

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND SIX- MONTH PERIOD ENDED JUNE 30, 2021
AND INDEPENDENT AUDITOR'S REVIEW REPORT**

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

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**INDEPENDENT AUDITOR'S REVIEW REPORT ON THE
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The Shareholders

Anaam International Holding Group Company

(A Saudi Joint Stock Company)

Jeddah, Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position for Anaam International Holding Group Company (a Saudi Joint Stock Company) (the "Company") and its subsidiaries (collectively referred to as the "Group") as at June 30, 2021, and the interim condensed consolidated statement of profits or losses and other comprehensive income for the three and six-month period ended June 30, 2021, and the interim condensed consolidated statements of changes in shareholders' equity and cash flows for the three-month period ended on that date, and a summary of significant accounting policies and other explanatory notes.

The management is responsible for preparing and presenting these interim condensed consolidated financial statements in accordance with International Accounting Standard No. 34 "Initial Financial Report" adopted in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements No. (2410) "Review of the Initial Financial Information performed by the Independent Auditor of the Entity," approved in the Kingdom of Saudi Arabia. The review of the interim financial statements primarily consists of making inquiries of persons responsible for financial and accounting matters and applying analytical and other review procedures. The review is considerably less in its scope than the audit that is carried out in accordance with the International Standards of Auditing adopted in the Kingdom of Saudi Arabia, and therefore we will not be able to reach assurance of our knowledge of all important matters that may be discovered during the audit process, and accordingly, we do not express an audit opinion.

Material uncertainty related to going concern.

As stated in note No. (2-3) to the interim condensed consolidated financial statements, which indicates that the Group incurred a net loss of SR 4.6 million during the period ended June 30, 2021 (June 30, 2020: SR 0.15 million) and, as of that date, the Group's current liabilities exceeded its current assets by an amount of SR 32.4 million. As stated in note No. (1), there is no practical and operational alternative until June 30, 2021 to plant green fodder, whose cultivation was stopped during 2018, as it was representing about 80% of the Group's revenues at that time in order to cover the current liabilities and the Group's expenses. These events or conditions, along with other matters as set forth in Note (2-3), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

THE POWER OF BEING UNDERSTOOD

AUDIT | TAX | CONSULTING

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Commercial registration No. 4030228779
License No. 323/11/168 JCCI: 120082



RSM Allied Accountants
Dr Abdelgadir Bannaga & Partners Company

Conclusion

Based on our review, nothing has come to our knowledge that causes us to believe that the accompanying interim condensed consolidated financial statements have not been prepared, in all material respects, in accordance with International Accounting Standard No. (34) adopted in the Kingdom of Saudi Arabia.

Emphasis of Matter

We would like to draw attention, and as stated in note 6 to the interim condensed consolidated financial statements, property, plant, and equipment include land amounting to SR 47.1 million not registered in the name of the Group.


Abdelgadir Bannaga, PhD/FCCA
License No. 22

Date: Muharram 12, 1443H
Corresponding to August 21, 2021



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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
(Expressed in Saudi Riyals)

| | Note | As at June 30, 2021 (Unaudited) | As at December 31, 2020 (Audited) |
|--|------|---------------------------------------|---|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment, net | 6 | 120,415,822 | 121,449,708 |
| Intangible assets, net | 7 | 492,635 | 667,294 |
| Investment properties | 8 | 946,000 | 946,000 |
| Total non-current assets | | 121,854,457 | 123,063,002 |
| Current assets | | | |
| Inventories, net | | 1,867,515 | 1,878,406 |
| Trade receivables, net | 9 | 1,629,777 | 1,957,837 |
| Prepayments and other receivables | | 3,166,452 | 2,065,163 |
| Short-term deposits | | 50,000,000 | - |
| Cash and cash equivalents | | 25,650,506 | 80,456,360 |
| | | 82,314,250 | 86,357,766 |
| Non-current assets classified as held for sale | 5 | 14,303,351 | 16,612,164 |
| Total current assets | | 96,617,601 | 102,969,930 |
| TOTAL ASSETS | | 218,472,058 | 226,032,932 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | |
| Shareholders' equity | | | |
| Capital | 12 | 105,000,000 | 105,000,000 |
| Accumulated losses | | (20,670,358) | (16,054,747) |
| Total shareholders' equity | | 84,329,642 | 88,945,253 |
| Non-current liabilities | | | |
| Provision for end-of-service indemnity | 10 | 5,125,379 | 4,857,205 |
| Total non-current liabilities | | 5,125,379 | 4,857,205 |
| Current liabilities: | | | |
| Accrued expenses and other payables | | 977,917 | 3,792,757 |
| Trade accounts payable | | 8,126,333 | 8,513,966 |
| Dividends and dues to shareholders | | 12,985,509 | 12,996,473 |
| Provision for Zakat | 11 | 106,927,278 | 106,927,278 |
| Total current liabilities | | 129,017,037 | 132,230,474 |
| Total liabilities | | 134,142,416 | 137,087,679 |
| TOTAL SHAREHOLDERS EQUITY AND LIABILITIES | | 218,472,058 | 226,032,932 |

The accompanying notes from 1 to 18 form an integral part of these interim condensed consolidated financial statements.

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (UNAUDITED)**
(Expressed in Saudi Riyals)

| | Note | For the three months period from April 1 to June 30, | | For the six months period ended June 30, | |
|--|------|--|---------------------|---|---------------------|
| | | 2021 (Unaudited) | 2020 (Unaudited) | 2021 (Unaudited) | 2020 (Unaudited) |
| Sales – net | | 1,906,293 | 1,581,260 | 3,902,110 | 4,880,945 |
| Cost of sales | | (1,306,256) | (1,416,190) | (2,574,756) | (3,444,195) |
| Gross profit | | 600,037 | 165,070 | 1,327,354 | 1,436,750 |
| Selling and marketing expenses | | (86,957) | (72,079) | (174,161) | (154,056) |
| General and administrative expenses | | (3,030,988) | (1,425,110) | (6,423,943) | (3,396,667) |
| | | (2,517,908) | (1,332,119) | (5,270,750) | (2,113,973) |
| Operating loss | | | | | |
| Other income (expenses) | | 14,100 | 1,678,327 | 15,300 | 1,961,419 |
| Net income (loss) for the period before Zakat | | (2,503,808) | 346,208 | (5,255,450) | (152,554) |
| Zakat expenses | | - | - | - | - |
| Net income (loss) after zakat from continuing operations | | (2,503,808) | 346,208 | (5,255,450) | (152,554) |
| Discontinuing operations | | | | | |
| Results of discontinuing operations | | 606,092 | - | 639,839 | - |
| Net loss for the period | | 1,897,716 | 346,208 | (4,615,611) | (152,554) |
| Other Comprehensive income items | | | | | |
| Items that will not be reclassified subsequently in profit or loss: | | | | | |
| Actuarial (loss) gains from re- measuring of employee benefits | | - | - | - | - |
| Total other comprehensive income (loss) for the period | | (1,897,716) | 346,208 | (4,615,611) | (152,554) |
| Basic and diluted loss per share from net loss for the period. | 13 | (0.18) | 0.23 | (0.44) | (0.10) |

The accompanying notes from 1 to 18 form an integral
part of these interim condensed consolidated financial statements.

