

JAZAN ENERGY AND DEVELOPMENT COMPANY (JAZADCO)

(A SAUDI JOINT-STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE AND THE SIX MONTHS PERIODS ENDED 30 JUNE 2021

WITH INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT

JAZAN ENERGY AND DEVELOPMENT COMPANY (JAZADCO)

(A SAUDI JOINT-STOCK COMPANY)

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FOR THE THREE AND THE SIX MONTHS PERIODS ENDED 30 JUNE 2021

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INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT

To\ the Shareholders

JAZAN ENERGY AND DEVELOPMENT COMPANY (JAZADCO) (A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of **JAZAN ENERGY AND DEVELOPMENT COMPANY (JAZADCO)**, a Saudi Joint-Stock Company ("the Company"), and its subsidiary together (collectively referred to as "the Group") as of 30 June 2021. and the condensed consolidated interim statements of profit or loss and other comprehensive income for the three and the six months periods ended on that date, the statement of changes in equity, statement of cash flows for the six months period ended on that date and a summary of significant accounting policies and other explanatory notes. The Group Management is responsible for the preparation of these condensed consolidated Interim financial statements in accordance with International Accounting Standard (34), "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements (2410), "Review of condensed consolidated interim financial information performed by the independent auditor of the entity", as endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as of 30 June 2021 of **JAZAN ENERGY AND DEVELOPMENT COMPANY (JAZADCO)**, are not prepared in all material respects, in accordance with International Accounting Standard (34) "Interim Financial Reporting", as endorsed in the Kingdom of Saudi Arabia.

Other matter

The financial statements for the year ending as at December 31, 2020G were audited by another auditor, who expressed unqualified opinion on these statements in his report dated March 28, 2021G corresponding to Shaaban 15, 1442G, also the condensed interim financial statements for the three and the six months periods ended 30 June 2020 were reviewed by another auditor, who expressed unqualified conclusion on these condensed interim statements in his report dated August 23, 2020G corresponding to Moharram 4, 1442G.



Draw attention

Without adjusting our conclusion, we draw attention to Note No. (21) of the accompanying notes to the interim condensed consolidated financial statements, as the comparative figures for the financial period ended 30 june 2020 represent the financial statements numbers of the parent company without consolidation with its subsidiary, as Mango Jazan Trading Company was acquired on February 26, 2020G, and the first financial statements in accordance with the company's articles of association dated December 31, 2020G. Accordingly, the group's first consolidated financial statements were issued on December 31, 2020.

For / OSAMA A. ELKHEREIJI
& PARTNER CO.

OSAMA A. ELKHEREIJI
License No. 154
Dated 23/04/1405H.



Jeddah
02/01/1443H
10/08/2021G.

JAZAN ENERGY AND DEVELOPMENT COMPANY (JAZADCO)
(A SAUDI JOINT-STOCK COMPANY)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS OF 30 JUNE 2021

| | | 30 June 2021 | 31 December 2020 |
|--|------|--------------------|--------------------|
| | Note | SAR (Unaudited) | SAR (Audited) |
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment, net | 5 | 214,262,436 | 217,734,066 |
| Investment properties, net | 6 | 231,181,711 | 231,735,220 |
| Investments in unconsolidated subsidiaries | 7 | 1,000,000 | 1,000,000 |
| Investments in associates, net | 8 | 20,397,760 | 19,154,139 |
| Financial investments at fair value through OCI | 9 | 42,000,000 | 42,000,000 |
| Intangible assets, net | | 3,746,646 | 4,389,725 |
| Total non-current assets | | 512,588,553 | 516,013,150 |
| Current assets | | | |
| Biological assets | | 23,331,137 | 12,083,167 |
| Inventory, net | 10 | 18,560,592 | 23,078,433 |
| Accounts receivable, net | | 29,671,422 | 28,345,727 |
| Prepaid expenses and other debtors, net | | 25,776,823 | 14,396,998 |
| Due from a related party | 11-A | 144,313 | - |
| Financial investments at fair value through profit or loss | 12 | 515,686 | 515,686 |
| Cash and cash equivalents | | 12,637,854 | 6,427,154 |
| Total current assets | | 110,637,827 | 84,847,165 |
| Total assets | | 623,226,380 | 600,860,315 |
| Equity and Liabilities | | | |
| Shareholders equity | | | |
| Share capital | 1 | 500,000,000 | 500,000,000 |
| Statutory reserve | 15 | 85,409,994 | 85,409,994 |
| Reserve for revaluation of financial investments at FVTOCI | | (3,000,000) | (3,000,000) |
| Accumulated losses | | (48,159,439) | (58,437,370) |
| Equity of the shareholders of the parent company | | 534,250,555 | 523,972,624 |
| Non-controlling interests | | 1,478,697 | 1,403,098 |
| Total equity | | 535,729,252 | 525,375,722 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Long term loans - non-current portion | 13 | 23,082,974 | 4,074,975 |
| Employees' defined benefit plan obligations | | 8,879,948 | 8,544,701 |
| Total non-current liabilities | | 31,962,922 | 12,619,676 |
| Current liabilities | | | |
| Long term loans - current portion | 13 | 5,844,469 | 11,961,557 |
| Due to a related party | 11-B | - | 255,687 |
| Distributions of shareholders' entitlements | | 5,655,968 | 5,711,869 |
| Commitment against the loan guarantee of an associate | 14 | 14,619,841 | 14,619,841 |
| Accrued expenses, and other creditors | | 5,381,649 | 7,391,931 |
| Accounts payable | | 10,294,231 | 8,515,801 |
| Zakat provision | | 13,738,048 | 14,408,231 |
| Total current liabilities | | 55,534,206 | 62,864,917 |
| Total liabilities | | 87,497,128 | 75,484,593 |
| Total equity and liabilities | | 623,226,380 | 600,860,315 |

The accompanying notes (1) to (22) form an integral part of these condensed consolidated interim financial statements.

