

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

INTERIM CONDENSED
FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS
ENDED 30 SEPTEMBER 2022
AND INDEPENDENT AUDITOR'S REVIEW REPORT

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

**INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) AND
INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2022**

Index	Page
Independent auditor's review report on the interim condensed financial information	1 – 2
Interim condensed statement of financial position	3
Interim condensed statement of profit or loss and other comprehensive income	4
Interim condensed statement of changes in equity	5
Interim condensed statement of cash flows	6
Notes to the interim condensed financial information	7 – 16

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 2022 and the related interim condensed statements of profit or loss and other comprehensive for the three-month and nine-month periods ended September 30, 2022, and the interim condensed statements of changes in equity and cash flows for the nine-month period then ended, including 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" ("IAS 34") 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 is not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

EMPHASES OF MATTER

We draw attention to:

- Note 1 of the accompanying interim condensed financial information, which indicates that the Company has incurred losses for the nine - month periods ended September 30, 2022 by SR 1,741,642. Additionally, the current liabilities has exceeded the current assets by SR 42,875,471 as well as, the net cash used from operation activities SR 3,348,865 while the company did not start its planned activities until to date in accordance with its strategic and operational plans and to support its future activities. These events and conditions, along with other matters set forth in Note 1, indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Based on the approved business plan by the Company's Board of Directors, the Company's management has reasonable expectations that the Company has the ability to continue as a going concern for the foreseeable future.

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

EMPHASES OF MATTER (CONTINUED)

- Note 12 of the accompanying interim condensed financial information, in respect to the government grant "agriculture lands", that on the date of August 2, 2022, the Company has received the Ministry of Environment Water & Agriculture decision issued on June 30, 2022, which included that the deed can not be issued in the name of the Company. however, the Company can benefit from the land until the Saudi Aramco Company realizes its actual needs, accordingly, the Company has reclassified the government grants within the intangible assets (government grants) instead of classifying within the property, plant, and equipment according to the obtaining of the agriculture land utilization right until the Saudi Aramco Company realizes its actual needs, or in case of the seizure of the land or a part of it. Management could not identify the useful life for the agriculture land utilization.

Our conclusion was not modified with respect of these matters.

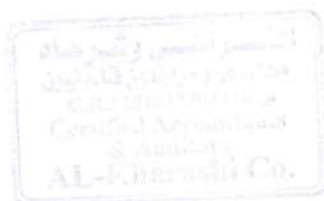
OTHER MATTERS

The Company's financial statements for the year ended as of December 31, 2021 has been audited by another auditor, who issued unmodified opinion on the date of March 29, 2022 (corresponding to Shabaan 26, 1443 H).

FOR Al Kharashi & Co.



Abdullah Al Msned
License number 456



Riyadh:
15 Rabi Al-Thani 1444H
9 November 2022

AL-SHARQIYAH DEVELOPMENT COMPANY

(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2022

(All amounts expressed in Saudi Riyals unless otherwise stated)

		As at	
	Note	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Assets			
Non-current assets			
Property, plant and equipment, net		11,270,300	183,057,808
Intangible assets, government grant		171,307,811	-
Investment in companies		1,425,600	1,425,600
Total non-current assets		184,003,711	184,483,408
Current assets			
Trade receivables, prepayments, and other receivables		416,628	84,103
Cash and cash equivalents		1,120,610	272,618
Total current assets		1,537,238	356,721
Total assets		185,540,949	184,840,129
Equity and liabilities			
Equity			
Share capital	4	75,000,000	75,000,000
Statutory reserve	5	3,276,667	3,276,667
Retained earnings		62,648,448	64,390,090
Total equity		140,925,115	142,666,757
Liabilities			
Non-current liabilities			
Employees' benefits		203,125	168,024
Total non-current liabilities		203,125	168,024
Current liabilities			
Trade payables and other payables	6	10,043,483	11,832,979
Due to related parties	7	514,975	2,818,118
Short-term loan	8	16,500,000	10,000,000
Accrued dividends to shareholders	9	1,359,072	1,359,072
Zakat Provision		15,995,179	15,995,179
Total current liabilities		44,412,709	42,005,348
Total liabilities		44,615,834	42,173,372
Total equity and liabilities		185,540,949	184,840,129

Yousef Zidan
Chief Financial Officer



Mohammed Al Hojailan
Chief Executive Officer

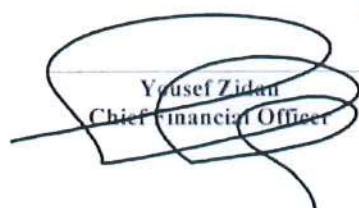
The accompanying notes from (1) to (16) form an integrated part of these interim condensed financial information.

