

ASH-SHARQIYAH DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

**INTERIM FINANCIAL STATEMENTS AND
LIMITED REVIEW REPORT FOR THE THREE
MONTH AND NINE MONTH PERIODS
ENDED SEPTEMBER 30, 2012**

1/2



ASH-SHARQIYAH DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

INTERIM FINANCIAL STATEMENTS AND LIMITED REVIEW REPORT
FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2012

I N D E X

	<u>Pages</u>
Limited Review Report	2
Interim Balance Sheet	3
Interim Statement of Income	4
Interim Statement of Cash Flows	5
Interim Statement of Changes in Stockholders' equity	6
Notes to the Interim Financial Statements	7 – 12



LIMITED REVIEW REPORT

To the shareholders of
Ash-Sharqiyah Development Company
Saudi Joint Stock Company

Scope of review

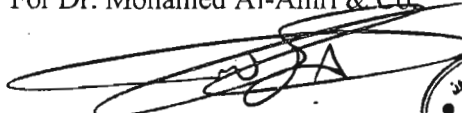
We have reviewed the accompanying interim balance sheet of Ash-Sharqiyah Development Company "A Saudi Joint Stock Company" as of September 30, 2012 and the related interim statements of income for the three month and nine month periods then ended, interim statements of cash flows and changes in stockholders equity for the nine month periods then ended, including the related notes which form an integral part of these interim financial statements, as prepared by the company. And presented to us with all the necessary information and explanation we required. These interim financial statements are the responsibility of the companies management.

We conducted our limited review in accordance with the Interim Financial statements Review Standard issued by the Saudi Organization for Certified Public Accountants. A limited review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Review result

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with accounting standards generally accepted in Saudi Arabia.

For Dr. Mohamed Al-Amri & Co.


Gihad M. Al-Amri
Certified Public Accountant
Registration No. 362



14/10/2012 (G)
28/11/1433 (H)



ASH-SHARQIYAH DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

BALANCE SHEET AS AT SEPTEMBER 30, 2012

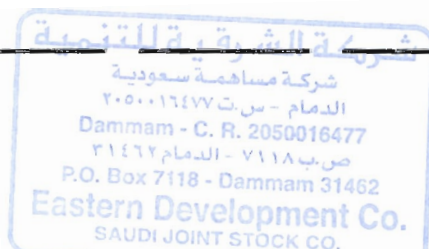
	<u>Notes</u>	30-9-2012 (Unaudited) SR	30-9-2011 (Unaudited) SR
<u>ASSETS</u>			
Current Assets			
Cash and cash equivalents		1,568,255	725,429
Trade receivables- net		2,766,134	3,738,696
Inventories- net		8,029,840	7,778,728
Prepayments and other - net		2,922,188	1,349,598
Immature agriculture		1,123,023	3,355,905
Total current assets		16,409,440	16,948,356
Non- current Assets			
Long term Investments	3	2,925,600	7,334,027
Fixed assets – net		31,313,624	33,593,580
Herd of cattle- net		12,831,770	15,833,356
Livestock for breeding		20,592,847	17,940,283
Capital work- in- progress		7,407,984	7,140,459
Deferred charges		2,687,245	4,061,670
TOTAL ASSETS		94,168,510	102,851,731
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>			
Current Liabilities			
Accounts payable – trade		9,251,167	10,123,697
Accrued expenses and other		4,633,793	4,867,810
Payables to stockholders		1,360,524	1,453,495
Zakat provision		8,748,907	8,748,907
Total current liabilities		23,994,391	25,193,909
Non- current Liabilities			
Provision for end of service benefits		1,488,248	1,364,129
Total liabilities		25,482,639	26,558,038
Stockholders' Equity			
Capital		75,000,000	75,000,000
Statutory reserve		3,276,667	3,276,667
Capital reserve		15,042,185	15,042,185
Government grant		4,566,419	4,566,419
Accumulated Losses		(29,199,400)	(21,591,578)
Total stockholders' equity		68,685,871	76,293,693
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		94,168,510	102,851,731

The accompanying notes 1 to 4 form an integral part of these interim financial statements.