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)
(Expressed in Saudi Riyals)**

| | Capital | (Accumulated losses) Retained earnings | Net |
|--|--------------------|---|--------------------|
| Balance at January 1, 2021 (audited) | 105,000,000 | (16,054,747) | 88,945,253 |
| Total comprehensive income | | | |
| Net loss for the period | - | (4,615,611) | (4,615,611) |
| Other comprehensive income items for the period | - | - | - |
| Total comprehensive loss for the period | - | (4,615,611) | (4,615,611) |
| Balance at June 30, 2021 (unaudited) | 105,000,000 | (20,670,358) | 84,329,642 |
| Balance at January 1, 2020 (audited) | 15,000,000 | 789,261 | 15,789,261 |
| Total comprehensive income | | | |
| Net loss for the period | - | (152,554) | (152,554) |
| Other comprehensive income items for the period | - | - | - |
| Total other comprehensive loss for the period | - | (152,554) | (152,554) |
| Balance at June 30, 2020 (unaudited) | 15,000,000 | 636,707 | 15,636,707 |

The accompanying notes from 1 to 18 form an integral part of these interim condensed consolidated financial statements.

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
(Expressed in Saudi Riyals)**

| | For the six-month period ended June 30, | |
|---|--|--------------------|
| | 2021 | 2020 |
| | (Unaudited) | (Unaudited) |
| <u>Cash flows from operating activities</u> | | |
| Net loss for the period before zakat | (5,255,450) | (152,554) |
| Adjustments to reconcile net loss for the year before Zakat with net cash (used in) provided by operating activities: | | |
| Depreciation of property, plant, and equipment | 2,080,133 | 775,474 |
| Amortization of intangible assets | 174,659 | 107,108 |
| (Gain) on sale of property, plant, and equipment | - | (1,929,909) |
| profit from discontinuing operations | 639,839 | - |
| Provision for end of service indemnities | 268,174 | 217,671 |
| | (2,092,645) | (982,210) |
| <u>Changes in operating assets and liabilities</u> | | |
| Inventories | 10,891 | 697,735 |
| Tread receivables | 328,060 | (142,747) |
| Prepayments and other receivables | (1,101,289) | (1,582,536) |
| Accrued expenses and other payables | (2,814,840) | 568,160 |
| Trade payables | (387,633) | (70,295) |
| Net cash flows (used in) operating activities | (6,057,456) | (1,511,893) |
| <u>Cash flows from investing activities</u> | | |
| Purchase of property, plant, and equipment | (1,046,247) | (39,700) |
| Net movement in non-current assets classified as held for sale | 2,308,813 | - |
| Proceeds from sale of property, plant and equipment | - | 2,640,190 |
| Short-term deposits | (50,000,000) | - |
| Net cash from investing activities | (48,737,434) | 2,600,490 |
| <u>Cash flows from financing activities:</u> | | |
| Dividends and due to shareholders paid | (10,964) | 178,995 |
| Net cash (used in) financing activities | (10,964) | 178,995 |
| (Decrease) increase in cash and cash equivalents | (54,805,854) | 1,267,592 |
| Cash and cash equivalents at beginning of the period | 80,456,360 | 1,092,812 |
| Cash and cash equivalents at end of the period | 25,650,506 | 2,360,404 |

The accompanying notes from 1 to 18 form an integral part of these interim condensed consolidated financial statements.

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH-PERIOD ENDED JUNE 30, 2021
(Expressed in Saudi Riyals)**

1- ORGANIZATION OF THE GROUP AND IT'S SUBSIDIARIES.

Anaam International Holding Group Company is a Saudi joint stock company established in accordance with commercial Registration No. 4030035073 dated 7/9/1402(H) corresponding to 29/6/1982. The following are the subsidiaries included in the consolidated financial statements. All these companies are established in the Kingdom of Saudi Arabia and are fully owned (100%) by the Company directly and indirectly.

| Description | Main activity | Commercial registration |
|--|----------------------------|-------------------------|
| Saudi Cold Store Company Limited | Foodstuff trading & rental | 4030007971 |
| Anaam International Food Co., Ltd. | Foodstuff trading | 4030166809 |
| Anaam International Agricultural Company | Agricultural production | 4030035281 |
| Anaam International Investment Company | Real estate and services | 4030165735 |
| Anaam International Financial Company | wholesale trading | 4030165733 |

The main activity for the company and its subsidiaries (Referred to it as the "Group") is performing all operations of marine transport of livestock within and outside the Kingdom, possession of all means of marine and overland transport necessary to the Group, trading of marine equipment necessary for the ships of the Group, trading of livestock and fodder, related operations of meat production and its transportations, management and operation of slaughterhouses and meat manufacturing, 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.

Currently, the main activity of the group is cultivation and trade of fodder and wholesale and retail trade in foodstuff, warehousing, and leasing services.

The group owns 84.8 million square meters of agricultural land in Al-Busayta in the Al-Jawf region in the north of the Kingdom of Saudi Arabia, and it has 7 agricultural plots with an area of 15.2 million square meters that are not registered in the name of the group, and most of these lands are used to feed fodder. The group also has a land area in the winery in the city of Jeddah with an area of 197,555 square meters not registered in the name of the group as it does not have a title deed and a land in the health quarry area in Jeddah with an area of 9,987 square meters secured by a pledge of ownership transfer in exchange for the payment of financing as shown in note No. (6).

On 25 Safar 1437 AH, Cabinet Decision No. (66) was issued stipulating the cessation of the cultivation of green fodder before 25 Safar 1440H corresponding to November 3, 2020, and accordingly the group ceased the cultivation of green fodder during the year 2018, noting that sales of green fodder represent about 80% Of the Group's revenues in 2017 and 2018, and there is no operational alternative until June 30, 2021 to cover current liabilities and group expenses. The group's proposed plan for stopping the "legitimate" green fodder cultivation is as follows:

- Increase the company's capital after the reduction by issuing priority rights shares and using the subscription proceeds to purchase income-generating real estate assets, in order to provide a continuous source of income and liquidity for the company.
- Improving and developing the group's transport fleet and increasing its efficiency to raise the efficiency of the logistics services provided by the group to its customers.
- Maintenance of central refrigerators by replacing some of the current (old) refrigeration devices with new, high-tech, modern ones.
- The limited investment in fattening livestock locally in the group's project in Al-Jouf and its development.
- Work to reschedule and settle the remaining debts of the company and increase the effort made to collect the group's debts with others.
- Focusing on distinguished manpower and working to improve the group's performance in all its departments.

The group's fiscal year starts from the beginning of January of each calendar year and ends at the end of December of the same year.