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

INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED) FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2022

(All amounts expressed in Saudi Riyals unless otherwise stated)

	Note	For the Three-Month Period Ended 30 September		For the Nine-Month Period Ended 30 September	
		2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
Sales		-	-	-	-
Cost of sales		-	(132,011)	-	(391,726)
Gross loss		-	(132,011)	-	(391,726)
General and administrative expenses	10	(604,439)	(622,480)	(2,243,965)	(3,703,575)
Operating loss		(604,439)	(754,491)	(2,243,965)	(4,095,301)
Finance costs	8	(194,427)	(66,610)	(236,126)	(164,427)
Dividends from investments in companies		-	-	300,000	300,000
Other income	11	62,500	62,500	438,449	457,306
Net loss for the period		(736,366)	(758,601)	(1,741,642)	(3,502,422)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the period		(736,366)	(758,601)	(1,741,642)	(3,502,422)
Loss per share	13	(0.10)	(0.10)	(0.23)	(0.47)


Yusef Zidan
Chief Financial Officer




Mohammed Al Hojailan
Chief Executive Officer

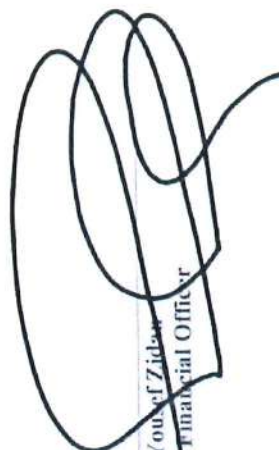
The accompanying notes from (1) to (16) form an integrated part of these interim condensed financial information.

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

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022**

(All amounts expressed in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Total
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
Balance as at 1 January 2022 (Audited)	75,000,000	3,276,667	64,390,090	142,666,757
Loss for the period	-	-	(1,741,642)	(1,741,642)
Balance as at 30 September 2022 (Unaudited)	75,000,000	3,276,667	62,648,448	140,925,115


Yousef Zidan
Chief Financial Officer




Mohammed Al Hojailan
Chief Executive Officer

The accompanying notes from (1) to (15) 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-MONTH PERIOD ENDED 30 SEPTEMBER 2022

(All amounts expressed in Saudi Riyals unless otherwise stated)

	For the Nine-month period ended	
	30 September 2022 (Unaudited)	30 September 2021 (Unaudited)
Cash flows from operating activities:		
Loss for the period	(1,741,642)	(3,502,422)
Adjustments to reconcile net loss with net cash used in operating activities:		
Depreciation	479,697	481,123
Generated from Employees' benefits obligations	35,101	102,504
Net cash used in operating activities	(1,226,844)	(2,918,795)
Changes in working capital items:		
Trade receivables, prepayments, and other assets	(332,525)	(21,009)
Trade payables and other payables	(1,789,496)	3,006,134
Net cash (used in) / generated from operating activities	(3,348,865)	66,330
Cash flows from investing activities:		
Purchases of property, plant, and equipment	-	(2,989)
Net cash used in investment activities	-	(2,989)
Cash flows from financing activities:		
Due to related parties	(2,303,143)	4,796
Received from short-term loan	6,500,000	3,770
Net cash generated from financing activities	4,196,857	8,566
Net change in cash and cash equivalents	847,992	71,907
Cash and cash equivalents at the beginning of the period	272,618	124,711
Cash and cash equivalents at the end of the period	1,120,610	196,618

Yousef Xidan
Chief Financial Officer

Mohammed Al Hojailan
Chief Executive Officer



The accompanying notes from (1) to (16) form an integral 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 THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2022

(All amounts expressed in Saudi Riyals unless otherwise stated)

1. GENERAL INFORMATION

Al-Sharqiya Development Company (the "Company") was founded according to the royal decree No. 406 dated 21 Thu Al-Qa'dah 1406H as a Saudi joint stock company under CR ("CR") No. 2050016477 issued in Dammam on 19 Muharram 1407H (corresponding to 21 September 1986). The share capital of the Company was set at 75,000,000 Saudi Riyals, divided into 7,500,000 shares 10 Saudi Riyals each, 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>CR number</u>	<u>Activity</u>
Branch of Al Sharqiyah Development Company - Riyadh	1010480322	Management and leasing of owned or leased real estate

Until the reporting date, The Company was not able to finalize the capital increase procedures which proposed by the board of directors (referring to note 4), for the non-obtaining of other operational financing source for the company, mainly caused to the inability of the Company's management to implement the approved long term strategic plan, in addition to the Company's continuing to realize losses, as the Company incurred a net loss for the nine-month period ended September 30, 2022 by SR 1,741,642 (September 30, 2021: SR 3,502,422). Hence, there is a significant improvement in the decrease of the Company's loss rate compared to previous period, and as a result of the losses of the nine-month period ended September 30, 2022, the total current liabilities for the nine-month period ended September 30, 2022 have exceeded the value of the current assets by SR 42,875,471 (December 31, 2021: SR 41,648,627), as the net cash used in operating activities by SR 3,348,865 (September 30, 2021: net cash generated from operating activities by SR 66,320). Anyhow, the Company's management expects that the company is able to change its current position by capital increase and continuing towards implementing its long-term strategic plans that focus on a set of future development projects, which are expected to have a significant impact according to the Kingdom of Saudi Arabia support towards implementing the food security plan, in addition, to supporting the Company's financial position and giving the Company better investments opportunities. During 2021, The Company's management took the initiative to issue a set of initial licenses for some projects for an additional year for hydroponic vegetable production, hydroponics for vegetable production and fishing farming (Aquaponic), providing marketing services on behalf of others, breeding, and producing mothers of broiler chickens and operating their hatcheries, breeding poultry, egg production, and production of poultry meat, rabbits, and fresh birds. Therefore, the Company's management conducted a feasibility study for a developed and integrated project of poultry project that includes incubators, broiler poultry and automated slaughterhouses, which indicates expected positives results, which may contribute for the significant improve of the Company's financial position and cash flows.