ASH-SHARQIYAH DEVELOPMENT COMPANY
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**INTERIM STATEMENT OF INCOME FOR THE THREE-MONTH AND
NINE- MONTH PERIODS ENDED SEPTEMBER 30, 2012**

	From 1/7/2012 To 30/9/2012 Unaudited <u>SR</u>	From 1/7/2011 To 30/9/2011 Unaudited <u>SR</u>	From 1/1/2012 To 30/9/2012 Unaudited <u>SR</u>	Form 1/1/2011 To 30/9/2011 Unaudited <u>SR</u>
Sales	4,721,355	4,441,330	19,825,866	23,471,768
Cost of sales	(5,639,714)	(5,821,121)	(24,109,715)	(24,033,231)
Gross (loss)	(918,359)	(1,379,791)	(4,283,849)	(561,463)
Main operations				
Selling and marketing expenses	(185,459)	(172,316)	(494,594)	(620,013)
General and administrative expenses	(836,535)	(956,918)	(3,028,898)	(3,040,289)
Net (loss) from main operations	(1,940,353)	(2,509,025)	(7,807,341)	(4,221,765)
Results of other operations:				
Dividends from long term investments available for sale	-	-	750,000	750,000
Income from sale of long term investments	-	-	5,288,173	-
Capital gains	86,141	48,330	108,640	193,420
Miscellaneous income	-	980	4,864	18,035
Net profit from other operations	86,141	49,310	6,151,677	961,455
Net (loss) for the period	(1,854,212)	(2,459,715)	(1,655,664)	(3,260,310)
(Loss) per share from Continuing main operations	(0.26)	(0.33)	(1.04)	(0.56)
Profit per share from other Operations	0.02	0.01	0.82	0.13
Net (Loss) per share for the period	(0.24)	(0.32)	(0.22)	(0.43)



The accompanying notes 1 to 4 form an integral part of these interim financial statements.

ASH-SHARQIYAH DEVELOPMENT COMPANY
(A Saudi Joint stock company)

INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE-MONTHS ENDED SEPTEMBER 30, 2012

	For the nine months ended September 30, 2012 Unaudited SR	For the nine months ended September 30, 2011 Unaudited SR
Cash flows from operating activities:		
Net (loss) for the period	(1,655,664)	(3,260,310)
Adjustments for :		
Depreciation of fixed assets and herds cattle	5,253,305	6,145,579
(Profits) from sale of fixed assets	(108,640)	(193,420)
Losses on sale and death of herds of cattle	799,677	619,040
Amortization on deferred charges	1,897,080	1,904,683
(Profits) on sale of long term investments	(5,288,173)	-
Dividends from long term investments available for sale	(750,000)	(750,000)
Changes in operating assets and liabilities:		
Trade receivables- net	18,733	2,172,191
Due from Related parties	360,000	750,000
Prepayments and other -net	(2,325,309)	(986,982)
Immature agriculture	3,489,821	1,365,580
Inventories- net	(1,677,900)	206,488
Accounts payable – trade	(973,513)	756,417
Due to Related parties	(62,846)	(62,846)
Accrued expenses and other	(314,253)	89,514
Due to Stockholders	(92,971)	(3,698)
End of service benefits	85,341	270,051
Net cash from operating activities	(1,345,312)	9,022,287
Cash flows from investing activities		
Purchase of fixed assets	(841,156)	(1,016,644)
Proceeds from sale of fixed assets	108,641	278,240
Proceeds from sale of herd of cattle	919,200	470,467
Additions to Livestock	(4,993,901)	(5,225,435)
Proceeds from sale of long term investments	8,000,000	-
Additions to investments	-	(692,204)
Proceeds from Dividends of long term investments available for sale	750,000	750,000
Capital work in progress	(763,981)	(1,386,891)
Deferred charges	(541,935)	(2,227,004)
Net cash used in investing activities	2,636,868	(9,049,471)
Cash flows from financing activities		
Tawarruq contracts finance	-	(1,120,000)
Net cash used in financing activities	-	(1,120,000)
Net movement in cash and cash equivalents	1,291,556	(1,147,184)
Cash and cash equivalents, beginning of the period	276,699	1,872,613
Cash and cash equivalents, end of the period	1,568,255	725,429