Financial Manager

Ehab Refaei



Chief Executive Officer

Baddour Nasser Al-Rashoudi



Chairman of Board of Directors

Ahmed Mohammed Al-Sanea




JAZAN ENERGY AND DEVELOPMENT COMPANY (JAZADCO)
(A SAUDI JOINT-STOCK COMPANY)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE AND THE SIX MONTHS PERIODS ENDED 30 JUNE 2021

| | (Consolidated) For the three months period ended 30 June | (Unconsolidated) For the three months period ended 30 June | (Consolidated) For the six months period ended 30 June | (Unconsolidated) For the six months period ended 30 June |
|---|--|--|--|--|
| | 2021 SAR (Unaudited) | 2020 SAR (Unaudited) | 2021 SAR (Unaudited) | 2020 SAR (Unaudited) |
| Note | | | | |
| Revenues | 19,821,030 | 19,086,790 | 42,997,967 | 41,676,891 |
| Gains from change in fair value of biological assets | 9,459,243 | 4,486,996 | 9,459,243 | 4,486,996 |
| Cost of revenues | (14,064,073) | (14,445,977) | (30,742,119) | (31,082,711) |
| Gross profit | 15,216,200 | 9,127,809 | 21,715,091 | 15,081,176 |
| Main operations expenses | | | | |
| Selling and marketing expenses | (1,856,252) | (1,476,366) | (3,055,598) | (2,768,249) |
| General and administrative expenses | (5,786,089) | (6,363,382) | (9,284,338) | (9,670,159) |
| Provision for expected credit loss | - | (357,839) | - | (457,839) |
| Unrealized losses from investments at fair value through profit or loss | - | (100,867) | - | (100,867) |
| Group's share in the profit of the associate | 342,255 | 321,565 | 837,947 | 321,565 |
| Other income | 346,971 | 119,942 | 656,042 | 119,942 |
| Operating profit | 8,263,085 | 1,270,862 | 10,869,144 | 2,525,569 |
| Finance cost | - | (209,800) | (99,862) | (540,898) |
| Net profit for the period before zakat | 8,263,085 | 1,061,062 | 10,769,282 | 1,984,671 |
| Zakat | (410,713) | (400,000) | (821,426) | (800,000) |
| Net profit for the period | 7,852,372 | 661,062 | 9,947,856 | 1,184,671 |
| Other comprehensive income | | | | |
| Items that will not subsequently be reclassified to profit or loss | | | | |
| Actuarial losses from Employees' defined benefit plan obligations | - | (47,462) | - | (47,462) |
| Group's share of other comprehensive income of the associate | 247,912 | 264,815 | 405,674 | 264,815 |
| Total comprehensive income for the period | 8,100,284 | 878,415 | 10,353,530 | 1,402,024 |
| Net profit for the period attributable to: | | | | |
| Shareholders of the parent company | 7,841,555 | 661,062 | 9,872,257 | 1,184,671 |
| Non-controlling interests | 10,817 | - | 75,599 | - |
| Net profit for the period | 7,852,372 | 661,062 | 9,947,856 | 1,184,671 |
| Total comprehensive income for the period attributable to: | | | | |
| Shareholders of the parent company | 8,089,467 | 878,415 | 10,277,931 | 1,402,024 |
| Non-controlling interests | 10,817 | - | 75,599 | - |
| Total comprehensive income for the period | 8,100,284 | 878,415 | 10,353,530 | 1,402,024 |
| Earnings per share | | | | |
| Basic and diluted earning share in net profit for | 0.16 | 0.013 | 0.20 | 0.024 |

The accompanying notes (1) to (22) form an integral part of these condensed consolidated interim financial statements.

Financial Manager
Ehab Refaei



Chief Executive Officer
Baddour Nasser Al-Rashoudi



Chairman of Board of Directors
Ahmed Mohammed Al-Sanea



JAZAN ENERGY AND DEVELOPMENT COMPANY (JAZADCO)
(A SAUDI JOINT-STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021

| | Shareholders Equity | | | | | | |
|--|------------------------------|--------------------------------------|--|-------------------------------|---|--------------------------------------|---------------------|
| | | | Reserve for revaluation of financial investments at FVOCI | Accumulated losses | Equity of the shareholders of the parent company | Non-controlling interests | Total equity |
| | Share capital SAR | Statutory reserve SAR | SAR | SAR | SAR | SAR | SAR |
| Balance as of 1 January 2020 (Unconsolidated) (Audited) | 500,000,000 | 85,409,994 | (3,810,000) | (68,854,500) | 512,745,494 | - | 512,745,494 |
| Net profit for the period | - | - | - | 1,184,671 | 1,184,671 | - | 1,184,671 |
| Other comprehensive income for the period | - | - | - | 217,353 | 217,353 | - | 217,353 |
| Balance as of 30 June 2020 (Unconsolidated) (Unaudited) | 500,000,000 | 85,409,994 | (3,810,000) | (67,452,476) | 514,147,518 | - | 514,147,518 |
| Balance as of 1 January 2021 (Audited) | 500,000,000 | 85,409,994 | (3,000,000) | (58,437,370) | 523,972,624 | 1,403,098 | 525,375,722 |
| Net profit for the period | - | - | - | 9,872,257 | 9,872,257 | 75,599 | 9,947,856 |
| Other comprehensive income for the period | - | - | - | 405,674 | 405,674 | - | 405,674 |
| Total comprehensive income for the period | - | - | - | 10,277,931 | 10,277,931 | 75,599 | 10,353,530 |
| Balance as of 30 June 2021 (Unaudited) | 500,000,000 | 85,409,994 | (3,000,000) | (48,159,439) | 534,250,555 | 1,478,697 | 535,729,252 |

The accompanying notes (1) to (22) form an integral part of these condensed consolidated interim financial statements.

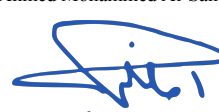
Financial Manager
Ehab Refaei



Chief Executive Officer
Baddour Nasser Al-Rashoudi



Chairman of Board of Directors
Ahmed Mohammed Al-Sanea



JAZAN ENERGY AND DEVELOPMENT COMPANY (JAZADCO)
(A SAUDI JOINT-STOCK COMPANY)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 30 JUNE 2021

| | (Consolidated) | (Unconsolidated) |
|---|---|------------------|
| | For the three months period ended 30 June | |
| | 2021 | 2020 |
| | SAR | SAR |
| | (Unaudited) | (Unaudited) |
| Cash flows from operating activities | | |
| Net profit for the period before zakat | 10,769,282 | 1,984,671 |
| Adjustments to reconcile net profit for the period before zakat: | | |
| Depreciation of property, plant and equipment | 4,110,364 | 3,938,652 |
| Depreciation of investments properties | 1,581,009 | 1,568,080 |
| Amortization of intangible assets | 643,079 | - |
| Amortization of due from related party | - | 139,002 |
| Provision for expected credit loss | - | 457,839 |
| Gains from change in fair value of biological assets | (9,459,243) | (4,486,996) |
| Group's share in the profit of the associate | (837,947) | (321,565) |
| Unrealized losses from investments at fair value through profit or loss | - | 100,867 |
| Losses from advance payments for purchasing financial investments | - | 2,978,637 |
| Provision for employees defined benefits plan obligations | 592,285 | 673,626 |
| Discounts of expedited payments | (524,999) | - |
| Finance costs | 99,862 | 540,898 |
| | 6,973,692 | 7,573,711 |
| Changes in operating assets and liabilities: | | |
| Inventory | 4,517,841 | 15,331,759 |
| Biological assets | (1,788,727) | (10,954,540) |
| Due from related parties | (144,313) | - |
| Accounts receivable | (1,325,695) | (1,972,321) |
| Prepaid expenses, and other debtors | (11,379,825) | (4,666,194) |
| Accounts payable | 1,778,430 | (3,413,396) |
| Accrued expenses, and other creditors | (2,010,282) | (545,571) |
| Due to related parties | (255,687) | - |
| Finance cost paid | (99,862) | (331,098) |
| Zakat paid | (1,491,610) | - |
| Employees' defined benefits plan obligations paid | (257,037) | (1,019,795) |
| Net cash (used in) / generated from operating activities | (5,483,075) | 2,555 |
| Cash flows from investing activities | | |
| Paid to purchase property, plant and equipment | (1,438,734) | (3,073,896) |
| Advance payments for purchasing financial investments | - | (1,518,625) |
| Paid to purchase intangible assets | - | (83,882) |
| Paid to purchase investments properties | (227,500) | (582,718) |

