  
Al-Mousa Complex  
Tower 4, 7th Floor  
Olaya Main Street  
P.O.Box 2195 Ryadh 11451  
Kingdom of Saudi Arabia  
Tel. : ( +966 ) 1 463 0680 ( 7 lines )  
Fax : ( +966 ) 1 464 5939  
E-mail : infor@aldaraudit.com  
www.aldaraudit.com  
Branches - Jeddah - Khobar

**INTERIM BALANCE SHEET**  
**AS OF 31 MARCH 2012 (Unaudited)**

	<u>NOTE</u>	<u>31/3/2012</u> SR	<u>31/3/2011</u> SR
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalent		19,130,916	25,904,444
Accounts receivable – net		7,821,006	10,720,062
Related parties		11,378,801	23,881,827
Inventories – net		11,580,633	21,498,959
Other debit accounts		2,273,710	2,186,180
Total current assets		<u>52,185,066</u>	<u>84,191,472</u>
<b>Non-current assets</b>			
<b>Investments</b>			
Invested lands and erections		138,820,967	138,820,967
Investments in companies at equity method	(4)	46,918,441	81,870,404
Investments in shares in local companies		8,246,750	8,858,561
Investments in shares in foreign companies		262,245	9,288,186
Total investments		<u>194,248,403</u>	<u>238,838,118</u>
Net book value of fixed assets		297,252,734	295,321,821
Spare parts for machinery and equipment		3,349,589	3,148,355
Advance payments against purchase of fixed assets		4,008,234	1,066,300
Constructions in progress		58,286,000	52,538,789
Deferred charges - net		14,756,133	17,973,092
Total non-current assets		<u>571,901,093</u>	<u>608,886,475</u>
Total assets		<u>624,086,159</u>	<u>693,077,947</u>
<b>LIABILITIES &amp; SHAREHOLDERS EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable		37,429,822	37,287,484
Short term loans		3,654,709	1,554,703
Unpaid gains of shares		5,382,664	5,398,537
Other credit accounts		8,004,206	5,961,877
Zakat provision		3,000,508	4,884,973
Total current liabilities		<u>57,471,909</u>	<u>55,087,574</u>
<b>Non-current liabilities</b>			
Long term loans		31,317,141	36,295,679
Provision for end of service indemnity		4,170,831	3,440,609
conditional governmental subsidies		6,116,000	6,116,000
Total non-current liabilities		<u>41,603,972</u>	<u>45,852,288</u>
<b>Shareholders' equity</b>			
Paid-up capital		500,000,000	500,000,000
Un-conditional governmental subsidies		11,120,000	11,120,000
Statutory reserve		150,373,126	150,373,126
Unrealized gain (losses) of Investments available for sale		1,305,087	(1,579,080)
Accumulated losses	(5)	<u>(137,787,935)</u>	<u>(67,775,961)</u>
Net shareholders' equity		<u>525,010,278</u>	<u>592,138,085</u>
Total shareholders' liabilities & equity		<u>624,086,159</u>	<u>693,077,947</u>

The attached notes 1 to 10 form part of these financial statements

**INTERIM INCOME STATEMENT  
FOR THE THREE MONTHS ENDED 31 MARCH 2012 (Unaudited)**

	Note	Interim period	
		1/1/2012 to 31/3/2012	1/1/2011 to 31/3/2011
		SR	SR
Operating income		7,095,967	20,058,733
Operating expenses		(10,284,671)	(24,213,675)
Gross (losses)	(6)	(3,188,704)	(4,154,942)
Selling & Distribution expenses		(1,642,755)	(1,234,355)
General & Administrative expenses		(1,505,256)	(1,265,035)
Net operating losses		(6,336,715)	(6,654,333)
Net profit from investments		527,060	140,057
Net profit from valuation of investments		1,252,484	5,781
Other income		609,707	4,500
Net losses for the period before zakat		(3,947,464)	(6,503,995)
Zakat		(100,000)	(200,000)
Net losses for the period		(4,047,464)	(6,703,995)
Losses per share for the period		(0,08)	(0,13)