Non –Cash transactions

Up to 30/9/2012 arise out of the transformation between Livestock for breeding and the herd of cattle (procreation assets), non-cash transactions amounted to SR 2,709,800 (30/9/2011: SR, 4,208,235), its effect was reflected on Livestock for breeding and the herd of cattle.

The accompanying notes 1 to 4 form an integral part of these interim financial statements

ASH-SHARQIYAH DEVELOPMENT COMPANY
(A Saudi Joint stock company)

INTERIM STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012 (Unaudited)

	Capital	Statutory Reserve	Capital reserve	Governm-ent grants	Accumulated losses	TOTAL
	<u>SR</u>	<u>SR</u>	<u>SR</u>	<u>SR</u>	<u>SR</u>	<u>SR</u>
At January 1, 2012	75,000,000	3,276,667	15,042,185	4,566,419	(27,543,736)	70,341,535
Net loss for the period	-	-	-	-	(1,655,664)	(1,655,664)
At SEPTEMBER 30, 2012	75,000,000	3,276,667	15,042,185	4,566,419	(29,199,400)	68,685,871
At January 1, 2011	75,000,000	3,276,667	15,042,185	4,566,419	(18,331,268)	79,554,003
Net loss for the period	-	-	-	-	(3,260,310)	(3,260,310)
At SEPTEMBER 30, 2011	75,000,000	3,276,667	15,042,185	4,566,419	(21,591,578)	76,293,693



The accompanying notes 1 to 4 form an integral part of these interim financial statements.

ASH-SHARQIYAH DEVELOPMENT COMPANY
(A Saudi Joint stock company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2012

1. ORGANISATION AND ACTIVITIES

Ash-Sharqiyah Development Company was established as a Saudi Joint Stock Company in accordance with the Ministerial decree no 406 issued on 21 Thou Alqaida, 1406 H, and it is registered under commercial registration number 2050016477 issued in Dammam on 19/1/1407 H.

The authorized and paid up Company's share capital amounts to SR 75,000,000 consisting of 7,500,000 shares of par value of SR 10 each. The commercial registration was amended on 5 Jumada Al-Thani 1428 H, which included new activities for the Company.

The activities of the Company include the following principal activities:

- To build and operate agriculture, industrial, foodstuff and livestock projects and its marketing.
- Whole sale and retail trade in foodstuff, agricultural materials, animal feed and fertilizers
- Investment in purchase of land and construction of buildings for sale or rent.
- To engage in packaging of mineral water, juices, dairy products, and foodstuff.
- Developing, constructing and operating tourist and recreational projects

2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with the accounting standards issued by the Saudi Organization for Certified Public Accountants. The financial statements are prepared under the accrual basis.

The following is a summary of the significant accounting policies applied by the Company:

2/1 Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles require the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amount of revenues and expenses during the period and disclosure of contingent liabilities at the date of the financial statements. Although the estimates are based on the best information available to management , but the actual results afterwards may became different from those estimates .

2/2 Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits at banks which can be converted easily to cash within three months from the date of deposit.

2/3 Trade Receivables

Receivables are stated in the balance Sheet at their net value after deducting the provision for doubtful debts.



ASH-SHARQIYAH DEVELOPMENT COMPANY
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NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2012

2/4 Long term Investments

Long term Investments represent investments in companies in which the company owns shares with varying rates and can be classified in two categories:

First : Long term Investments in associate companies in which the Company has significant influence but not control, generally accompanying a shareholding of betwe 20% and 50% of the voting rights. Investment in associated companies is accounted for under equity method of accounting. The Company's share of profit and losses in the associate companies is recognized annually based on audited financial statements and under equity method.

