



RSM

Allied Accountants Professional Services

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

**INTERIM CONDENSED FINANCIAL
INFORMATION (UNAUDITED) AND
INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE AND NINE MONTHS PERIODS
ENDED 30 SEPTEMBER 2021**

AL-SHARQIYAH DEVELOPMENT COMPANY

(A Saudi Joint Stock Company)

**INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) AND INDEPENDENT
AUDITORS' REVIEW REPORT
FOR THE THREE AND NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2021**

| INDEX | PAGE |
|--|-------------|
| Independent auditor's review report on the interim condensed financial information | - |
| Interim condensed statement of financial position (Unaudited) | 2 |
| Interim condensed statement of profit or loss and other comprehensive income (Unaudited) | 3 |
| Interim condensed statement of changes in equity (Unaudited) | 4 |
| Interim condensed statement of cash flows (Unaudited) | 5 |
| Notes to the interim condensed financial information (Unaudited) | 6 - 12 |

Riyadh - Olaya District
1st Floor, Building No. 3193
Al Orouba Road
P.O.Box 8335
Riyadh 12333
Tel.: +966 11 4169361
Fax: +966 11 4169349
Kingdom of Saudi Arabia
www.rsmksa.com
Commercial Registration No. 4030228773

الرياض - حي العليا
مبنى رقم ٣١٩٣ الطابق الأول
طريق العروبة
صندوق بريد : ٨٣٣٥
الرياض : ١٢٣٣٣
هاتف : ٤١٦٩٣٦١ ١١ ٩٦٦ +
فاكس : ٤١٦٩٣٤٩ ١١ ٩٦٦ +
المملكة العربية السعودية
www.rsmksa.com
سجل تجاري رقم ٤٠٣٠٢٢٨٧٧٣

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL INFORMATION

To the Shareholders
Al-Sharqiyah Development Company
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying interim condensed statement of financial position of **Al-Sharqiyah Development Company, a Saudi joint stock company** (the "Company"), as at 30 September 2021 and related interim condensed statement of profit or loss and other comprehensive income for the three and nine months periods then ended, and the interim condensed information of changes in equity and cash flows for the nine months period then ended and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim condensed financial information in accordance with International Accounting Standards (34) "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

Scope of review

We have conducted our review in accordance with International Standard on Review Engagements - 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as endorsed in the Kingdom of Saudi Arabia. A review of interim condensed financial information 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 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 interim condensed financial information 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.

Emphasis of matter

We would like to draw attention to the Note (2) of the accompanying interim condensed financial information explaining events and conditions casting significant uncertainty on the Company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Allied Accountants Professional Services Company



Mohammed Farhan bin Nader

License 435

Al Khobar, Saudi Arabia

20 Rabie Al Awal 1443H (26 October 2021)



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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30 SEPTEMBER 2021
(All amounts in Saudi Riyals)

| | Note | 30 September 2021 (Unaudited) | 31 December 2020 (Audited) |
|--|------|----------------------------------|-------------------------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment, net | | 183,219,659 | 183,697,793 |
| Investment in companies | | 1,425,600 | 1,425,600 |
| Total non-current assets | | 184,645,259 | 185,123,393 |
| Current assets | | | |
| Prepayments and other assets, net | | 107,608 | 86,599 |
| Cash and cash equivalents | | 196,618 | 124,711 |
| Total current assets | | 304,226 | 211,310 |
| Total assets | | 184,949,485 | 185,334,703 |
| Equity and liabilities | | | |
| Equity | | | |
| Share capital | 4 | 75,000,000 | 75,000,000 |
| Statutory reserve | 5 | 3,276,667 | 3,276,667 |
| Retained earnings | | 61,225,456 | 64,727,878 |
| Total equity | | 139,502,123 | 143,004,545 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Employees' benefits | | 149,601 | 47,097 |
| Total non-current liabilities | | 149,601 | 47,097 |
| Current liabilities | | | |
| Zakat provision | | 19,938,849 | 19,938,849 |
| Accrued dividends | 9 | 1,359,072 | 1,359,072 |
| Short term loan | 8 | 10,000,000 | 10,000,000 |
| Due to related parties | 7 | 461,465 | 456,669 |
| Accrued expenses and other liabilities | 10 | 8,971,516 | 6,594,517 |
| Due to bank | | 3,770 | - |
| Trade payables | | 4,563,089 | 3,933,954 |
| Total current liabilities | | 45,297,761 | 42,283,061 |
| Total liabilities | | 45,447,362 | 42,330,158 |
| Total equity and liabilities | | 184,949,485 | 185,334,703 |