The attached notes 1 to 10 form part of these financial statements

**INTERIM CASH FLOWS STATEMENT  
FOR THE FIRST THREE MONTHS ENDED 31 MARCH 2012 (Unaudited)**

	1/1/2012 to 31/3/2012 SR	1/1/2011 to 31/3/2011 SR
<b>Cash flows from operating activities</b>		
Net losses for the period	(4,047,464)	(6,703,995)
<b>Adjustments</b>		
Prior years' adjustments	882,553	---
Zakat formed	100,000	200,000
Zakat paid	(58,554)	---
Depreciation of fixed assets	4,732,734	4,503,501
Amortization for deferred charges	804,240	804,241
Provision for end of service indemnity	63,229	56,797
(Gains) Losses from investments	(507,804)	(1,168,266)
<b>Changes in operating assets &amp; liabilities</b>		
Changes in accounts receivable	1,668,036	(307,253)
Changes in related parties	---	(6,570,506)
Changes in inventories	(2,068,558)	5,733,467
Changes in other debit accounts	(1,121,172)	(878,876)
Changes in accounts payable	1,071,859	(2,136,199)
Changes in other credit accounts	370,395	(115,961)
(Gains) from sale of fixed assets	(112)	---
Net cash flows provided by (used in) operating activities	<u>1,889,382</u>	<u>(6,583,050)</u>
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	(258,880)	(775,562)
Proceeds from sales fixed assets	7,484	1,955,002
Spare parts for machinery & equipment	12,724	(263,656)
Constructions in progress	(10,482,682)	(5,244,559)
Advance payments against purchase of fixed assets	(210,399)	160,100
Investments	1,856,072	1,168,266
Net cash flows used in investing activities	<u>(9,075,681)</u>	<u>(3,000,409)</u>
<b>Cash flows from financing activities</b>		
Loans	(2,878,532)	---
Unpaid gains of shares	(5,785)	97,022
Net cash flows (used in) provided by financing activities	<u>(2,884,317)</u>	<u>97,022</u>
Net decrease in cash & cash equivalent	(10,070,616)	(9,486,437)
Cash & cash equivalent at beginning of period	29,201,532	35,390,881
Cash & cash equivalent at end of period	<u>19,130,916</u>	<u>25,904,444</u>

The attached notes 1 to 10 form part of these financial statements

**NOTES TO THE INTERIM FINANCIAL STATEMENTS****1 INTRODUCTION****Company's name**

Jazan Development Company (JAZADCO)

**Legal entity**

Saudi Joint Stock Company

**Formation of the Company**

The Company was established vide the resolution of the Minister of Commerce No. 223 dated 7/2/1414H corresponding to 26/7/1993.

**Head office of the Company**

The Company's head office is in the city of Jazan, and the board of directors may establish branches or agencies within or outside of the Kingdom of Saudi Arabia.

**Duration of the Company**

The duration of the Company shall be ninety-nine (99) Gregorian years commencing from the date of the resolution issued by the Ministry of Commerce & Industry after announcing the incorporation of the Company. The duration of the Company may be extended by a resolution of the Extraordinary General Assembly, taken at least one year prior to the expiration of this term.

**Authorized capital**

The subscribed and fully paid-up capital is SR. 500 Million divided into 50,000,000 shares each of SR. 10

**Commercial registration**

The Company is registered in Jazan under the Commercial Registration No. 5900005403 dated 29/2/1414H corresponding to 17/8/1993, and obtained the branch registrations No. 5900011471 dated 9/6/1428H issued in Jazan, branch registration No. 4030132365 dated 24/9/1421H issued in Jeddah, branch registration No. 1010174468 dated 26/12/1422H issued in Riyadh, branch registration No. 5855020669 issued in Khamis Mushait, and branch registration No. 5906016168 issued in Jazan on 9/8/1432 and CR No. 5906016170 dated 9/8/1432 issued in Jazan. The Company also obtained an industrial license No. 2852/X dated 30/11/1428H issued in Jazan and the industrial license No. 546/X dated 26/8/1430H issued in Jazan and the Company obtained the agricultural license No. 6526/3/5 dated 1/2/1425H and agricultural license No. 79862/3/5 dated 20/11/1418H issued in Jazan.

**Objectives of the Company**

The Company is engaged in buying agricultural lands and carry out the necessary improvements on such lands, in addition to digging wells to be used for the Company's projects whether in its animal or plant sections, growing of sheep, cows, chickens and fish etc... The Company is also engaged in grooming all types of trees, agricultural animal and fish products in accordance with the resolution of the Minister of Commerce No. (223) dated 7/2/1414 which authorize the Company to buy lands and erection of buildings on such lands to be invested by selling or renting whether on retail or wholesale basis.