UMM AL-QURA CEMENT COMPANY
(SAUDI JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

| | (Consolidated) | (Unconsolidated) |
|---|---|--------------------|
| | For the three months period ended 30 June | |
| | 2021 | 2020 |
| | SAR | SAR |
| | (Unaudited) | (Unaudited) |
| Net cash (used in) investing activities | (1,666,234) | (5,259,121) |
| Cash flows from financing activities | | |
| Loans' additions | 14,990,910 | - |
| Long-term loans paid | (1,575,000) | (1,794,452) |
| Shareholders' Distributions | (55,901) | - |
| Net cash generated from / (used in) financing activities | 13,360,009 | (1,794,452) |
| Net change in cash and cash equivalents | 6,210,700 | (7,051,018) |
| Cash and cash equivalents at the beginning of the period | 6,427,154 | 20,605,970 |
| Cash and cash equivalents at end of the period | 12,637,854 | 13,554,952 |

The accompanying notes (1) to (22) form an integral part of these condensed consolidated interim financial statements.

Financial Manager
Ehab Refaei



Chief Executive Officer
Baddour Nasser Al-Rashoudi



Chairman of Board of Directors
Ahmed Mohammed Al-Sanea



JAZAN ENERGY AND DEVELOPMENT COMPANY (JAZADCO)
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021 (UNAUDITED)

1- ORGANIZATION AND ACTIVITIES

Jazan Energy And Development Company (JAZADCO) was registered as a Saudi joint-stock company with Commercial Registration number 5900005403 issued in Jazan on 29 Safar 1414 H (corresponding to 17 August 1993). The Share Capital of the Company is SAR 500,000,000 divided into 50,000,000 shares with a nominal value of SAR 10.

The activities of the company in the cultivation of mangoes, the cultivation of shrimp in the seas, the preservation of fish and fish products by cooling or freezing, cooling and freezing of fruits, the production, and packaging of pure filtered water, hotels, and heritage hotels, the purchase and sale of land and real estate, their division, and off-plan sales activities.

A license was obtained to practice the company's activities as follows:

| <u>Authorization number</u> | <u>Date</u> | <u>City</u> | <u>Purpose</u> |
|-----------------------------|-------------------------|-------------|----------------------------------|
| 2852 / p | 30 Dhu al-Qidah 1428 AH | Jazan | Producing healthy drinking water |
| 5/3/6524 | 1 Safar 1425 H | Jazan | Shrimp breeding |
| 5/3/6526 | 1 Safar 1425 H | Jazan | Shrimp breeding |
| 1279 | 29 Rabi' II 1439 H | Sabya | Producing healthy drinking water |
| 2210 | 13 Rajab 1438 H | Samtah | Frozen shrimp production |

The condensed consolidated interim financial statements include the assets, liabilities, and results of the parent Company's operations and the below branch:

| <u>Branch name</u> | <u>CR No.</u> | <u>City</u> | <u>Activity</u> |
|---|---------------|-------------|--|
| Jazadco Real Estate Company | 5900011471 | Jazan | Buying, selling, and renting land and real estate. |
| Jazadco Real Estate Company | 5900114667 | Jazan | Buying, selling, and renting land and real estate. |
| Jazan Development Company Factory for the production of healthy drinking water | 5906016169 | Sabya | Bottled drinking water in closed containers. |
| Branch of Jazan Development Company (JAZADCO) | 5900016170 | Jazan | Establishing fish farms and practicing fishing. |
| Branch of Jazan Development Company (JAZADCO) | 5900016168 | Jazan | Establishing agricultural nurseries and fruit seedlings. |
| Branch of Jazan Development Company (JAZADCO) for preparing, freezing, and packing shrimp | 5907035800 | Samtah | Preserving fish and importing feed. |

The condensed consolidated interim financial statements as of 31 March 2021 include the activities of the parent company and the following subsidiary (the company and its subsidiary company hereinafter referred to as the "Group").

| <u>Name of the subsidiary company</u> | <u>The main activity of the company</u> | <u>CR No.</u> | <u>Ownership percentage % 31 March 2021</u> | <u>Ownership percentage % 31 December 2020</u> |
|---------------------------------------|---|---------------|---|--|
| Mango Jazan Trading Company | The main activities of the company are retail via the Internet. | 5900022171 | 65% | 65% |

JAZAN ENERGY AND DEVELOPMENT COMPANY (JAZADCO)
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021 (UNAUDITED)

As of 30 June 2021, the group has a subsidiary company, which is Fish Day Company for the sale of fish with an ownership percentage of 80%. The company's activity is in the wholesale of fish and aquatic organisms, retailing of fish and other seafood and their products, retailing via the Internet, and transporting chilled and frozen goods. According to the company's articles of association, its first financial statements are prepared as of 31 December 2021 (note 7), and therefore they have not been consolidated and the activities of that group have not appeared in these condensed consolidated interim financial statements.

The address of the company's head office is in Jazan, Corniche Road, PO Box 127, Kingdom of Saudi Arabia.

2- BASIS OF PREPARATION THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2-1 STATEMENT OF COMPLIANCE

The condensed consolidated Interim financial statements have been prepared in accordance with International Accounting Standard "34" "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants. These condensed consolidated Interim financial statements do not include all information and disclosures required to issue the complete set of financial statements. Also, the results for the period ending 31 March 2021 are not necessarily indicative of the results that can be expected for the year ending 31 December 2021 (refer to note 4). It should also be read along with the latest financial statements for the year ended 31 December 2020. However, selected accounting policies and explanatory notes have also been included to explain important events and transactions to understand the changes in the financial position and financial performance of the company since 31 December 2020.

The Capital Market Authority has allowed listed companies to use the fair value model or the revaluation model to measure the property, and investment property Starting from 1 January 2022. It also obligated listed companies to continue to use the cost model to measure the property, plant and equipment, and intangible assets.

2-2 PREPARATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements have been prepared in accordance with the accrual principle and going concern and on a historical cost convention unless IFRS requires the use of another measurement basis, as indicated in the applied accounting policies (Note 4).