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH-PERIOD ENDED JUNE 30, 2021
(Expressed in Saudi Riyals)**

2- BASIS OF PREPARATION

2-1 Statement of compliance

These interim condensed consolidated financial statements ("Consolidated Financial Statements") have been prepared in accordance with International Accounting Standard No. (34) "Initial Financial Report" adopted in the Kingdom of Saudi Arabia (the International Financial Reporting Standard that specifies the minimum contents of the initial financial report) and other standards and publications issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

The interim condensed consolidated financial statements do not include all the information and disclosures required for the full set of consolidated financial statements prepared in accordance with International Financial Reporting Standards, and they must be read in together with the annual consolidated financial statements of the Group as of December 31, 2020 ("the last annual consolidated financial statements"). In addition, the results of the interim period ending on June 30, 2021, may not be considered an accurate indication of the expected results for the fiscal year ending on December 31, 2021.

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

2-2 Basis of measurement

These financial statements are prepared under the historical cost convention, using the accruals basis of accounting, except for employees' benefits obligation, which are measured at present value for the future obligations.

2-3 Going concern.

The Group incurred a net loss of SR 4.6 million during the period ended June 30, 2021 (June 30, 2020: 0.15 million) and as of that date, the Group's current liabilities exceeded its current assets by SR 32.4 million, and there is no practical and operational alternative until June 30, 2021 to plant green fodder, which its cultivation was stopped on 25/2/1440H corresponding to 03/11/2018G according to Cabinet Resolution No. (66), as it was representing about 80% of the Group's revenues.

The management of the Group believes that despite these difficulties, the Group is able to continue practicing its activities, which enables it to improve its financial results in the coming periods, accordingly, and as corrective measures the Group's Board of Directors proposed to present to the shareholders and the Extraordinary General Assembly to increase the group's capital by an amount of SR 90 million.

The shareholders decided at the Group's Extraordinary General Assembly meeting held on 10/3/1442, corresponding to 27/10/2020, to approve the capital increase from SR15 million to SR 105 million, as a strategic direction to raise the financial solvency of the group through restructuring and implementing a business plan that focuses on its main activities. The articles of association and the commercial register of the company have been amended accordingly.

2-4 Functional and presented currency

These interim condensed consolidated financial statements are presented in Saudi Riyals (SR) which is the functional and presentation currency.

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH-PERIOD ENDED JUNE 30, 2021
(Expressed in Saudi Riyals)**

3- SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the interim condensed consolidated financial statements in accordance with applicable accounting standards and policies requires the use of judgments, estimates, and assumptions that affect the values of income, expenses, assets, liabilities and notes attached to the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result material adjustment to the carrying amounts of the assets and liabilities for the future periods.

The principal assumptions relating to the future and other key sources of uncertainty at the consolidated statement of financial position date, which represent a significant risk that lead to material adjustments to the carrying amounts of assets and liabilities within the next financial year. The Group's assumptions and estimates are based on available standards when preparing consolidated financial statements. These assumptions and estimates of future developments may change as a result of market changes and circumstances beyond the control of the Group. Such changes to assumptions are explained when they occur.

a- Provision of damaged and slow-moving inventories

Factors affecting the estimation of the provision based on the Group's previous experience include the current stock situation, current, and future sales projections. Accordingly, the Group considers these factors and takes them into account to calculate a provision for damaged inventories and slow movement. Estimates of the provision may change substantially from year to year. Any adjustments that may result from the difference in these factors are periodically reviewed.

b- Useful lives of property, plant, and equipment

Management determines the estimated useful lives of property, plant, and equipment for calculating depreciation. The cost of property, plant, and equipment is depreciated over the estimated useful life which estimated based on the expected use and obsolescence of the assets and the maintenance and repair programs as well as the technical obsolescence and the recoverable amount of the assets. Management reviews the residual value and useful lives annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates.

c- Actuarial valuation of the employee's end of service indemnities

Cost of employees' end of service indemnities is determined under the defined unfunded remuneration program, which is measured using actuarial valuation. The actuarial valuation includes many assumptions that may differ from actual developments in the future. These assumptions include determining the discount rate, future salary increases, employee behavior, and employee's turnover. Given the complexity of the evaluation and its long-term nature, the specific unfunded bonus obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed once or more per year when necessary.

**ANAAM INTERNATIONAL HOLDING GROUP COMPANY
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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH-PERIOD ENDED JUNE 30, 2021
(Expressed in Saudi Riyals)**

3- SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (Cont.)

d- Measurement of fair value

Fair value is the amount to be received for the sale of an asset, or its payment to convert any of the liabilities in a regular transaction between the market participants on the measurement date under prevailing market conditions for example, the present price regardless of whether it is directly observable or estimated using another valuation method.

The fair value measurement is based on the assumption that the sale of the asset or the transfer of the obligation will be either:

- Through the main market of the asset or liability, or
- Through the most beneficial market for the asset or liability in the absence of the main market.

The main or most beneficial market must be available to the group to access.

The fair value of an asset or liability is measured using the assumptions assumed by market participants when pricing an asset or liability on the assumption that market participants are working in the best interest of their economy.

The measurement of the fair value of a non-financial asset takes into account the ability of market participants to provide economic benefits by using the asset to obtain the best benefit from it or to sell it to another party for use in the best interest. The Group uses valuation techniques that are appropriate to the circumstances and have sufficient data to measure fair value, maximize the use of relevant observable data and minimize the use of undisclosed data.

All assets and liabilities that are measured at fair value or whose fair values are disclosed in the consolidated financial statements are classified according to the hierarchy of the fair values shown below based on the lower-level data that is material to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities matching those that are measured.
- Level 2: inputs that are observable for the asset or liability, either directly or indirectly other than prices quoted in level one.
- Level 3: inputs for the asset or liability that are not observable.

e- Impairment of non-financial assets

Impairment is recognized when the carrying amount of the asset or cash-generating unit exceeds its recoverable amount, which represents its fair value less costs to sell or its value in use, whichever is higher. The fair value is calculated minus costs of disposal on the basis of available data from binding sales transactions, which are made on the basis of the spot price of the transaction in direct market transactions, for similar assets or observable market prices less costs to eliminate the asset.

The value in use is calculated based on the discounted cash flow model. Cash flows are realized from the budget for the following five years, and do not include restructuring activities that the group has not yet committed or significant future investments that will enhance the asset performance of the cash-generating unit subject to a impairment test. The recoverable amount is sensitive to the discount rate used in the discounted cash flow method, as well as expected future internal cash flows and the rate of growth used in the forecast.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH-PERIOD ENDED JUNE 30, 2021
(Expressed in Saudi Riyals)**

4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in preparing the interim condensed consolidated financial statements are consistent with those used in preparing the annual consolidated financial statements of the Group for the year ended December 31, 2020.

4-1 Basis of consolidation of financial statements

Subsidiaries

The interim condensed consolidated financial statements comprise the financial statements of the Company and all its subsidiaries (the Group). Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee.
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or

Similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements that give the parent company the ability for orienting of related activities.
- The Group's voting rights and potential voting rights

The Group re-confirm whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. The consolidation of a subsidiary is commenced when the control of the subsidiary ceases to be transferred to the group and is discontinued when the group ceases to control the subsidiary.