Mohammed Al Hujailan
Managing Director and Chief
Executive Officer



Yousef Zaidan
Finance Manager

The accompanying notes from (1) to (16) form an integrated part of these interim condensed financial information.


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

INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
(UNAUDITED)

FOR THE THREE AND NINE MONTHS PERIODS ENDED 30 SEPTEMBER 2021

(All amounts in Saudi Riyals)

| | Note | For the three-months period ended September | | For the nine-months period ended September | |
|---|------|--|---------------------|---|---------------------|
| | | 2021 (Unaudited) | 2020 (Unaudited) | 2021 (Unaudited) | 2020 (Unaudited) |
| Sales | | - | - | - | - |
| Cost of sales | | (132,011) | (102,656) | (391,726) | (305,736) |
| Gross loss for the period | | (132,011) | (102,656) | (391,726) | (305,736) |
| General and administrative expenses | 11 | (622,480) | (634,852) | (3,703,575) | (1,459,427) |
| Loss from operations | | (754,491) | (737,508) | (4,095,301) | (1,765,163) |
| Financing expenses | 8 | (66,610) | (1,101) | (164,427) | (141,716) |
| Gains from sale of property, plant and equipment | | - | 203,868 | - | 203,868 |
| Dividends from investments in companies | | - | - | 300,000 | - |
| Other income | 12 | 62,500 | 113,216 | 457,306 | 267,000 |
| Loss for the period | | (758,601) | (421,525) | (3,502,422) | (1,436,011) |
| Other comprehensive income | | - | - | - | - |
| Total comprehensive loss for the period | | (758,601) | (421,525) | (3,502,422) | (1,436,011) |
| Loss per share basic and diluted | 13 | (0.10) | (0.06) | (0.47) | (0.19) |


Mohammed Al Hujailan
Managing Director and Chief
Executive Officer




Youssef Zaidan
Finance Manager

The accompanying notes from (1) to (16) form an integrated part of these interim condensed financial information.

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

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2021
(All amounts in Saudi Riyals)

| | Share capital | Statutory reserve | Retained earnings | Total |
|---|---------------|-------------------|-------------------|-------------|
| Balance as at 1 January 2020 (Audited) | 75,000,000 | 3,276,667 | 66,967,242 | 145,243,909 |
| Loss for the period | - | - | (1,436,011) | (1,436,011) |
| Balance as at 30 September 2020 (Unaudited) | 75,000,000 | 3,276,667 | 65,531,231 | 143,807,898 |
| Balance as at 1 January 2021 (Audited) | 75,000,000 | 3,276,667 | 64,727,878 | 143,004,545 |
| Loss for the period | - | - | (3,502,422) | (3,502,422) |
| Balance as at 30 September 2021 (Unaudited) | 75,000,000 | 3,276,667 | 61,225,456 | 139,502,123 |

Mohammed Al-Hujailan
Managing Director and Chief
Executive Officer



Youssef Zakaria
Finance Manager

The accompanying notes from (1) to (16) form an integrated part of these interim condensed financial information.