2-3 FUNCTIONAL AND PRESENTATION CURRENCY

These condensed consolidated interim financial statements are presented in Saudi Riyals, which is the Group's functional and presentation currency.

2-4 BASIS OF CONSOLIDATION

These condensed consolidated interim financial statements include the condensed consolidated Interim statement of financial position, the condensed consolidated Interim statement of profit or loss and other comprehensive income, the condensed consolidated Interim statement of changes in equity, and the condensed consolidated Interim statement of cash flows as well as the notes complementing the condensed consolidated Interim financial statements of the group, as they include the assets, liabilities, and results of the group's business and its subsidiaries as well. It is shown in note (1). Subsidiaries are companies controlled by a group. The group controls the group when it has the right to various

JAZAN ENERGY AND DEVELOPMENT COMPANY (JAZADCO)
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021 (UNAUDITED)

revenues as a result of its participation in the group and its ability to influence these revenues through its control of the group. Subsidiary companies are consolidated from the date on which the group controls the subsidiaries until the cessation of exercising that control. The group uses the purchase method to account for the consolidation of operations when control is transferred to the group. The cost of an acquisition is measured at the fair value of the assets acquired. The excess of the cost of acquisition plus the fair value of non-controlling interests over the net identifiable assets acquired is recognized as goodwill in the condensed consolidated Interim statement of financial position. Non-controlling interests are measured by the proportion of their share of the net assets of the controlling group at the date of acquisition. The share in profit or loss and net assets not owned by the group are presented and are presented as a separate item in the condensed consolidated Interim statement of profit or loss and other comprehensive income and within the shareholders' equity in the condensed consolidated Interim statement of other comprehensive income. Both transactions, as well as balances and unrealized profits and losses arising from intra-group transactions, are eliminated. Accounting policies of subsidiaries are modified when necessary to ensure consistency with the policies adopted by the group. The Group and its subsidiaries prepare their financial statements for the same reporting periods.

3- SIGNIFICANT ACCOUNTING POLICIES

3-1 New standards, amendments to standards and interpretations

There are no new standards issued, however, there are some amendments to standards which are effective from 1 January 2021 and has been explained in the consolidated financial statements for the year ended on 31 December 2020 of the group, but they do not have a material effect on the group's condensed consolidated Interim financial statements.

3-2 Applied accounting policies

The accounting policies applied in preparing the condensed consolidated Interim financial statements aligned with those policies applied in preparing the financial statements for the year ended on 31 December 2020 of the group.

4- SIGNIFICANT ACCOUNTING POLICIES JUDGMENTS AND ESTIMATES

The preparation of the financial statements requires the management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenues, and expenses and discloser about contingent liabilities as at repoting date, However, uncertainty about these assumptions and estimates may lead to results that may require a material adjustment to the book value of assets or liabilities that will be affected in future periods. These estimates and judgments are based on management's best knowledge of current events and actions and other factors which form a base for estimating the carrying amount of assets and liabilities which can not be easily determined from other sources. Actual results may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Adjustments to accounting estimates are recognized prospectively.

The following is information about assumptions and estimates that have a material impact on the amounts reported in the financial statements:

4-1 Judgments

Compliance with performance obligations

- The group must assess each of its contracts with customers to determine whether performance obligations have been met over time or at a specific time in order to determine the appropriate method

JAZAN ENERGY AND DEVELOPMENT COMPANY (JAZADCO)
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021 (UNAUDITED)

of income recognition. The group assessed this based on the sales and purchase agreements it had entered into with the customers and the provisions of the relevant laws and regulations .

Determine transaction prices

- The group shall determine transaction prices in respect of each of its contracts with customers. In making such judgment, the group assesses the impact of any variable price in the contract as a result of discounts or fines, the presence of any material element of the contract and any non-monetary price in the contract.

Corona pandemic (Covid-19)

- The Group has reviewed the main sources of uncertainty estimates that have been disclosed in the latest financial statements regarding the Corona pandemic (Covid-19). Management believes that, other than the expected credit losses on a financial assets, the impairment loss on a non-financial asset and all other sources of uncertainty remain similar to those disclosed in the annual financial statements. Management will continue to monitor the situation and any required changes will be reflected in the future reporting period - note 19.

4-2 Assumptions and estimates

- Going concern

The management has evaluated the ability of the Group to continue as a going concern and believes the Group has sufficient recourses to continue its business in the near future. Also, the management has material uncertainty related to the ability of the Group to continue as a going concern. Therefore, the condensed consolidated Interim financial statements are still prepared based on the going concern

- Estimated useful lives of property, plant, and equipment and investment properties and intangible assets

Management reviews the useful lives of property, plant and equipment and investment properties and intangible assets to calculate depreciation and amortization. These estimates are determined after taking into account the expected use of assets, obsolescence, and damage. The management reviews the residual value and useful lives annually and changes in depreciation expenses in current and future periods -if any-.

- Provision for Slow Moving Inventory Items

Management makes provisions for slow-moving and obsolete inventories. Inventory is measured at the lower of cost or net realizable value. Estimating of net realizable value is based on the most reliable evidence at the time the estimates are made. These estimates take into account price fluctuations or costs directly related to events that occur after the date of the condensed consolidated Interim financial statements.

- Impairment of Non-Financial Assets

Impairment exists when the carrying value of an asset or Cash Generating Unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation are based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a Discounted Cash Flow ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future net cash-inflows and the growth rate used for extrapolation purposes.

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- Impairment of Non-derivative Financial Assets

The Group recognizes allowances for expected credit losses (“ECL”) for financial assets measured at amortized cost such as trade accounts receivable. The Group assesses future credit losses using the ECL model for financial assets measured at amortized cost. For trade accounts receivable, the Group applies the simplified approach, which measures the loss allowance at an amount equal to lifetime expected credit losses for all trade accounts receivable since the initial recognition. To assess the ECL, accounts receivable are grouped based on shared risk characteristics and aging. The expected loss rates were calculated based on historical information of the Group and adjusted to reflect the expected future results which include future information on macroeconomic factors such as inflation and GDP growth rate. Other financial assets such as employees’ receivables and bank balances have low credit risk and applying the ECL model is considered insignificant.

- Fair value measurements of financial instruments

When the fair value of the financial assets and liabilities in the condensed consolidated Interim statement of financial position cannot be measured based on quoted prices in an active market, when IFRS require those assets or liabilities to be measured based on fair value, their fair value is determined using valuation techniques including using the present value of expected cash flows or any other techniques as stated in IFRS (13). The inputs to these techniques are taken from active markets, where possible. However, If this is not possible, a degree of judgment is required to determine the fair value and such estimates take liquidity risk, credit risk, and volatility into account. Changes in the assumptions relating to these factors can affect the reported fair value of the financial instruments.