Assets, liabilities, income, and expenses of a subsidiary acquired during the year are included in the consolidated financial statements from the date of control transferred to the group until the date the Group ceases to control over subsidiary.

Profit or loss and each component of other comprehensive income (OCI) is attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between components of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(Expressed in Saudi Riyals)**

4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

4-2 Classification of current and non-current items

Assets and liabilities are presented in the consolidated statement of financial position classified as current and non-current. The asset is classified as current when:

- The Group expects the asset to be recognized, intended to be sold or used during a normal operating cycle.
- The Group retains the assets for trading purposes.
- The Group expects to realize the asset within a period of twelve months after the financial year (Period).
- The asset is in cash or equivalents unless it is subject to restrictions on its replacement or uses to settle an obligation for more than twelve months after the financial period.

All other assets are classified as non-current assets.

The liabilities is classified as current when:

- The settlement of the liability is expected during a normal operating cycle.
- Retains the liability primarily for the purpose of trading.
- The liability is the duty of settlement within twelve months after the financial period.
- The Group has no unconditional right to defer settlement of the liability for more than twelve months after the financial period.

All other liabilities are classified as non-current.

4-3 Property, plant and equipment

Property, plant, and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses (except land where they are not depreciated). Expenses incurred to replace any component of the asset are recognized as a separate item and are capitalized against the write-off of the carrying amount of the replacement portion. Any other capitalization is recognized only when the future economic benefits relating to the asset increase. The repair and periodic maintenance costs of the property, plant, and equipment are recognized in the consolidated statement of profit or loss as incurred. The useful lives of property, plant, and equipment are reviewed at the end of each year. If the estimated useful life is different than previously estimated, the residual value of the asset is depreciated over the remaining useful life after a reassessment of the year in which the revaluation was made.

In respect of the current obligations for derecognition, restatement and similar obligations (dismantling or eliminating the assets), changes in the liability are added to or deducted from the cost of the related asset in the current period so that the amount deducted from the cost of the asset does not exceed its recorded amount and in case the amount of the loss decrease, then it must be recognized immediately in the statement of profit or loss and other comprehensive income. If the adjustment results any addition to the cost of the asset, the Group considers whether this indicates that the new amount of the asset may not be fully recoverable, and if so, the Group tests the asset for impairment by estimating its recoverable amount and Loss of impairment in consolidated profit or loss.

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4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

4-3 Property, plant and equipment (continued)

Financing costs for loans used directly to finance the creation of assets are capitalized over the period of time required to complete the asset and prepare it for its intended use when the asset is eligible to bear the cost of borrowing. Depreciation expense is recognized in the consolidated statement of profit or loss on a straight-line basis over the estimated useful lives of each item of property, plant, and equipment. Assets on leased land (leasehold improvements) are depreciated over the lease term or on the shorter useful lives of the assets

When the useful life of items of property, plant, and equipment is different, they are accounted for as separate items.

Depreciation is charged to all items of property, plant, and equipment to reduce their carrying amount by estimated useful lives as follows:

| Type | Useful lives (Years) |
|--|----------------------|
| • Buildings | 3,33-10 |
| • Improvements to rented buildings | 3,33-4 |
| • Agricultural equipment and tools, and irrigation wells equipment | 3,33-25 |
| • Vehicles and trucks | 10-20 |
| • Furniture, fixtures, office equipment, and computers. | 2-25 |
| • Fruit plants | 2-3 |

The group reviews the useful lives and residual values of property, plant, and equipment at each financial year-end to ensure that it reflects the benefit obtained, and if any is traded as changes in accounting estimates (in the year of change and subsequent years).

Subsequent costs

The cost of replacing part of an item of property, plant, and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The daily cost and expenses incurred by the group for the maintenance and operation of property, plant, and equipment are recognized in the consolidated statement of profit or loss as incurred. Improvements that subsequently increase the value of the assets or the useful life of the assets concerned are capitalized.

4-4 Bearer plants

IAS 16 Property, "Plant and Equipment" defined bearer plants as:

- Used in the production or supply of agricultural products.
- Expected to yield more than once during the period.
- There is a remote possibility of selling them as agricultural products other than scrap sales.

Bearer plants are initially recognized at cost less accumulated depreciation and accumulated impairment losses. The cost incurred by the Group includes the acquisition of the asset and includes the costs of raw materials, labor and all other direct costs associated with placing the asset in a condition that enables it to achieve the purpose for which it was purchased.

Any gain or loss arising from the disposal of the fruit plant (calculated on the basis of the difference between the net proceeds of the sale and the carrying amount of the plants) is recognized in other income in the consolidated statement of profit or loss in the period in which the asset is disposed of.

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4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

4-5 Intangible assets

Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses if any. Intangible assets are amortized on a straight-line basis over their five to ten-year economic life.

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the expenditure can be measured reliably.

The residual values of intangible assets, their useful lives, and impairment indices are reviewed at the end of each financial year and adjusted prospectively where necessary.

4-6 Biological assets

Biological assets are measured at fair value less costs to sell. Changes in the value of biological assets are recognized in the consolidated statement of profit or loss.

4-7 Investment properties

Investment properties consist of land held by the Group for the purpose of earning rental income or growing capital through value appreciation or for both purposes and do not include land and buildings used for the production or supply of goods or services or for administrative purposes or for regular sale purposes.

Investment properties are stated at cost less accumulated depreciation (if any) and impairment losses (impairment) in accumulated value (if any). The land is not depreciated. The cost includes the purchase price plus all the costs directly associated with the establishment or acquisition of the investment property and the condition necessary to be used for the intended purpose. Significant portions of the investment property are depreciated separately from the other segments and the fair value of the investment properties is disclosed.

The cost of properties under construction which their purpose is to construct properties to earn rental income or for the purpose of growing capital, is included through the value appreciation or for both purposes within the investment properties. The group will start depreciation when the property is ready for use in its intended purpose.

The carrying amount of the investment property is derecognized when it is disposed (either through sale or through a finance lease) or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between (a) the net proceeds from the disposal of the investment property and (b) the carrying amount of the investment property is recognized in the statement of profit or loss in the year in which the asset is disposed or written off.

If the use of an investment property changes to a property occupied by the Group, it is reclassified to the property, plant and equipment item.

4-8 Assets held for sale

The Group consider properties as held for sale when management approves and complies with a formal plan to market a property or group of properties for sale, and the sale may be completed within twelve months from the date of the consolidated statement of financial position. When assets are classified as such, the Group records the carrying amounts of each property or group of properties at their estimated fair value or estimated fair value less costs to sell which lower. When assets are classified as held for sale, they are not depreciated or amortized.

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4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

4-9 Inventories

Inventories are measured at the lower of cost or net realizable value after deducting any slow-moving inventory provision. The cost of inventories is based on the weighted average method and includes expenditure incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business for the group, less the estimated costs of completion and selling expenses.

Agriculture products from fruit plants are measured at the date of harvest at fair value less cost of sell.