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

INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2021
(All amounts in Saudi Riyals)

| | 1 January 2021 to 30 September 2021 (Unaudited) | 1 January 2020 to 30 September 2020 (Unaudited) |
|---|--|--|
| Cash flows from operating activities: | | |
| Loss for the period | (3,502,422) | (1,436,011) |
| Adjustments to reconcile net loss with net cash from / (used in) operating activities: | | |
| Depreciation | 481,123 | 495,914 |
| Gains from sale of property, plant and equipment | - | (203,868) |
| Zakat related to previous years | - | 175,132 |
| Employees' benefits | 102,504 | 10,018 |
| Net cash (used in) operating activities | (2,918,795) | (958,815) |
| Changes in working capital items: | | |
| Prepayments and other assets | (21,009) | 1,350,317 |
| Accounts receivable | - | (115,500) |
| Accrued expenses and other liabilities | 2,376,999 | (911,484) |
| Trade payables | 629,135 | 61,705 |
| Net cash from / (used in) operating activities | 66,330 | (573,777) |
| Cash flows from investment activities: | | |
| Purchase of property, plant and equipment | (2,989) | (5,547) |
| Gains from sale of property, plant and equipment | - | 203,870 |
| Net cash used in investment activities | (2,989) | 198,323 |
| Cash flows from financing activities: | | |
| Due to related parties | 4,796 | 373,455 |
| Due to bank | 3,770 | - |
| Net cash (used in) / from financing activities | 8,566 | 373,455 |
| Net change in cash and cash equivalents | 71,907 | (1,999) |
| Cash and cash equivalents at the beginning of the period | 124,711 | 84,028 |
| Cash and cash equivalents at the end of the period | 196,618 | 82,029 |

Mohammed ALHujailan
Managing Director and Chief
Executive Officer



Yousef Zaidan
Finance Manager

The accompanying notes from (1) to (16) form an integrated part of these interim condensed financial information.

AL-SHARQIYAH DEVELOPMENT COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2021

(All amounts in Saudi Riyals)

1. GENERAL INFORMATION

Al-Sharqiya Development Company was founded according to the royal decree No. 406 dated 21 Thu Al-Qa'dah 1406H as a Saudi joint stock Company under the commercial registration No. 2050016477 issued in Dammam on 19 Muharram 1407 H (21 September 1986). The share capital of the Company was set at 75,000,000 Saudi Riyals, divided into 7,500,000 shares of equal value. The value of each share is 10 Saudi Riyals fully paid.

The company's main activity is:

- Growing vegetables in greenhouses and growing various open vegetables.
- Hydroponics for vegetable production.
- Mixed farming (mixed production between crops and animals without specialized production in crops and animals).
- Irrigation projects (operation of irrigation systems for agricultural projects), and installing greenhouses.
- Support activities for animal production.

The accompanying financial information include the company's accounts and branches:

| <u>Branch name</u> | <u>Commercial Register No.</u> | <u>Activity</u> |
|--|--------------------------------|--|
| Branch of Al Sharqiyah Development Company - Riyadh | 1010480322 | Management and leasing of owned or leased real estate |

2. BASIS FOR PREPARATION OF INTERIM CONDENSED FINANCIAL INFORMATION

Statement of compliance

The interim condensed financial information are prepared in accordance with IAS 34 "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"). The interim condensed financial information does not include all the information and disclosures required in the annual financial information. Accordingly, this interim condensed financial information is to be read in conjunction with the annual financial information for the year ended 31 December 2020. Accounting policies and selected explanatory notes have been included to explain significant events and transactions to understand changes in the Company's financial position and performance since the previous year's financial statements.

The Capital Market Authority "CMA" in the Kingdom of Saudi Arabia issued a decision of the Authority's Board on Muharram 15, 1438H (corresponding to 16 October 2016) obligating and preventing listed companies from applying the options of using the revaluation model of property, plant, equipment and intangible assets in accordance with the International Accounting Standard No. (16) and International Accounting Standard No. (38) respectively, and the option to use the fair value model for real estate investments in accordance with International Accounting Standard No. (40) during the first three years from 2017 to 2019 upon the transition to the International Financial Reporting Standards "IFRS". During the year 2019, the Capital Market Authority announced the issuance of the Authority's Board of Directors decision that includes obligating listed companies continuing to use the cost model to measure the real estate and investment properties for the fiscal years beginning before 1 January 2022.