Trading of food stuff, industrial tools and electrical, mechanical and electronic equipment, buying and selling of real estates, general contracting and renovation of commercial, educational, recreation, medical airports, road and asphaltting projects, in addition to sanitary, infrastructure, cleaning, maintenance, lighting, gardening and other related business.

Drinkable bottled water in accordance with the industrial license No. 546 dated 26/8/1430.

The Company markets its own products.

**Financial year**

The Company's financial year ends in December of each Gregorian year and the financial statements are made for the period ended 31 March 2012, which are compared with those of 31 March 2011.

**2 BASIS OF ACCOUNTING, PREPARATION & PRESENTATION OF FINANCIAL STATEMENTS**

- a) The interim financial statements have been prepared on accrual basis under the historical cost convention except the securities and portfolios, which are recorded at fair value in accordance with generally accepted accounting principles.
- b) The books of accounts are maintained by computer in Arabic language.
- c) The Company prepares its financial statements in accordance with the accounting standards issued by SOCPA.

**3 SIGNIFICANT ACCOUNTING POLICIES****a) Accounting estimates**

The preparation of interim financial statements are made in accordance with the accounting standards applied in the Kingdom of Saudi Arabia which require that estimations and assumptions should be used which might affect the Company's assets and liabilities and accordingly the earnings and expenses. However, despite the use of reasonable estimates is an essential part of the preparation of the financial statements were conducted by the Company's management, the actual result may differ from those estimates ones.

**b) Accounts receivable**

Receivables are accounted for in the financial position at net collectible value after the deduction of provision for doubtful debts.

**c) Inventories**

Year end stock comprise, finished products, raw materials, production supplies and are valued at the lower of selling or actual cost.

Finished and in process products include raw materials, labour cost, direct and indirect production expenses, while raw materials and production supplies are valued at cost using weighted average method.

A provision for slow moving stock is formed.

**d) Shares in other companies' capitals**

- Shares in other companies' capitals, which constitute less than 20% or more than 20% of their capitals where the Company has material influence on their financial policies and operational activities are accounted for on equity method based on the latest financial statements.
- Shares in the capitals of companies' equal or less than 20% of their capitals are accounted at fair value at the dates of the financial statements, taking into consideration unrealized gains or losses resulting from the revaluation of the components of shareholders equity in a separate account. The fair value of these investments is determined on the securities market value at Tadawul, otherwise the fair value is relied upon as cost.
- The non-temporary diminution resulting from the revaluation of investments in securities available for sale is charged to the income statement.

**e) Income recognition**

- Sales are realized when invoices are issued and goods delivered to customers.
- Income resulting from renting is accounted based on duration of contracts and in accordance with accrual basis.

f) **Fixed assets**

The Company follows straight-line method when depreciating its fixed assets using the following annual rates:-

Buildings & Construction	3 – 20%
Trucks & Refrigerators	20%
Tools & Equipment	10 – 15%
Furniture, Fixtures, Decorations, Air conditioners	10 – 20%
Machinery, Equipment & Pump	10 – 15%
Wind protections & Trees	3.85%
Wells	5%

g) **Spare parts**

Spare parts are valued at cost using weighted average method.

h) **Constructions in progress**

- The actual costs of construction in progress include the projects under execution which will be disclosed as fixed assets after being completed, and accordingly such assets will be depreciated. However, the lands on which the construction in progress are erected on are listed under lands for investments.
- All cost incurred to plant trees are recorded under constructions in progress, until such trees become fruitful, and then transferred to fixed assets subject to depreciation.

i) **Deferred charges**

Deferred charges are amortized over its estimated useful life (7 years).

j) **General & Administrative expenses**

General, administrative, selling and distribution expenses are accounted for on accrual basis and are allocated on the related accounting periods, while those expenses related to different accounting periods are allocated on periodical basis using the historical cost.

k) **Statutory reserve**

10% of the net profit is appropriated to form a statutory reserve in accordance with the companies' regulations and the Company's articles of association until it reaches 50% of its capital. Statutory reserve cannot be distributed to shareholder.

l) **Employees benefits**

Employees' benefits such as End of service indemnity are computed and accounted for in accordance with the Saudi labour law.