4-10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held with banks and other highly liquid investments with original maturities of three months or less from the date of acquisition.

4-11 Trade Receivables

Trade receivables are amounts due from customers for products sold in the ordinary course of business. Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less the expected credit loss allowance in value, which is recognized in the statement of profit or loss and other comprehensive income.

4-12 Provision for Zakat

Zakat provision is calculated annually in the consolidated financial statements in accordance with the directives of the General Authority for Zakat and Income Tax in the Kingdom of Saudi Arabia. Any adjustments that may result at Zakat final claim are recorded in the consolidated statement of profit or loss in the year in which the final claim is received, at this time the provision is settled.

4-13 Value Added Tax

The group is subject to the value-added tax system and the tax is calculated immediately after the invoice is issued or the commodity is delivered or the price or part of it is received. The VAT return is submitted on a monthly basis for the holding company and on a quarterly basis to the subsidiary companies.

4-14 Loans

Loans are recorded at net realizable value net of transaction costs incurred and interest is charged to loans using the effective interest method. Interest is charged to long-term loans during the year in which they are due. Interest on long-term loans to finance the qualifying asset is capitalized as part of the cost of the asset in accordance with IFRS 23.

4-15 Employee benefit provision

The Group contributes to the pension and social insurance for its employees in accordance with the Saudi Labor Law.

a- Annual leave

The estimated liabilities of employees for annual leave are calculated according to the Saudi Labor Law.

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4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

4-15 Employee benefit provision (cont.)

b- Provision for employees' end of service indemnities

The end of service indemnity is payable to all working employees according to the terms and conditions of the Saudi Labor Law followed by the Group, upon the termination of their service contracts.

Net liabilities of the Group in respect of defined benefit programs for unfunded employees are calculated by estimating the amount of future benefits through the actuarial valuation that the employee receives for his services in the current year and prior years. The benefits are deducted to determine the present value and any past unrecorded service costs. The discount rate used is the market return on government bonds at the consolidated financial statement date, which has maturities close to the maturity profile of the Group's liabilities. The cost of providing benefits under defined benefit programs for unfunded employees is determined using the unit's expected credit method to determine the present value of the Group's liabilities. The revaluation of defined benefit obligations consisting of actuarial profits and losses is recognized directly in the consolidated statement of other comprehensive income. The group determines the net interest expense on the defined benefit obligation for the year by applying the discount rate that is used to measure the defined benefit obligation at the beginning of the year and the net liabilities identified in it after taking into consideration any change in the net defined benefit obligations during the year and the payments of the obligations. The net interest expense and other expenses related to defined benefit plans are recognized in the interim condensed consolidated statement of profit or loss.

4-16 Provisions

Provisions are recognized when the Group has a liability (statutory or constructive) arising from a past event and there is a possibility that costs to settle the obligation will arise which can be reliably measured. When the Group expects to receive compensation for some or all of the provision - for example, under an insurance contract - compensation is recognized as an independent asset but only in the event that the compensation is asserted in practice. Expenses related to the provision are presented in the consolidated statement of profit or loss, net of any compensation.

4-17 Transactions in foreign currencies

Transactions carried out by the Group in currencies other than the currency of the major economic environment in which the Group operates (its functional currency - Saudi Riyal) are recorded using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities are revalued using the exchange rates prevailing at the date of preparation of the consolidated financial statements. The resulting exchange gains and losses are recognized immediately in the consolidated statement of profit or loss. Non-monetary assets and liabilities are stated at historical cost using the prevailing rate at the date of those transactions. Non-monetary items at fair value are translated using the prevailing price at the date of valuation and evaluation profits and losses are recognized as a part of this fair value.

4-18 Revenue

Revenue from sale of goods is measured at the fair value of the cash consideration received or receivable from the sale of the goods in the course of the Group's normal activities. The Group recognizes revenue when control of the goods is transferred, or when the goods are delivered to the customer, and the customer is completely free to use or sell these goods, and there is no unfulfilled obligation that affects the customer's acceptance of the goods. Delivery takes place when the goods are shipped to the specified location and the risks of obsolescence and losses are transferred to the customer, and either the customer accepts the goods according to the sales contract or with the expiration of the acceptance provisions, or the group has objective evidence that all acceptance criteria are met. Trade receivables are recognized when the goods are delivered, as this is the point in time at which this amount is unconditional, because only time is required before the payment is due.

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4- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

4-19 Rent

Determining whether the contractual arrangement is leasehold (or contains leasehold) depends on the substance of the arrangement at the inception of the lease. A contractual arrangement is considered a lease (or contains a lease) if its fulfillment is dependent on the use of a specific asset or assets, and the arrangement conveys the right to use the asset or assets even if it does not explicitly stipulate that right to the arrangement. A lease contract is classified on the date of contract inception as a finance lease or an operating lease contract. A lease that transfers all significant risks and rewards of ownership to the Group is classified as a finance lease.

The group as a leaser

Operating lease payments are recognized as expenses in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term. The direct costs incurred when negotiating and making arrangements for an operating lease are added to the book value of the leased asset and are recognized on a straight-line basis over the term of the lease.

4-20 Earnings per share

Basic earnings per share and diluted earnings per share (if any) are presented for ordinary shares. Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted by the number of ordinary shares repurchased or issued during the year. The diluted earnings per share are adjusted by adjusting the profit or loss attributable to ordinary equity holders of the Company and the weighted average number of shares outstanding during the year with the effect of all dilutive potential ordinary shares issued during the year.

4-21 Operating segments

The operating segment is a component of the Group:

- a) Which carries out business activities from which it may earn revenues and incur expenses (including profit and expenses relating to transactions with the components of the same group).
- b) Whose operating results are regularly reviewed by the chief operating decision maker at the facility to make decisions about the resources to be allocated to the sector and to evaluate its performance.
- c) For which separate financial information is available.

Operating segment results reported to operational decision makers include the direct items relating to the operating segment and the items that are allocated to the operating segment to a reasonable extent. The Group has three operating segments as described in note (15).

4-22 Expenses

Selling, marketing, general, and administrative expenses include direct and indirect expenses not considered part of the cost of sales. Selling and marketing expenses are all related to sales activity and delivery vehicles as well as other marketing related expenses. All other expenses are classified as general and administrative expenses. Joint expenses are divided between the cost of sales, Selling and marketing expenses, administrative and general expenses on a consistent basis when required.

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5- NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

| | <u>June 30, 2021</u> |
|------------------------------------|--------------------------|
| Balance at beginning of the period | 21,112,164 |
| Disposals | <u>(2,308,813)</u> |
| | 18,803,351 |
| Impairment in value | <u>(4,500,000)</u> |
| | <u>14,303,351</u> |

On Safar 25, 1437H, Council of Ministers Resolution No. (66) was issued to stop planting green fodder before Safar 25, 1440H corresponding to November 3, 2018, and accordingly the Group stopped planting green fodder during the year 2019, noting that green fodder sales represent about 80% from the Group's revenues in 2017 and 2018, and there is no practical alternative plan to operate the project until June 30, 2021, to cover current liabilities and Group expenses.