Basis of measurement

These interim condensed financial information have been prepared on historical cost basis, unless IFRS that are endorsed in the Kingdom of Saudi Arabia require the use of another measurement basis as indicated in the applied accounting policies, the accrual basis and going concern concept, as mentioned below.

AL-SHARQIYAH DEVELOPMENT COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED) FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2021

(All amounts in Saudi Riyals)

2. BASIS FOR PREPARATION OF INTERIM CONDENSED FINANCIAL INFORMATION

(CONTINUED)

Going concern

The accompanying interim condensed financial information are prepared on the basis of the going concern principle, which assumes that the company will be able to manage liquidity to ensure as much as possible that it has sufficient liquidity to meet its obligations when due.

The Company has incurred a loss of SR 3,502,422 for the nine-months period ended 30 September 2021 (30 September 2020: SR 1,436,011) and the Company's current liabilities exceeded its current assets by SR 44,993,535 as at that date (31 December 2020: SR 42,071,751). The Company has not commenced its operations during the period. These circumstances indicate the existence of material uncertainty about the Company's ability to continue as a going concern.

The management believes that the Company will be able to generate cash flows sufficient to meet its obligations for at least 12 months from the date of the accompanying financial information based on:

- As per the Ministry of Environment, Water and Agriculture decision no. 321450/1441/1062 dated 6 Jumada I 1441 Ah (1 January 2020), which expressed the ownership of Al-Sharqiyah Development Company an area of (72,178,700 square meters) of the total land area of the land granted to the Company. Accordingly, the management believes that the Company will obtain the title deeds of this area during the year 2021, which will enable the Company to obtain loans at their discretion in exchange for mortgaging the land deed and through dividing the land to obtain various loans by mortgaging parts of it, in addition to entering into projects with the Ministry of Environment through the Agriculture Bank loan according to the requirements of the Ministry of Environment, Water and Agriculture.
- During the previous years, the company obtained the initial permits from the Ministry of Environment, Water and Agriculture as follows:
 - Hydroponic vegetable production (Hydroponic) from 1 Jumada I 1442 H for only one year.
 - Hydroponics for vegetable production and fish farming (Aquaponic) from 1 Jumada I 1442 Ah for only one year.
 - Providing marketing services on behalf of others from 1 Jumada I 1442 H and for only one year.
 - Breeding and producing mothers of broiler chickens and operating their hatcheries from 7 Jumada I 1442 H and for only one year.
 - Breeding poultry from 7 Jumada I 1442 Ah and for only one year.
 - Egg production from 7 Jumada I 1442 Ah and for only one year.
 - Production of poultry meat, rabbits and fresh birds from 7 Jumada I 1442 H for only one year.
- The Board of Directors recommended an increase in capital by offering shares of priority rights to the shareholders amounted SR 225,000,000 so that total capital after increase becomes SR 300,000,000 and a financial advisor has been appointed to manage the subscription in the priority rights shares.
- On 2 September 2021 Al-Sharqiyah Development Company submitted request for the increase of the Company's capital by Offering Right Issues Application File to CMA to obtain the approval.

Considering above, management has reasonable expectations of the existence of various funding sources to manage the liquidity risk in the near future. If the company is unable for any reason to continue operating and achieve what is mentioned above, this may have a significant impact on the Company's ability to realize the assets and to settle the liabilities and continue as a going concern.

Functional and presentation currency

The interim condensed financial information are presented in Saudi Riyal, which is the Company's functional currency.

Use of estimates, assumptions and judgments

The preparation of interim condensed financial information in accordance with IFRS requires the management to make judgments, estimates and assumptions that affect the application of accounting policies, and the reported amounts of asset, liabilities, revenues and expenses, and actual results may differ from these estimates.

The significant estimates made by the management when applying the Company's accounting policies and the significant sources of uncertainty in the estimates were similar to those shown in the Company's annual financial statements for the year ended 31 December 2020.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)
FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2021
(All amounts in Saudi Riyals)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these interim condensed financial information are in accordance with International Accounting Standards (34) "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"), and are the same policies applied in the company's annual financial statements for the year ended 31 December 2020.