Second: Long term Investments in marketable securities available for sale are investments in companies with ownership percentage less than 20% which and in which the Company does not exercise significant influence are valued at fair value. Changes in fair values of marketable securities available for sale investments are included in separate item in the statement of changes in shareholders' equity. The fair value of marketable securities is determined based on the market value when there is available fixed price in the capital market, if this is not available cost is considered as the fair value for these investments. The realized profits resulted will be stated when dividends are reported on its declaration by the investee company.

Provision, if any, for permanent decline in the value of investments is made in the same period in which the decline is determined and is charged to the statement of income.

2/5 Inventories

Finished products inventories. Materials, spare parts, livestock and agricultural supplies are stated at cost or market value wich ever is less. Cost is determined at weighted average method.

2/6 Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method. The cost of fixed assets sold of dispesed of and the lime of disposal the annual depreciation rates are as following:

Buildings, structures, and wells	2% - 15%
Machinery, equipment	10% - 25%
Agricultural Machinery and equipment	12.5 % - 20%
Vehicles and transportation equipment	12.5 % - 25%
Furniture and fixtures	20 %
Tools	20 %
Apiary	10 %

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NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2012

2/7 Impairment of fixed assets

At each balance sheet date, the Company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss in assets (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

The carrying amount of the asset or cash generating unit is reduced to its recoverable amount. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount. Impairment losses are expensed in the statement of income.

Where an impairment loss subsequently reverses, the carrying amount of the asset or the cash generating unit is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash generating unit in prior periods. A reversal of an impairment loss is recognized as income immediately in the statement of income.

2/8 The Herd of cattle

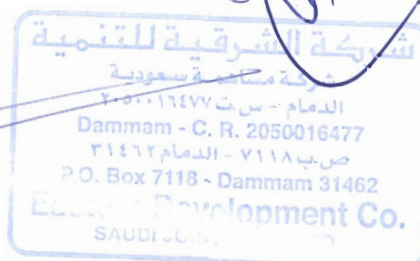
The herd of cattle is stated at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of 5 periods using the straight line method.

2/9 Livestock for breeding

Livestock for breeding not reaching the age of production, are carried at cost and when it reach the age of production are to be added to the herd of cattle at cost.

2/10 Deferred Charges

Costs relating to preparation of fields for the next agricultural seasons are recorded as agricultural deferred expenses that benefit more than one period. Deferred expenses are amortized over a period of 2 years to 3 years and are stated with net value after deducting amortization.



ASH-SHARQIYAH DEVELOPMENT COMPANY
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NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2012

2/11 Immature agricultural assets

Immature agricultural assets represent the costs of agricultural products produced at the end of the period and remaining not harvested. These costs will be deferred until crops are grown and harvested.

2/12 Zakat

The General Authority for Grains Cell and Mill Flour is deducting Zakat of crops when receiving these crops from the company. A provision for zakat is provided for company according to the regulations of the department of zakat and income tax in the Kingdom of Saudi Arabia. The provision is charged directly to the statement of income. Adjustments arising from final Zakat assessments, if any, are recorded in the period in which such assessments are made. It will be disclosed in a separate note in accordance with the zakat standard requirements issued from the Saudi Organization for Certified Public Accountants.

2/13 End of service benefits

Employee end of service benefits are provided for based on Saudi Arabian Labor Law.

2/14 Revenue Recognition

Revenue is recognized when invoices are issued and the goods are delivered to customers.

2/15 Expenses

Expenses incurred by the Company include selling and distribution, general and administrative expenses and production costs. Expenses of direct materials and labors and indirect production overheads are charged to production costs. Expenses related to Selling, marketing and distribution of finished products are classified separately under Selling and distribution expenses. All other expenses other than production costs or selling costs are classified as general and administrative expenses. Allocations between general and administrative expenses, selling and distribution expenses and direct costs are made on a consistent basis.