The Company has in the consolidated financial statements a provision for impairment in the value of machinery and equipment in the amount of SR 4.5 million to meet any expected decrease in the value of machinery and equipment for growing fodder.

In accordance with International Financial Reporting Standard No. 5 (Non-current assets held for sale and discontinued operations) and as a result of stopping the cultivation of fodder by the end of 2018, the Company's Board of Directors decided to stop the cultivation permanently and the sale of machinery directly related to the cultivation of fodder at least not below the net book value of the assets in the books, that is to provide the necessary liquidity to finance the Company's operational activities effective from 1/1/2020.

Non-current assets classified as held for sale are to be disposed by selling them through auctions or direct sales. It is expected that the sale of the assets available for disposal will be completed within one year of the reporting date. The Group's assets available for disposal mainly consist of agricultural equipment that was mainly used in operation, maintenance and agricultural projects. The impairment loss in the group of assets available for disposal is charged to the interim condensed consolidated statement of profit or loss.

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6- PROPERTY, PLANT AND EQUIPMENT, NET

| | <u>January 1</u> | <u>Additions</u> | <u>Disposals</u> | <u>June 30</u> |
|--|--------------------|------------------|------------------|--------------------|
| Cost: | | | | |
| Land * | 96,688,442 | - | - | 96,688,442 |
| Buildings** | 43,129,368 | 1,000,000 | - | 44,129,368 |
| Agricultural tools, and equipment, wells, and irrigation equipment | 51,515,389 | 21,000 | - | 51,536,389 |
| Cars and Trucks | 12,188,594 | - | - | 12,188,594 |
| Furniture, office equipment and computer | 9,905,126 | 25,247 | 7,000 | 9,923,373 |
| Total cost | 213,426,919 | 1,046,247 | 7,000 | 214,466,166 |
| Depreciation: | | | | |
| Buildings | 28,318,665 | 1,110,678 | - | 29,429,343 |
| Agricultural tools, equipment, wells and irrigation equipment | 43,544,723 | 476,498 | - | 44,021,221 |
| Cars and Trucks | 10,417,021 | 255,506 | - | 10,672,527 |
| Furniture, office equipment and computer | 9,696,802 | 237,451 | 7,000 | 9,927,253 |
| Total depreciation | 91,977,211 | 2,080,133 | 7,000 | 94,050,344 |
| Net book value | | | | |
| June 30, 2021 | | | | 120,415,822 |
| December 31, 2020 | 121,449,708 | | | |

*The Group has (7) plots of agricultural land in Al-Jouf region with an area of 15.2 million square meters of SR 4.1 million, as well as a land in Al-Khumrah district in Jeddah with an area of 197,555 square meters of SR 23 million has no title deeds and are not registered in the name of the Group, and they are among the land that were acquired by the Group at time of the merger in 1995. The property, plant and equipment item also include a land and building amounting to SR 20 million as a guarantee in accordance with the financing agreement with Karnaf Investment and Installment Company and the ownership is to be returned to the Group once all the installments are paid. The Group has paid all the remaining installments with the interest amount and the transfer of ownership to the Group has not been completed.

The Group evaluated the agricultural project in Al-Jouf by an appraiser approved by the Saudi Appraisers Authority (RE-Max Real Estate Appraisal Company) according to the verifiable fair market value in case of sale. The fair value of the land and the related constructions and equipment required to operate the wells, machinery and equipment amounted to SR 67,217,500. The net book value of the assets of Al-Jouf Farm on 31/12/2020 amounted to SR 69,425,587.

**The buildings include improvements on leased buildings, with a value of SR 5.5 million (2020: SR 5.5 million).

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7- INTANGIBLE ASSETS, NET

| Description | Cost | Software licenses | |
|--|------------------|--------------------|----------------|
| | | Acc. Amortization | Net book value |
| Balance as at January 1, 2020 | 3,380,854 | (2,518,190) | 862,664 |
| Additions | - | (195,370) | (195,370) |
| Balance as at December 31, 2020 (audited) | 3,380,854 | (2,713,560) | 667,294 |
| Balance as at January 1, 2021 (audited) | 3,380,854 | (2,713,560) | 667,294 |
| Additions | - | (174,659) | (174,659) |
| Balance at June 30, 2021 (unaudited) | 3,380,854 | (2,888,219) | 492,635 |

8- PROPERTY INVESTMENTS

| | June 30, 2021 (Unaudited) | December 31, 2020 (Audited) |
|-------------------------------------|------------------------------|--------------------------------|
| Investment in land in Yanbu city* | 150,000 | 150,000 |
| Investment in land in Jubail city** | 796,000 | 796,000 |
| | 946,000 | 946,000 |

Fair value estimation

* The Group sought the assistance of Abaad Advance and Partner Company for Real Estate Appraisal "an approved appraisal expert" with license number 1210000219 and 1210000392 to estimate the fair value of the investment properties for Yanbu land, which amounted to SR 272,000.

** The Group sought the assistance of Abaad Advance and Partner Company for Real Estate Appraisal "an approved appraisal expert" to estimate the fair value of the investment properties for Jubail land, which amounted to SR 1,304,800.

The market value was used as a basis for the fair value estimation as shown below:

| | June 30, 2021 | December 31, 2020 |
|-------------------|------------------|-------------------|
| Cost | 946,000 | 946,000 |
| Fair value | 1,576,800 | 1,576,800 |

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9- TRADE RECEIVABLES – NET

| | <u>June 30, 2021</u> (Unaudited) | <u>December 31, 2020</u> (Audited) |
|--|-------------------------------------|---------------------------------------|
| Trade receivables * | 1,654,862 | 1,982,922 |
| Less: Provision for expected credit loss | (25,085) | (25,085) |
| | <u>1,629,777</u> | <u>1,957,837</u> |

The movement of provision for doubtful debts is as follows:

| | <u>June 30, 2021</u> | <u>December 31, 2020</u> |
|------------------------------|----------------------|--------------------------|
| Balance at January 1, | 25,085 | 205,228 |
| Charge for the period / year | - | - |
| Adjustment of provision | - | (180,143) |
| | <u>25,085</u> | <u>25,085</u> |

* Details of trade receivables are set out in note 14.