The main accounting policies applied in the preparation of these interim condensed financial information have been applied consistently to all periods presented.

4. SHARE CAPITAL

The capital of the Company was set at 75,000,000 Saudi Riyals, divided into 7,500,000 shares of equal value. The value of each share is 10 Saudi Riyals fully paid.

5. STATUTORY RESERVE

The Companies Law in the Kingdom of Saudi Arabia and the Company's By-laws require that 10% of the annual profit be transferred to the statutory reserve until the balance of this reserve reaches 30% of the capital. This reserve is not available for distribution to shareholders.

6. RESTRICTED GOVERNMENT GRANTS - (LAND INCLUDED IN THE PROPERTY, PLANT AND EQUIPMENT)

Property, plant and equipment, includes the granted land to the Company in the form of government grant representing the land (state grant) allocated to the Company. And as mentioned below and in accordance with the decision issued by the Ministry of Environment, Water and Agriculture, which includes the ownership of Al Sharqiyah Development Company land space of (72,178,700 square meters), where The book value of the land as of 30 September 2021 is SR 171,307,811 (31 December 2020: SR 171,307,811).

On 8 Jumada II 1441H (2 February 2020), the Company received a decision issued by the Ministry of Environment, Water and Agriculture that states:

The Minister of Environment, Water and Agriculture decision, based on the Royal Decree No. 4/1016/M dated 03/06/1406 H, and based on Council of Ministers resolution No. 288 dated 30/05/1440, which stipulates that the Company ownership (according to the applicable legal procedures) of the land equal the area that has been revived.

Based on the minutes of the Central Committee of heath land Distribution No. 2142 dated 26/08/1440 H, which recommended to the Company ownership of the land equal the area that has been revived from its allocated area under allocation resolution No. 49078 and the date of 22/07/1406 H, whereas, the Royal Decree has approved the ownership by virtue of the Royal Decree No. (24682) dated 15/04/1441 H, it decides:

First: Ownership / Al-Sharqiyah Development Company land located 17 km from the Triangle of Fadhili / Abu Hadria, which covers an area of 72,178,700 square meters (seventy-two million, one hundred and seventy-eight thousand and seven hundred thousand square meters) scheme No. 1209 and date 02/08/1440H. And its coordinates are illustrated by:

AL-SHARQIYAH DEVELOPMENT COMPANY

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)
FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2021**

(All amounts in Saudi Riyals)

6. RESTRICTED GOVERNMENT GRANTS - (LAND INCLUDED THE PROPERTY, PLANT AND EQUIPMENTS) (CONTINUED)

North/ 50 m wide road - 7618.28 m long

South/ 50 m wide road - 7594.48 m long

East/ 50 m wide road - 9528.67 m long

West/50 m wide road - 9448.49 m long

| Number | Easterners | Northern |
|--------|------------|------------|
| 1 | 312672,58 | 2971108,23 |
| 70 | 320236,16 | 2970197,44 |
| 77 | 319041,32 | 2960743,98 |
| 120 | 311511,30 | 2961731,37 |

Second: This land is exploited in accordance with the regulations and policies governing agriculture.

Third: This decision is not considered effective until it has been encountered in the high decree.

7. DUE TO RELATED PARTIES

Transactions with related parties are represented in the transactions with associate companies, non-executive board members and senior management, where senior management officers are considered persons exercising authority and responsibility in directly or indirectly planning, managing and monitoring the Company's activities, including managers.