- Employees’ defined benefit plan obligations

Post-employment defined benefits and the current value of those benefits are determined actuarial valuations. The actuarial valuation includes further assumptions regarding variables that are required such as discount rates, rate of salary increase and returns on assets, mortality rates, increase in future pensions. Due to the complexity of the valuation, the underlying assumptions, and its long-term nature, a defined benefit liability is highly sensitive to changes in these assumptions. All actuarial assumptions are reviewed at the date of every condensed consolidated interim statement of financial position.

Derecognition

The group derecognized financial assets when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value definition includes the assumption that the Group will continue its operations where there is no intention or condition to physically limit the volume of its operations or conduct a transaction with negative terms.

Fair values are categorized into different levels in the fair value hierarchy based on the inputs used in the valuation methods as follows:

Level 1: Quoted market prices in active markets for identical assets.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

5- **Property, Plant and Equipment**

| Description | Tools & | | | Furniture | | | Projects in | | | |
|---|-------------------|--------------------|--------------------|-------------------|----------------------|----------------|------------------|-----------------------|------------------|--------------------|
| | <u>Lands *</u> | <u>Buildings</u> | <u>Equipment</u> | <u>Vehicles</u> | <u>&Fixtures</u> | <u>Wells</u> | <u>Computers</u> | <u>Fruitful trees</u> | <u>progress</u> | <u>Total</u> |
| <u>Cost</u> | | | | | | | | | | |
| Balance as at 1/1/2021 | 17 074 855 | 213 230 790 | 109 406 351 | 10 246 103 | 5 006 507 | 977 071 | 2 944 045 | 23 486 155 | 2 780 358 | 385 152 235 |
| Additions | – | 31,528.00 | 392 516 | 294 400 | 14 157 | – | 29 925 | – | 676 208 | 1 438 734 |
| Cost as at 30/06/2021 | <u>17 074 855</u> | <u>213 262 318</u> | <u>109 798 867</u> | <u>10 540 503</u> | <u>5 020 664</u> | <u>977 071</u> | <u>2 973 970</u> | <u>23 486 155</u> | <u>3 456 566</u> | <u>386 590 969</u> |
| <u>Accumulated Depreciation</u> | | | | | | | | | | |
| Balance as at 1/1/2021 | – | 77 004 068 | 69 748 561 | 7 723 986 | 4 162 849 | 757 359 | 2 249 214 | 6 572 132 | – | 168 218 169 |
| Year's depreciation | – | 1 357 175 | 2 105 349 | 266 031 | 100 635 | 14 130 | 55 352 | 211 692 | – | 4 110 364 |
| Accumulated depreciation as at 30/06/2021 | <u>–</u> | <u>78 361 243</u> | <u>71 853 910</u> | <u>7 990 017</u> | <u>4 263 484</u> | <u>771 489</u> | <u>2 304 566</u> | <u>6 783 824</u> | <u>–</u> | <u>172 328 533</u> |
| Net book value as at 30/06/2021 | <u>17 074 855</u> | <u>134 901 075</u> | <u>37 944 957</u> | <u>2 550 486</u> | <u>757 180</u> | <u>205 582</u> | <u>669 404</u> | <u>16 702 331</u> | <u>3 456 566</u> | <u>214 262 436</u> |
| Net book value as at 31/12/2020 | <u>17 074 855</u> | <u>136 226 722</u> | <u>39 657 790</u> | <u>2 522 117</u> | <u>843 658</u> | <u>219 712</u> | <u>694 831</u> | <u>16 914 023</u> | <u>2 780 358</u> | <u>216 934 066</u> |

* lands item includes the value of lands that have been marginalized on their title deeds by mortgage for the Agricultural Development Fund due to the loan granted to the company (note 13) , the cost of these lands as on June 30, 2021G SAR 17,074,855 (December 31, 2020G SAR 17,074,855).

6- INVESTMENT PROPERTIES

| Description | Projects in | | | |
|--|-------------------|---------------------|-------------------|--------------------|
| | <u>Lands *</u> | <u>Buildings **</u> | <u>progress</u> | <u>Total</u> |
| <u>Cost</u> | | | | |
| Balance as at 1/1/2021 | 26 515 841 | 224 020 585 | 15 249 905 | 265 786 331 |
| Additions | – | – | 227 500 | 227 500 |
| Cost as at 30/06/2021 | 26 515 841 | 224 020 585 | 15 477 405 | 266 013 831 |
| <u>Accumulated Depreciation</u> | | | | |
| Balance as at 1/1/2021 | – | 33 251 111 | – | 33 251 111 |
| Year's depreciation | – | 1 581 009 | – | 1 581 009 |
| Accumulated depreciation as at 30/06/2021 | – | 34 832 120 | – | 34 832 120 |
| Net book value as at 30/06/2021 | 26 515 841 | 189 188 465 | 15 477 405 | 231 181 711 |
| Net book value as at 31/12/2020 | 26 515 841 | 190 769 474 | 15 249 905 | 232 535 220 |

* lands item includes the value of lands that have been marginalized on their title deeds by mortgage for the Agricultural Development Fund due to the loan granted to the company (note 13) , the cost of these lands as on June 30, 2021G SAR 800,000 (December 31, 2020G SAR 800,000).

* Buildings item includes the value of lands that have been marginalized on their title deeds by mortgage for the Al-Rajhi Bank due to the loan granted to the company (note 13) , the cost of these buildings as on June 30, 2021G SAR 161,591,727 (December 31, 2020G SAR 161,931,112).

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7- INVESTMENTS IN SUBSIDIARIES

Investments in subsidiary companies consist of the following:

| Company | Legal entity | Country | Ownership percentage | 30 June 2021 (Unaudited) SAR | 31 December 2020 (Audited) SAR |
|-------------------------------------|---------------------------|--------------|----------------------|------------------------------------|--------------------------------------|
| Fish Day Company for Selling Fish * | Limited liability company | Saudi Arabia | %80 | 1,000,000 | 1,000,000 |
| | | | | <u>1,000,000</u> | <u>1,000,000</u> |

* The activity of the Fish Day Company for the sale of fish is the wholesale sale of fish and aquatic organisms, the retail sale of fish and other seafood and their products, the retail via the Internet, and the transport of chilled and frozen goods. Registered in the commercial registry in Riyadh with the number 1010894462, and according to the company's articles of association, the first financial statements of the company are prepared as of 31 December 2021, consequently, this company has not been consolidated within the group's condensed consolidated interim financial statements.

| | 30 June 2021 (Unaudited) SAR | 31 December 2020 (Audited) SAR |
|---|------------------------------------|--------------------------------------|
| Balance at the beginning of the period/ year | 1,000,000 | - |
| Additions during the period/ year | - | 1,000,000 |
| Balance at the end of the period/ year | 1,000,000 | 1,000,000 |

Movement on the investments in subsidiary companies is as follows:

8- INVESTMENTS IN ASSOCIATES, NET

Investments in associate companies consist of the following:

| Company | Country | Ownership percentage | 30 June 2021 (Unaudited) SAR | 31 December 2020 (Audited) SAR |
|---|------------------------|----------------------|------------------------------------|--------------------------------------|
| Tabuk Fish Company * | Saudi Arabia | %20 | 20,397,760 | 19,154,139 |
| Jannat Agricultural Investment Company ** | Saudi Arabia | %27.8 | - | - |
| Rakhaa Company for Agricultural Investment and Development ** | Arab Republic Of Egypt | %21.6 | - | - |
| | | | <u>20,397,760</u> | <u>19,154,139</u> |

- The group assesses and records its share in the results of the associate companies based on the internally financial statements prapered by the managment of companies.