10- PROVISION FOR EMPLOYEES' END OF SERVICE INDEMNITIES

| | <u>June 30, 2021</u> | <u>December 31, 2020</u> |
|---|-------------------------|--------------------------|
| Opening balance | 4,857,205 | 3,063,891 |
| Included in the statement of profit or losses | | |
| Cost of current service and interest cost | 268,174 | 470,309 |
| Included in other comprehensive income statement | | |
| Actuarial (profits) loss | - | 1,354,005 |
| Movement in cash | | |
| End of service paid | - | (31,000) |
| Closing balance | <u>5,125,379</u> | <u>4,857,205</u> |

The following are the main actuarial assumptions:

| | <u>June 30, 2021</u> | <u>December 31, 2020</u> |
|----------------------|----------------------|--------------------------|
| Discount rate | 2.2 | 2.2% |
| Salary increase rate | 3% | 3% |
| retirement age | 60 years | 60 years |

The sensitivity of the obligation of the specific remuneration to changes in the key assumptions is as follows:

| | | | Impact on defined benefit obligation - |
|----------------------|----|-------------------------|---|
| | | | Increase / (decrease) |
| <u>Change in</u> | | | <u>December 31, 2020</u> |
| <u>assumptions</u> | | | |
| Discount rate | 1% | Increase in assumptions | 6,732,029 |
| | 1% | Decrease in assumptions | 7,642,598 |
| Salary increase rate | 1% | Increase in assumptions | 7,680,617 |
| | 1% | Decrease in assumptions | 6,688,653 |
| Employee turnover | 1% | Increase in assumptions | 7,110,102 |
| | 1% | Decrease in assumptions | 7,198,918 |

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10- PROVISION FOR EMPLOYEES' END OF SERVICE INDEMNITIES (Cont.)

The assumption of a statistical study for employees:

| Membership data | December 31, 2020 |
|--------------------------------------|-------------------|
| Number of Employees | 76 |
| The average age of staff (years) | 49 |
| Average number of experience (years) | 14 |

The current cost of service differences and the interest cost of the employees' end of service indemnities are charged to general and administrative expenses.

11- PROVISION OF ZAKAT

Main elements of Zakat base

| | June 30, 2021 (Unaudited) | December 31, 2020 (Audited) |
|--|------------------------------|--------------------------------|
| Non-current assets | 121,856,046 | 123,063,002 |
| Non-current liabilities | 5,125,379 | 4,857,202 |
| Shareholders' Equity at beginning of period / year | 88,945,253 | 15,789,261 |
| Net loss before Zakat | (5,184,107) | (8,705,574) |

Some of these amounts have been adjusted to reach the zakat fund for the period.

a) Movement of provision

| | June 30, 2021 | December 31, 2020 |
|---|--------------------|--------------------|
| Balance at beginning of the period / year | 106,927,278 | 106,927,278 |
| Additions during the period / year | - | - |
| Payments during the period / year | - | - |
| | 106,927,278 | 106,927,278 |

b) Zakat status

The Holding Company submitted its Zakat returns to the General Authority for Zakat and Tax (GAZT) for the years from 1995 to 2018 on the basis of the consolidated financial statements and obtained a restricted certificate. The Company submitted its Zakat return for the year ended December 31, 2019 to GAZT and obtained a restricted certificate valid until April 30, 2021.

The Holding Company received a letter from the General Authority for Zakat and Tax (the Authority) on February 25, 2018 which includes a claim for zakat differences of SR 106,927,278 for the years from 1995 to 2011. A provision was made in these consolidated financial statements amounting to SR 88,552,906 during the year 2019, in addition to the amount of provision recorded in the consolidated financial statements for the year ended December 31, 2018 amounting to SR 18,374,372, so the total amount of provision recorded in these consolidated financial statements is SR 106,927,278. On November 17, 2019, the Group submitted an objection to the Authority on the final Zakat assessment for the aforementioned years, and the objection is still under review by the Authority. A final zakat assessment was issued for the years from 2012 to 2018, which resulted in a claim for additional zakat differences in the amount of SR 7 million. An objection to these zakat assessments was filed with the General Secretariat of the Tax Committees on October 15, 2020. The Company believes it has a high chance of accepting this objection.

On 23/6/2021, a decision was issued by the Committee for Adjudication of Tax Violations and Disputes, accepting some objections and rejecting some other items. The Company has appealed this decision to the Appeal Committee for Tax Violations and Disputes.

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12- CAPITAL

As of December 31, 2018, the Company's capital amounted to SR 196 million, consisting of 19.6 million fully paid shares of SR 10 for each.

During December 2019, and based on the Extraordinary General Assembly meeting held on December 31, 2019, the shareholders decided to amortize the accumulated losses as on November 10, 2019 amounting to SR 181 million and reduce the capital by that amount to become the capital after the reduction in the amount of SR 15 million instead of SR 196 million, with a decrease of 92.35%, and the number of shares after the reduction become 1.5 million shares at 10 Saudi riyals per share instead of 19.6 million shares, and the Company's articles of association and commercial registry have been amended accordingly.

On 15/6/1441 corresponding to 9/2/2020, the Board of Directors of the Company recommended increasing the Company's capital by an amount of SR 90 million by issuing priority rights shares, and on 5/2/1442H corresponding to 22/9/2020, the Capital Market Authority approved the request, and the Extraordinary General meeting of the shareholders met on 10/3/1442 corresponding to 27/10/2020 and approved the increase of the Company's capital to SR 105 million, and thus the number of shares after the increase becomes 10.5 million shares at a rate of SR 10 per share instead of 1.5 One million shares, and the Articles of Association and the commercial register of the Company have been amended accordingly.

13- BASIC AND DILUTED SHARE LOSS OF NET LOSS FOR THE PERIOD

| | June 30, 2021 | June 30, 2020 |
|--|----------------------|----------------------|
| | (Unaudited) | (Unaudited) |
| Net loss for the period | (4,615,611) | (152,554) |
| Weighted average number of shares | 10,500,000 | 1,500,000 |
| Basic and diluted loss per share of net loss for the period | (0.44) | (0.10) |

14- FINANCIAL RISK MANAGEMENT

The Group's activities are exposed to a variety of financial risks: market risk (including currency risk, fair value, cash flow, interest rate risk and prices risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the fluctuations of financial markets and the Group's management attempts to mitigate the potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge against certain risks.

Financial Risk Management Framework

The risk management policy is implemented by top management under policies approved by the Board of Directors. Top management identifies, evaluates and hedges for financial risks in close collaboration with the Group's operating units. The most important types of risk are credit risk, currency risk or fair value and cash flow interest rates.

Board of Directors has overall responsibility for establishing and overseeing the Group's risk management framework. Executive management team is responsible for developing and monitoring the group's risk management policies, where the team conducts regular meetings. Any changes or matters relating to policy compliance shall be reported to the Board through the Audit Committee.

Risk management systems are reviewed regularly by the executive management team to reflect changes in market conditions and activities of the Group. The Group aims through training, management standards, and procedures to develop a responsible and constructive control environment so that all employees are aware of their roles and obligations.

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14- FINANCIAL RISK MANAGEMENT (Cont.)

Financial Risk Management Framework (Cont.)

Audit Committee oversees compliance by management with the group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

The financial instruments included in the statement of financial position include accounts receivable, prepayments, other debit balances, accounts payable, accruals and other payables balances. The methods of evidence used are disclosed in the policy statement for each item.

The offsetting between the financial assets and liabilities were comprised and the net amounts included in the consolidated financial statements when there is a legally enforceable right to offset those amounts and when the Group has an intention to settle them on a net basis or to sell the assets to settle the liability simultaneously.

Foreign exchange risk

Foreign exchange risk arises from changes and fluctuation in the value of financial instruments as a result of changes in foreign exchange rates.