The Company had the following important transactions with main related parties during the period ended 30 September 2021 and the year ended 31 December 2020 as follows:

| Name | Relationship |
|--------------------------|---------------------------|
| Mr. Mohammed Al-Hujailan | CEO and Managing Director |
| Mr. Sami Al-A Kuthairi | Shareholder |

The main transactions and related balances are as follows:

| | 30 September 2021 (Unaudited) | 31 December 2020 (Audited) |
|---|-------------------------------------|----------------------------------|
| Payments on behalf of the company | 843,047 | 456,669 |
| Allowances and bonuses for board members and other committees | 307,250 | 409,084 |
| CEO's salaries and allowances | 1,999,998 | - |

Due to related parties as at 30 September 2021 and 31 December 2020 are as follows:

| | 30 September 2021 (Unaudited) | 31 December 2020 (Audited) |
|--------------------------|-------------------------------------|----------------------------------|
| Mr. Mohammed Al-Hujailan | 201,747 | 196,951 |
| Mr. Sami Al-Kuthairi | 259,718 | 259,718 |
| | 461,465 | 456,669 |

8. SHORT TERM LOAN

During the year 2018, the Company obtained credit facility from a local bank in the form of a short-term loan to finance the Company's working capital requirements with a total value of SR 10,000,000 for a period of one year, subject to renewal, these murabaha facilities are subject to the prevailing interest rates among Saudi banks (SAIBOR) plus a profit margin of 3% annually. These facilities are guaranteed by the member of the Board of Directors through a continuous guarantee of solidarity which is irrevocable in addition to a personal promissory note in favor of the bank. The financing expenses for the period ended 30 September 2021 amounted to SR 164,427 (SR 141,716 for the period ended 30 September 2020), and during the year 2021, the loan were rescheduled to the fourth quarter of 2021.

AL-SHARQIYAH DEVELOPMENT COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)**FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2021**

(All amounts in Saudi Riyals)

9. ACCRUED DIVIDEND

The amounts of dividends payable to shareholders with a balance of SR 1,359,072 as at 30 September 2021 (SR 1,359,072 as at 31 December 2020) represents dividends payable to shareholders who did not approach banks to receive these dividends pertaining to previous years.

10. ACCRUED EXPENSES AND OTHER LIABILITIES

| | 30 September 2021 (Unaudited) | 31 December 2020 (Audited) |
|--|--|---|
| Allowances and bonuses for members of the board and other committees | 2,066,334 | 1,751,584 |
| Accrued employees' salaries and benefits | 3,477,374 | 1,225,008 |
| Provision of legal cases | 1,105,537 | 1,071,719 |
| Accrued expenses for studies and consultations* | 1,045,765 | 1,045,765 |
| Accrued rent | 144,079 | 122,409 |
| Rents received in advance | 174,815 | 136,376 |
| Accrued bank interest | 58,731 | - |
| Other | 898,881 | 1,241,656 |
| | 8,971,516 | 6,594,517 |

* Accrued expenses of consulting and advisory are represented in the item of expenses payable for studies and consultations is the value of the advisory fees for the financial advisor for the 2019 acquisition deal, for the agreement signed between the Al-Sharqiyah Development Company and Mr. Omar Bin Saleh bin Abdulaziz Babiker with the purpose of acquiring the ownership of two income-generating real estate assets in Riyadh that are fully owned by Mr. Omar Bin Saleh bin Abdulaziz Babiker through increasing the Company's capital and issuing compensation shares for the value of the assets to be acquired. As per the agreement the two parties bear equally all the fees of the financial advisor and all other expenses necessary to complete the deal. The meeting of the extraordinary shareholders' assembly was held on 13 Rajab 1441H (8 March 2020) to vote on the aforementioned acquisition deal, the voting resulted to reject the acquisition deal in exchange for the issuance of the new shares, and during 2020 Mr. Omar Babiker paid all expenses owed to the financial advisor and therefore the balance that existing balance is the value of the Company owed in favor of Mr. Omar Babiker as of September 30, 2021.