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* Tabuk Fish Company is engaged in the cultivation of fish and other aquatic organisms, fishing, and gathering of fish and marine organisms, marketing of marine products, the manufacture of marine products, the manufacture of fish containers from polystyrene, plastic, etc., the manufacture of fish feed and all industries related to the company's activity, and wholesale and retail trade in the equipment and supplies of fish projects and in foodstuffs and agencies Commercial establishments, restaurants and shops for selling fish are registered in the Commercial Registry of Riyadh City with the number 1010215142.

9- INVESTMENTS IN ASSOCIATES, NET (CONTINUED)

The movement on the investments in Tabuk Fish Company is as follows:

| | 30 June 2021 (Unaudited) SAR | 31 December 2020 (Audited) SAR |
|---|---|---|
| Balance at the beginning of the period/ year | 21,125,884 | 20,105,626 |
| Group's share in the profit of the associate | 837,947 | 987,579 |
| Group's share in the items of other comprehensive income of the associate | 405,674 | 32,679 |
| | 22,369,505 | 21,125,884 |
| Impairment in the investment value of the associate | (1,971,745) | (1,971,745) |
| Balance at the end of the period/ year | 20,397,760 | 19,154,139 |

** The activity of Jannat Agricultural Investment Company is represented in establishing agricultural projects, livestock, and poultry production, registered in the commercial register in Riyadh City No. 1010241588. The partners decided to liquidate the company because of the accumulated losses exceeding more than half of its capital, and Accordingly, the Jazan Energy and Development Company decided to close the entire value of the investment in the financial statements during 2018 Whereas, Jannat Agricultural Investment Company owns an investment of 77.73% of the capital of Rakhaa Agricultural Investment Company, a company based in the Arab Republic of Egypt that produces agricultural crops, and due to the stumbling block of Jannat Company and it is being under liquidation, on 2 January 2020, the ownership of 17,288 shares of the shares were transferred. Rakhaa Company for Agricultural Investment and Development to the Jazan Energy and Development Company (JAZADCO). The deficit of shareholders in Rakhaa Agricultural Investment and Development Company, as of 31 December 2019 reached 305.6 million Egyptian pounds, equivalent to its value on the date of the financial position, amounting to SAR 72.7 million. The value of that investment has not been proven due to the existence of that deficit in the rights of the shareholders according to the company's latest audited financial statements. The liquidation procedures of Jannat Agricultural Investment Company are still ongoing until the date of the condensed consolidated Interim financial position.

10- FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OCI

Financial investments at fair value through other comprehensive income represent an investment in Al-Reef Sugar Refining Company at a rate of 15% of its capital, where the company's activity is in the manufacturing industries and its branches according to industrial licenses, wholesale and retail trade with agricultural crops and commercial services, and the purchase and sale of land, ownership, leasing, and investment of real estate and the construction of buildings on it and its investment For the company.

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The following is a statement of that investment as follows:

| | 30 June 2021 (Unaudited) SAR | 31 December 2020 (Audited) SAR |
|---|---|---|
| Al-Reef Sugar Refining Company | 45,000,000 | 45,000,000 |
| Reserve for revaluation of financial investments at FVOCI | (3,000,000) | (3,000,000) |
| | 42,000,000 | 42,000,000 |

The movement in the reserve for revaluation of financial investments at FVOCI is as follows:

| | 30 June 2021 (Unaudited) SAR | 31 December 2020 (Audited) SAR |
|--|---|---|
| Balance at the beginning of the period/ year | 42,000,000 | 41,190,000 |
| Change in fair value of investments at fair value through other comprehensive income | - | 810,000 |
| Balance at the end of the period/ year | 42,000,000 | 42,000,000 |

11- INVENTORY, NET

| | 30 June 2021 (Unaudited) SAR | 31 December 2020 (Audited) SAR |
|---|---|---|
| Finished goods | 9,304,157 | 15,605,449 |
| Raw materials | 6,004,747 | 5,073,944 |
| Spare parts | 3,571,688 | 2,719,040 |
| | 18,880,592 | 23,398,433 |
| (Less): provision for slow-moving goods | (320,000) | (320,000) |
| | 18,560,592 | 23,078,433 |

The movement in the provision for slow-moving goods is as follows:

| | 30 June 2021 (Unaudited) SAR | 31 December 2020 (Audited) SAR |
|--|---|---|
| Balance at the beginning of the period/ year | (320,000) | (320,000) |
| Balance at the end of the period/year | (320,000) | (320,000) |

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12- RELATED PARTY TRANSACTIONS

Following the main transactions with the related parties and the balances at the end of the financial period:

11-A Due from related party:

| | Relationship | The nature of the transactions | 01/01/2021G | Total debit transactions | Total credit transactions | 30/06/2021G |
|-----------------------------------|--------------|--------------------------------|-------------|--------------------------|---------------------------|----------------|
| Fish Day Company for Selling Fish | Subsidiary | Finance | - | 400,000 | 255,687 | 144,313 |
| Total | | | - | 400,000 | 255,687 | 144,313 |

11-B Due to related party:

| | Relationship | The nature of the transactions | 01/01/2021G | Total debit transactions | Total credit transactions | 30/06/2021G |
|-----------------------------------|--------------|--------------------------------|----------------|--------------------------|---------------------------|-------------|
| Fish Day Company for Selling Fish | Subsidiary | Finance | 255,687 | 255,687 | - | - |
| Total | | | 255,687 | 255,687 | - | - |

11-B Compensation to key management personnel:

key persons are those who have the powers and responsibilities to plan and direct the group's operations in a direct and indirect manner.

During the period, the group distributed bonuses to key management personnel with basic salaries and other benefits amounting to SAR 429,068 (30 June 2020G: SAR 361,768).

13- FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The financial investments at fair value through profit or loss are represented in the cash available in the investment in the bank's portfolio At Investments Capital, a subsidiary of the Saudi Investment Bank, the cash balance available in the portfolio as of 30 June 2021 amounting to SAR 515,686.