The Group has not carried out any materiality transactions by currencies other than the Saudi Riyal, the US Dollar. Since the Saudi Riyal is fixed against the US Dollar, it does not represent significant currency risk. The Group's management monitors currency exchange rates and believes that currency risk is not material.

Commission rate risk

Commission risk arises from changes and fluctuations in commission rates that affect the future profit of the fair value of the financial instruments. The Group monitors commission rate fluctuation and believes that the effect of commission rate risk is not material.

Credit risk

Credit risk is the risk that a party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. The Group's financial instruments that can be exposed to credit risk include mainly cash from banks and trade receivable. The Group deposits its cash in reliable and highly reputable banks and the Group has a policy regarding the volume of cash deposited in each bank and management does not expect significant credit risk to arise. Management also does not expect to be exposed to significant credit risk from customer accounts because it has a broad base of customer operating in different activities and multiple locations. It also monitors existing trade receivables and guarantees from customers to cover any debt not expected for the collection.

The maximum exposure to credit risk at the reporting date is as follows:

| | June 30, 2021 | December 31, 2020 |
|-----------------------------------|----------------------|--------------------------|
| Financial assets | | |
| Cash and cash equivalents | 25,650,506 | 80,456,360 |
| Trade receivables - net | 1,629,777 | 1,957,837 |
| Prepayments and other receivables | 3,166,451 | 2,065,163 |
| | 30,446,734 | 84,479,360 |

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14- FINANCIAL RISK MANAGEMENT (Cont.)

Credit risk (Cont.)

The maturity of trade receivables at the reporting date is as follows:

| | <u>June 30, 2021</u> | <u>December 31, 2020</u> |
|---|----------------------|--------------------------|
| Less than three months | 1,654,862 | 1,982,922 |
| More than three months and less than six months | - | - |
| More than six months and less than nine months | - | - |
| More than nine months and less than a year | - | - |
| More than a year | - | - |
| Total before provision deduction | 1,654,862 | 1,982,922 |
| After provision deducting: | | |
| Doubtful debts | (25,085) | (25,085) |
| Trade receivables, net | 1,629,777 | 1,957,837 |

Concentration risk

Concentration risk arises when a number of counterparties engage in similar activities, or activities in the same geographical area or activities having the same economic advantages, which may affect their ability to meet contractual obligations in a similar manner in the event of any economic, political or any other circumstances changes. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting certain industries.

Liquidity risk

Liquidity risk is the risk that the Group will exposure difficulties in obtaining financing to meet commitments associated with financial instruments. Liquidity risk may arise when an asset cannot be sold quickly and at close to its fair value. Liquidity risk is managed through regular monitoring of the adequacy of available liquidity to meet the Group's financial obligations. However, as of June 30, 2021, the Group's current liabilities exceeded its current assets by an amount of SR 32,3 million (2020: SR 29.3 million).

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14- FINANCIAL RISK MANAGEMENT (Cont.)

Capital management risk

In managing capital, the Group aims to ensure that the Group continues to be able to provide returns to its shareholders and to maintain a strong capital to support its business.

The Group manages the capital structure by monitoring returns on net assets and making adjustments in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or may increase capital. The Group also monitors capital using borrowing rate, which is the total debt (interest-bearing loans, trade payables, accruals and other payable balances). Capital refers to shareholders' equity as shown in the interim condensed consolidated statement of financial position in addition to the total debt. The rate of borrowing is as follows:

| | <u>June 30, 2021</u> | <u>December 31, 2020</u> |
|--|----------------------|--------------------------|
| Trade payables, accruals and other accounts payables | 129,017,037 | 132,230,474 |
| Total debts | 129,017,037 | 132,230,474 |
| Cash and cash equivalents | 25,650,506 | 80,456,360 |
| Capital | 105,000,000 | 105,000,000 |
| Accumulated losses | (20,600,607) | (16,054,747) |
| Total shareholders' equity | 84,399,393 | 88,945,253 |
| Capital (shareholders equity + total debt) | 213,416,430 | 221,175,727 |
| Borrowing rate% = (total debt / capital) | 60.45% | 59.78% |

Fair value

Fair value is the amount to be received for the sale of an asset or its payment to convert any of the liabilities into regular transactions between the market participants on the measurement date. As such, differences can arise between book values and fair value estimates. The definition of fair value is based on market-based measurement and assumptions used by market participants.

Fair values for financial instruments recognized at amortized cost

Management believes that the carrying book values of financial assets and liabilities which recognized at amortized cost are not materially different from their fair values in the consolidated financial statement.

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15- SEGMENTS INFORMATION

The Group's main activity consists of sectors including agricultural activity, foodstuff trading, and other activities. The following is a breakdown of the sectoral information as at June 30, 2021 and June 30, 2020 for each sector:

| <u>June 30, 2021</u> | Food stuff trading | Agricultural activities | Head office & leasing | Total |
|----------------------------------|---------------------------|--------------------------------|----------------------------------|--------------|
| Sales | 3,520,146 | - | 381,964 | 3,902,110 |
| Non-current assets | 7,624,942 | 47,279,341 | 66,950,174 | 121,854,457 |
| Operating income (loss) | 238,148 | (1,698,430) | (3,810,468) | (5,270,750) |
| Net income (loss) for the period | 239,598 | (1,058,591) | (3,796,618) | (4,615,611) |

| <u>June 30, 2020</u> | Food stuff trading | Agricultural activities | Head office & leasing | Total |
|----------------------------------|---------------------------|--------------------------------|----------------------------------|--------------|
| Sales | 2,982,111 | 1,434,930 | 463,904 | 4,880,945 |
| Non-current assets | 7,370,299 | 68,050,397 | 67,954,099 | 143,374,795 |
| Operating income (loss) | 6,896 | 372,774 | (2,493,643) | (2,113,973) |
| Net income (loss) for the period | 10,896 | 2,330,193 | (2,493,643) | (152,554) |

16- TRANSACTIONS WITH RELATED PARTIES AND BALANCES

Transactions with related parties include remuneration of the board of directors and salaries of top management personnel and consultancy for the period ended June 30, 2021, amounting to SR 1,522,296 (June 30, 2020: SR 1,224,000).

17- SUBSEQUENT EVENTS

- On 4/12/1442H corresponding to 14/7/2021G, the Company announced that it had submitted a file for approval to increase the Company's capital through a rights issue of SR 210 million to the Capital Market Authority, conditional on obtaining the approval of the relevant official authorities and the Extraordinary General Assembly.
- Further to the Company's announcement on 21/11/1442H corresponding to 1/7/2021G regarding the latest developments in the sale and purchase agreement deal to acquire 51% of the shares of Wasit Entertainment and Beauty Systems Factory (a branch of the Saudi Wasit Corporation), the Company announced on 26/12/1442H corresponding to 5/8/2021G its completion of all procedures related to the acquisition deal.

The management believes that there are no subsequent events that could affect the financial position of the group and is reflected in these interim condensed consolidated financial statements.

18- APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved by the Board of Directors on Muharram 12, 1443H corresponding to August 21, 2021.