AL-SHARQIYAH DEVELOPMENT COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)**FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2021**

(All amounts in Saudi Riyals)

11. GENERAL AND ADMINISTRATIVE EXPENSES

| | 1 January 2021 to 30 September 2021 (Unaudited) | 1 January 2020 to 30 September 2020 (Unaudited) |
|---|--|--|
| Salaries and employees' benefits | 2,805,972 | 299,974 |
| Allowances and bonuses for members of the Board of Directors and other committees | 307,250 | 291,000 |
| Fees and subscriptions | 186,175 | 173,117 |
| Professional fees and consultations | 150,375 | 98,350 |
| Consumptions | 89,402 | 190,178 |
| Rents | 87,003 | 89,505 |
| Fines expenses | 17,662 | 80,000 |
| Maintenance and fuel | 17,158 | 24,807 |
| Stationery and prints | 10,265 | 1,820 |
| Advertising expenses | 8,100 | 20,219 |
| Telephone and postage | 2,958 | 9,642 |
| Hospitality and cleanliness | 531 | 661 |
| Other | 20,724 | 180,154 |
| | 3,703,575 | 1,459,427 |

12. OTHER INCOME

| | 1 January 2021 to 30 September 2021 (Unaudited) | 1 January 2020 to 30 September 2020 (Unaudited) |
|---|--|--|
| Income from sale of scrap | 221,391 | - |
| Income from rent of communications towers | 82,500 | 82,500 |
| Others | 153,415 | 184,500 |
| | 457,306 | 267,000 |

13. LOSS PER SHARE

Loss per share is calculated based on the loss attributable to the Company's shareholders divided by the weighted average number of shares issued. Diluted losses per share are the same losses per share because the company does not have dilutive instruments issued.

| | For the three-months period ended September (Unaudited) | | For the nine-months period ended September (Unaudited) | |
|--|--|-------------|---|-------------|
| | 2021 | 2020 | 2021 | 2020 |
| Period loss attributable to the Company's shareholders | (758,601) | (421,525) | (3,502,422) | (1,436,011) |
| Weighted average number of shares | 7,500,000 | 7,500,000 | 7,500,000 | 7,500,000 |
| Loss per share | (0.10) | (0.06) | (0.47) | (0.19) |

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)

FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2021

(All amounts in Saudi Riyals)

14. FINANCIAL RISK MANAGEMENT

The financial instruments presented in the interim statement of financial position list consist of bank balances, prepaid expenses and accrued expenses.

Interest rate risk

The Company manages interest rate risk through the use of fixed-rate debt and deposits, the Company does not have any assets and liabilities at variable interest rates, and management believes that the impact on the loss of the period resulting from the increase or decrease in interest rates are immaterial.

Credit risk

Credit risk is the risk that one party will fail to fulfill its obligation and cause the other party to incur a financial loss. The Company is subject to credit risk on its bank accounts. And the management monitor and control the credit risk on ongoing basis.

Liquidity risk

It is the risk that the Company will not be able to fulfill its obligations. As expressed in note 2, the management has reasonable expectations of the existence of various funding sources to cover the liquidity risk in the near future. If the company is unable for any reason to continue operating, this may have an impact on the Company's ability to realize the assets at recognized fulfill obligations in the normal course of business in the amounts mentioned in the attached interim condensed financial information.

Currency risk

The risk of changes in the value of financial instruments due to changes in foreign exchange rates. The management monitors foreign currency fluctuations and believes that the Company is not substantially exposed to currency risk since the Company's principal transactions are denominated in Saudi Riyals.

Fair value measurement

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, regardless of whether that price is directly observable or estimated using another valuation technique. When estimating the fair value of an asset or a liability, the company must consider the characteristics of the asset or liability if market participants take those characteristics into account when pricing the asset or liability at the measurement date. Management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values.

15. CONTINGENT LIABILITIES

There is a lawsuit filed against the Company by the heirs of one of the shareholders claiming Al Sharqiyah Development Company to pay the amount of 6 million Saudi riyals representing the value of three shares owned by their deceased father since the establishment of the Company despite the deceased father had paid a percentage of the value of the shares at that time. The management of the Company believes that there is no obligation that may arise as a result of the aforementioned issue, and therefore no provisions have been made in the accompanying interim condensed financial information.

16. APPROVAL OF INTERIM CONDENSED FINANCIAL INFORMATION

The interim condensed financial information were approved on the date of 20 Rabie Al Awal 1443H (26 October 2021).