2/16 Foreign Currency Translation

Transactions denominated in foreign currencies are translated into Saudi Riyals at exchange rates prevailing at the dates of such transactions. Foreign currencies are valued at the balance sheet date at exchange rates prevailing on the date of such transactions. Gains or losses from valuation are included in the statement of income.



ASH-SHARQIYAH DEVELOPMENT COMPANY
(A Saudi Joint stock company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2012

2/17 Statutory Reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's Articles of Association, the Company after covering accumulated losses establishes a statutory reserve by the appropriation of 10% of net income until such reserve equals 50% of the share capital.

2/18 Earnings (Losses) Per Share

Earnings(losses) per share from continuing main operations and for other operations is computed by dividing net income (loss) for the period by the weighted average number of shares outstanding. All the shares of the company are ordinary shares.

2/19 Capital Reserve

The company has obtained approval of the Ministry of Commerce to reduce its capital according to letter No. 222 dated 1 Moharam 1423 H corresponding to 15/3/2002. The reduction in capital resulted in capital reserve of SR 15,042,185.

2/20 Government Grants

The Government grant amounted to SR 4,566,419 represents the value of land granted by the government to the company (government grant). The part of improvement in land was valued by the Board of Directors as 7 halalas per meter square. The part of improvement inland amounted to an area of 65,234,561 meter square. This government grants is not appropriated and can not be distributed.

2/21 The results of operations for the interim period

The company's management prepared all the adjustments which deem necessary so that the interim financial statements present fairly, the financial position of the company, and the results of its operations for the period of the interim financial statements.

3- LONG TERM INVESTMENTS

Long term investments consist of the following:

شركة الشرقية للتنمية
شركة مساهمة سعودية
الدمام - ص.ب. ٢٠٥٠٠١٦٤٧٧
Damman - C. R. 2050016477
ص.ب. ٧١١٨ - الدمام ٣١٤٦٢
P.O. Box 7118 - Damman 31462
Eastern Development Co.
A- Long term investments in associated companies
B- Long term Investments in marketable securities available for sale
Total

For the nine months ended September 30, 2012	For the nine months ended September 30, 2011
Unaudited	Unaudited
SR	SR
-	4,408,427
2,925,600	2,925,600
<u>2,925,600</u>	<u>7,334,027</u>

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(A Saudi Joint stock company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2012


The details of Long term investments are as follows :

A- Long term investments in associated companies – it is a share at (Al-Ahsa For Foodstuff Industries Company –limited liability company), the company owns 50% of its share capital

	For the nine months ended September 30, 2012	For the nine months ended September 30, 2011
	Unaudited SR	Unaudited SR
Share of the company in Stockholders' Equity*	-	(7,206,294)
Loan given to Al-Ahsa For Foodstuff Industries Company to finance capital **	-	8,500,000
Loan given to-Al-Ahsa For Foodstuff Industries company to pay the loan of Saudi Industrial Fund	-	3,114,721
	-	4,408,427

On December 6 , 2011 the Board of directors of Ash-sharqiyah Development Company approved to sell its share and full right in Al-Ahsa For Foodstuff Industries Company in return of SR 8,000,000 to Al-Ahsa Company for Development, the sale operation was executed in the first quarter of the year 2012.

B- Long term Investments in marketable securities available for sale

Name of the investee company	Shareholding Percentage	For the nine months ended September 30, 2012	For the nine months ended September 30, 2011
		Unaudited SR	Unaudited SR
			
Raising chickens Company	6,45%	1,500,000	1,500,000
National Company For Seeds Production	2,8%	825,600	825,600
United Company For Farms Dairies	8,28%	600,000	600,000
Total		2,925,600	2,925,600

4- COMPARATIVE FIGURES

Some prior period figures have been reclassified to conform to the current period's presentation.