14- LONG TERM LOAN

The long-term loans represent as below:

Agricultural Development Fund loan

- On 22 Dhu al-Qi'dah 1431 AH (30 October 2010), the Jazan Energy And Development Company signed a long-term loan agreement with the Saudi Agricultural Development Fund of SAR 20,999,997 to finance the shrimp breeding project, The loan is secured by marginalizing the title deeds of land within property, plant and equipment, the loan agreement included conditions regarding the Jazan Energy And Development Company commitment to some financial ratios and conditions, the loan is to be repaid in ten installments, the first installment is due on 22 Dhul-Qi'dah 1433 AH (corresponding to 8 October 2012) and the last installment on 22 Dhul-Qi'dah 1442 AH (corresponding to 2 July 2021).

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- On 8 Shaaban 1442 AH (21 March 2021), the Jazan Energy And Development Company signed a long-term loan agreement with the Saudi Agricultural Development Fund of SAR 20,902,781 - SAR 15,000,000 has been received - to finance the shrimp breeding project, The loan is secured by marginalizing the title deeds of land within property, plant and equipment, the loan agreement included conditions regarding the Jazan Energy And Development Company commitment to some financial ratios and conditions, SAR 15,000,000 is to be paid as one installment on 10 Ragab 1444 AH (corresponding to 21 March 2023) and the remaining amount is to be repaid in ten installments, the first installment is due on 21 March 2024 and the last installment on 21 March 2034.

Al-Rajhi Bank loan

- On 17 Shawwal 1438 AH (corresponding to 11 July 2017), the Jazan Energy And Development Company signed a loan agreement with Al-Rajhi Bank to be repaid in semi-annual installments of SAR 14,996,712 for Financing Projects for the Jazan Energy and Development Group, the loan is secured by a mortgage on buildings included in real estate investments and assignment of annual rents for the mortgaged buildings, the loan agreement included conditions regarding the Jazan Energy And Development Company commitment to some financial ratios and conditions, the first installment due on 9 Jumada Al-Akhir 1440 AH (corresponding to 14 February 2019) and the last installment on 18 Muharram 1444 AH (corresponding to 16 August 2022).

15- LONG TERM LOAN (CONTINUED)

The movement in long-term loans is as follows:

| | 30 June 2021 (Unaudited) SAR | 31 December 2020 (Audited) SAR |
|--|---|---|
| Balance at the beginning of the period/ year | 16,036,532 | 17,866,894 |
| Additions during the period/ year | 14,990,910 | - |
| Paid from loans during the period/ year | (1,575,000) | (1,794,452) |
| Total | 29,452,442 | 16,072,442 |
| Less of the present value of loan balances | - | (35,910) |
| Less of expedited payment from the Agricultural Development Fund | (524,999) | - |
| Balance at the end of the period/ year | 28,927,443 | 16,036,532 |
| Current portion of long-term loans | 5,844,469 | 11,961,557 |
| Non-current portion of long-term loans | 23,082,974 | 4,074,975 |

Below are the maturities of the loan:

| <u>Year</u> | 30 June 2021 (Unaudited) SAR | 31 December 2020 (Audited) SAR |
|-------------|---|---|
| 2020 | - | 6,009,905 |
| 2021 | 5,844,469 | 5,951,652 |
| 2022 | 8,082,974 | 4,074,975 |
| 2023 | 15,000,000 | - |
| | 28,927,443 | 16,036,532 |

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16- COMMITMENT AGAINST THE LOAN GUARANTEE OF AN ASSOCIATE

On 24 October 2016, the Saudi Fund for Development notified Jannat Agricultural Investment Company that, as of 24 October 2016, the loan due to the fund from the Rakha Agricultural Investment and Development Company (an associate company) is considered implicitly transferred to the guarantor of the loan with a fine guarantee and the performance and demand of the guarantor partners to quickly repay the obligations. The implications for the partners, as the Jazan Energy and Development Company (JAZADCO) is a partner in Jannat Agricultural Investment Company, so a provision has been made in the amount equivalent to the loan guarantee percentage of the Jazan Energy and Development Company (JAZADCO), which is 18.85%, at an amount of SAR 18,771,396.

Movement in commitment against the loan guarantee of an associate is as follows:

| | 30 June 2021 (Unaudited) SAR | 31 December 2020 (Audited) SAR |
|---|---|---|
| Balance at the beginning of the period/ year | 14,619,841 | 14,619,841 |
| Balance at the end of the period/ year | 14,619,841 | 14,619,841 |

17- STATUTORY RESERVE

As per the Regulations for Companies in Saudi Arabia, and the Company's by-laws of the parent company a statutory reserve of 10% of net income must be appropriated until the reserve equals 30% of the share capital. The reserve is not available for distribution as dividends to shareholders.

18- EARNING PER SHARE

Basic and diluted earnings per share from net income is calculated by dividing the net income for the period by the weighted average number of shares outstanding at the end of the period amounting to 50,000,000 shares (31 December 2020: 50,000,000 shares)

19- SEGMENT INFORMATION

Segment information relates to the group's activities and business, which the group's management has relied on as a basis for preparing its financial information, in line with internal reporting methods. Transactions between sectors are carried out on the same terms as dealing with other parties.

The sectors' operating assets, liabilities, and operating activities include items directly related to a specific sector and items that can be distributed among the different sectors on a reasonable basis. Items that cannot be distributed between sectors are classified under the heading of joint assets and liabilities. The group sectors are as follows:

- The agricultural sector, where the group cultivates and reaps shrimp, in addition to the fruit farm.
- The commercial sector, where the group purifies and distributes bottled mineral water.
- Investment properties sector, where the group leases buildings for commercial and residential purposes.

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The following is a summary of the financial segments information for the two periods ended 30 June 2021 and 30 June 2020, respectively, according to the nature of the activity:

| | Agricultural sector SAR | Commercial sector SAR | Investment properties sector SAR | Total SAR |
|---|--|--------------------------------------|---|----------------------|
| For the period ended 30 June 2021: (Unaudited) | | | | |
| Revenues | 27,956,286 | 9,195,354 | 5,846,327 | 42,997,967 |
| Gross profit | 17,216,290 | 1,595,288 | 2,903,513 | 21,715,091 |
| For the period ended 30 June 2020: (Unaudited) | | | | |
| Revenues | 26,513,589 | 9,778,996 | 5,384,306 | 41,676,891 |
| Gross profit | 10,382,211 | 2,092,134 | 2,606,831 | 15,081,176 |

The following is a summary of the financial segments information as of 30 June 2021, 31 December 2020, respectively, according to the nature of the activity:

| | Agricultural sector SAR | Commercial sector SAR | Investment properties sector SAR | Total SAR |
|--|--|--------------------------------------|---|----------------------|
| As of 30 June 2021 (Unaudited): | | | | |
| Total assets | 304,089,366 | 76,757,350 | 242,379,664 | 623,226,380 |
| Total liabilities | 54,479,962 | 21,329,388 | 11,687,778 | 87,497,128 |
| As of 31 December 2020 | | | | |
| Total assets | 285,459,060 | 75,220,363 | 240,180,892 | 600,860,315 |
| Total liabilities | 46,182,590 | 19,614,226 | 9,687,777 | 75,484,593 |

20- FINANCIAL INSTRUMENTS RISK MANAGEMENT

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments that the group commits to in the interest of others.