Air tickets and staff vacations are accounted in accordance with employment contracts.

m) **Zakat provision**

Zakat is computed on each period based on an estimation basis, and actual zakat is accounted for and adjusted at the end of year.

Zakat provision is computed at the end of each fiscal year in accordance with the DZIT's regulations in KSA.

Zakat provision is disclosed at the end of each fiscal year in the income statement and variances resulting from the actual zakat assessments are dealt with in the same year when such assessments are issued by DZIT.

n) **Segments information**

The segments are principle parts of the Company which carries out selling and introducing the Company's products and services (business segment) or selling the products and services in certain economical environment (geographic segment). The segments are normally subject to risks and effects of different nature than the other segment.



o) **Governmental subsidies**

- Unconditional governmental subsidies, which are measured and accounted for in the shareholders equity based on the values of the current assets and are not subject to distribution.
- Conditional governmental subsidies, which are measured and accounted for under non-current liabilities until the related title deeds are issued and eventually transferred to unconditional governmental subsidies.

p) **Cash and cash equivalent**

This item consists of cash on hand, cash at banks, investments matured within or less than three months.

q) **Foreign currency transaction**

Transactions in foreign currencies during the year are converted into Saudi Riyal at the rates of exchange ruling on the date of transaction. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Saudi Riyals at the exchange rate ruling on that date. Gains or losses are accounted to relevant heads of statements of income.

**4 INVESTMENTS AT EQUITY METHOD**

The total investments at equity method include the investment in Jannat. Agricultural Investment Company amounted to SR. 12,242,049 which was valued based on the results of operations of the audited financial statement as of Dec. 31, 2010 which represent the last audited financial statement issued for the investee.

**5 ACCUMULATED LOSSES**

Accumulated losses had been reduced by an amount of SR. 882,553, which represents the subsidy granted by Saudi Agricultural Development Fund against the loan installment during the previous years.

**6 SEGMENTS INFORMATION**

## a) The Company activities are organized into three main business segments:-

For the period from 1/1/2012 to 31/3/2012

Description	Agricultural segment		Industrial segment (water)	Real estate segment	Total
	Fruits	Shrimp			
	SR	SR	SR	SR	SR
Net sales	3,235,790	---	3,028,316	831,861	7,095,967
Cost of sales	(2,580,374)	(4,200,539)	(3,314,743)	(189,015)	(10,284,671)
Gross profit (loss)	655,416	(4,200,539)	(286,427)	642,846	(3,188,704)

For the period from 1/1/2011 to 31/3/2011

Description	Agricultural segment		Industrial segment (water)	Real estate segment	Total
	Fruits	Shrimp			
	SR	SR	SR	SR	SR
Net sales	1,250,547	16,267,652	2,007,624	532,910	20,058,733
Cost of sales	(2,094,811)	(18,708,293)	(3,210,068)	(200,503)	(24,213,675)
Gross profit (loss)	(844,264)	(2,440,641)	(1,202,444)	332,407	(4,154,942)

## b) No income had been realized from Shrimps project during the first quarter due to the white virus spots disease which had affected the project and lead to stop it (note 8/a).

**7 EARNINGS PER SHARE**

Earnings per share is computed by dividing the net profit of the period by the number outstanding shares during the period.

**8 SIGNIFICANT EVENTS**

- a) The shrimps project had been infected by the "white virus spot disease" which had resulted in ceasing the operation in such project in order to deal with the virus. However, replanting will start again early in May 2012, which had resulted in reducing the production and losses amounted to SR. 19 Million as of December 31, 2012
- b) A case no. 350/1/K dated 9/1/1433 had been filed at the Grievance Board against the previous board of directors of Tabuk Fisheries Co. who had been accused to commit violations which had resulted in losses amounted to SR. 85 Million as disclosed in the financial statements of Tabuk Fisheries Co. on 30/6/2011 which represents 42% of the Company's capital (The case had been published at Tadawul on 11/12/2011).

**9 ADJUSTMENTS OF THE PERIOD**

All the adjustments carried out by the Company's management are accounted for in the financial position and the results of operations which do not represent the actual results of the whole year's operations.

**10 GENERAL**

- a) Comparative figures were regrouped to bring them in line with current period classification.
- b) The figures of the financial statements are rounded to the nearest Saudi Riyal.