To reduce the liquidity risk and associated losses which may affect the business of the Group, the group maintains, wherever possible, sufficient highly liquid current assets in all business conditions. The Group avoids financing long-term capital requirements through short-term borrowing. Long-term projects are currently funded with long-term loans only. The Group has a highly dynamic cash flow policy and a system by which it can estimate the maturity dates of its liabilities and develop appropriate plans to provide the required funding to meet these liabilities in a timely manner.

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The following is the maturities of assets and liabilities as of 30 June 2021, and 31 December 2020:

| | 3 months or less SAR | More than 3 months to 1 year SAR | More than 1 year up to 10 years SAR | No specific maturity dates SAR | Total SAR |
|--|----------------------------|---|--|---|-------------------|
| 30 June 2021 | | | | | |
| Assets | | | | | |
| Accounts receivable, prepaid expenses and other debtors, net | - | 55,448,245 | - | - | 55,448,245 |
| Due from a related party | 144,313 | 44,313 | - | - | 144,313 |
| Total | 144,313 | 55,448,245 | - | - | 55,592,558 |
| Liabilities | | | | | |
| Long-term loans | - | 5,844,469 | 23,082,974 | - | 28,927,443 |
| Distributions of shareholders' entitlements | - | 5,655,968 | - | - | 5,655,968 |
| Employees' defined benefit plan obligations | - | - | - | 8,879,948 | 8,879,948 |
| A commitment against the loan guarantee of an associate | - | - | - | 14,619,841 | 14,619,841 |
| Accounts payable, accrued expenses and other creditors | - | 17,746,713 | - | - | 15,619,841 |
| Zakat provision | - | 14,408,231 | - | - | 13,738,048 |
| Total | - | 47,728,371 | 23,082,974 | 23,499,789 | 87,497,128 |

| | 3 months or less SAR | More than 3 months to 1 year SAR | More than 1 year up to 10 years SAR | No specific maturity dates SAR | Total SAR |
|--|----------------------------|---|--|--------------------------------------|-------------------|
| 31 December 2020 | | | | | |
| Assets | | | | | |
| Accounts receivable, prepaid expenses and other debtors, net | 29,243,497 | 13,499,228 | - | - | 42,742,725 |
| Total | 29,243,497 | 13,499,228 | - | - | 42,742,725 |
| Liabilities | | | | | |
| Long-term loans | - | 11,961,557 | 4,074,975 | - | 16,036,532 |
| Due to a related party | 255,687 | - | - | - | 255,687 |
| Distributions of shareholders' entitlements | - | 5,711,869 | - | - | 5,711,869 |
| Employees' defined benefit plan obligations | - | - | - | 8,544,701 | 8,544,701 |
| A commitment against the loan guarantee of an associate | - | - | - | 14,619,841 | 14,619,841 |
| Accounts payable, accrued expenses, and other creditors | 1,968,769 | 13,938,963 | - | - | 15,907,732 |
| Zakat provision | 2,086,217 | 12,322,014 | - | - | 14,408,231 |
| Total | 4,310,673 | 43,934,403 | 4,074,975 | 23,164,542 | 75,484,593 |

JAZAN ENERGY AND DEVELOPMENT COMPANY (JAZADCO)
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021 (UNAUDITED)

Market price risk

Market risk is the risk that arises from changes in the fair value of future cash flows of financial instruments due to changes in market prices. Market rates have 3 types: Interest rate risk. Currency risk and other price risks such as Shares price risk and commodity price risk, and includes financial liabilities affected by market price risk on loans, accounts receivables, and payables.

Interest rate risk

Interest rate risk is the risk that arises from changes in the fair value of future cash flows of financial instruments because of a change in the interest rate of the market. The group's financial assets and liabilities as of the balance sheet date, except for long-term loans, are not exposed to interest rate risk. Long-term loans carry interest in addition to credit margin based on prevailing market interest rates.

Currency risk []

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's primary transactions are in Saudi riyals and US dollars. Management monitors currency fluctuations.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value definition includes the assumption that the Group will continue its operations where there is no intention or condition to physically limit the volume of its operations or conduct a transaction with negative terms.

Fair values are categorized into different levels in the fair value hierarchy based on the inputs used in the valuation methods as follows:

Level 1: Quoted market prices in active markets for identical assets.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

21- IMPORTANT MATTERS DURING THE YEAR

In response to the spread of the Covid-19 in 2020 all over the world, and its resulting disruptions to the social and economic activities in those markets, Management had proactively assessed its impacts on its operations and took a series of preventive measures, including the creation of on-going crisis management teams and processes, to ensure the health and safety of its employees, customers, consumers, and the wider community as well as to ensure the continuity of supply of its products throughout its markets. Notwithstanding these challenges, the Group's operations remained largely unaffected as the food industry, in general, was exempt from the various bans and constraints imposed by various regulatory authorities including exemption from curfew hours and cargo shipping and flight operations restrictions. The underlying demand from retail and wholesale customers for the Group's products has been largely unaffected, although some small shifts in product mix were apparent. Based on these factors, Management believes that the Covid-19 pandemic has had no material effect on Almarai's reported financial results for the period ended 30 June 2021. The Group continues to monitor the Covid-19 situation closely although at this time management is not aware of any factors that are expected to change the impact of the pandemic on the Group's operations during 2021 or beyond.

JAZAN ENERGY AND DEVELOPMENT COMPANY (JAZADCO)
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021 (UNAUDITED)

22- SUBSEQUENT EVENTS

In the opinion of the management, there were no other significant events subsequent to 31 March 2021 that are expected to have a significant impact on these condensed consolidated interim financial statements as of 31 March 2021.

23- Comparative figures

the comparative figures for the financial period ended 30 June 2020 represent the financial statements numbers of the parent company without consolidation with its subsidiary, as Mango Jazan Trading Company was acquired on February 26, 2020G, and the first financial statements in accordance with the company's articles of association dated December 31, 2020G. Accordingly, the group's first consolidated financial statements were issued on December 31, 2020.

- Some of the comparative figures for the yearly consolidated financial statements as at 31 December 2020 has been reclassified and represented in the condensed consolidated interim financial statements as follow:

| | Property, plant and equipment, net | Investment properties, net |
|---|---|---------------------------------------|
| Balance as at 01 January 2021 before adjustment | 217,734,066 | 231,735,220 |
| Reclassification of land on which leased buildings are constructed | (800,000) | 800,000 |
| Balance as at 01 January 2021 after adjustment | <u>216,934,066</u> | <u>232,535,220</u> |

24- APPROVAL OF THE FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved by the board of directors on 02 Muharram 1443 H (corresponding to 10 August 2021 G).