On the other hand, as a result of Ministry of Environment, Water, and Agriculture decision which issued on June 30, 2022, The Company could not obtain the agriculture land deed on which its future strategic activities will be based, however the Company was giving the right to use the land (referring to note 12). The management believes that the reclassification of the land value within the intangible assets, government grant, (non-current), has no impact on the Company's cash flows, nor does it have an impact on the strategic and operational plans and support the future activities of the Company.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2022
(All amounts expressed in Saudi Riyals unless otherwise stated)

1. GENERAL INFORMATION (continue)

Management has performed an assessment of its going concern assumption and based on the on-going detailed business plan of the Company, management believes that the Company will be able to continue its operations and meet its obligations as they fall due within the next 12 months after considering the basis and results of the approved plan as mentioned above and based on the expected results and Company's board of directors' recommendation for capital increase, the management believes with the Company's ability to start its planned business in the future, and therefore the Company will continue for the foreseeable future in accordance with the normal and planned course of business, and the going concern concept remains used in preparing this interim condensed financial information.

2. BASIS FOR PREPARATION

Statement of compliance

The interim condensed financial information is prepared in accordance with IAS-34 "Interim Financial Reporting" ("IAS 34") 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 2021.

Basis of measurement

This interim condensed financial information has been prepared on historical cost basis, accrual basis and going concern concept, 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, as mentioned below.

Functional and presentation currency

The interim condensed financial information is presented in Saudi Arabian Riyals ("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 2021. Except for the assessment of intangible assets, government grants, useful life, which been mentioned at the intangible assets, government grants policy (referring to note 3).

Until the reporting date, the entity did not obtain any information about the expected useful life for the intangible assets (government grants) based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. Accordingly, an intangible asset (a government grant) is considered by the entity to have an indefinite useful life.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2022
(All amounts expressed in Saudi Riyals unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in this 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 issued 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 2021. Except for the intangible assets, government grants as mentioned below:

Intangible Assets, Government Grants

Intangible assets, government grants (long-term) are measured at the fair value of the government grant upon acquisition of the usufruct of the land (refer note 12) less the accumulated amortization and the accumulated impairment in value, if any. Intangible assets (Government grants) are amortized on a straight-line basis over the useful life, if any. An intangible asset is considered by an entity to have an indefinite useful life when there is no foreseeable end based on an analysis of all relevant factors for the period during which the asset is expected to generate net cash inflows for the entity. The residual values of intangible assets, their useful lives and indicators of impairment are reviewed at the end of each financial year and adjusted prospectively if necessary. If there is any indication of impairment, the Company estimates the asset's recoverable amount. Subsequent expenditures are capitalized only when it is probable that the future economic benefits associated with the expenditures will flow to the company and the expenditures can be measured reliably.

New Standards, Amendment to Standards and Interpretations

There are no new standards issued, however, there are number of amendments to standards which are effective from 1 January 2022 and have been explained in Company's annual financial statements, but they do not have a material effect on the Company's Interim condensed financial statements.

4. SHARE CAPITAL

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.

(Referring to note 1), on December 30, 2020, The Company's board of directors has recommended for capital increase by issuing shares of priority rights by 22,500,000 new normal shares, amounting to SR 225,000,000 that the Company's share capital after this recommended increase will be by SR 300,000,000 instead of SR 75,000,000. On February 1, 2021, the Company's management has been appointed a financial consultant to manage the underwriting operation. On September 2, 2021, The Company has submitted the share capital increase's file by issuing shares of priority rights to Capital Market Authority ("CMA") to obtain its approval. The Recommended increase is conditional on the approval of the relevant official authorities and the extraordinary general assembly.

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.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2022
(All amounts expressed in Saudi Riyals unless otherwise stated)

6. TRADE PAYABLES AND OTHER PAYABLES

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Trade payables	4,123,821	4,770,089
Remunerations for members of the board and other committees	2,349,334	2,165,084
Payable to consultation offices	1,045,766	1,045,766
Accrued professional fees	404,900	404,900
Accrued GOSI expenses	209,426	185,452
Accrued interest – loans	207,553	224,913
Advance from lessees	174,815	142,315
Accrued rent	70,000	173,077
Accrued vacation and tickets	12,471	297,978
Accrued employee related costs	26,916	79,218
Provision of legal cases	-	1,105,537
Other	1,418,481	1,238,650
	<u>10,043,483</u>	<u>11,832,979</u>

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.

7.1 List of related parties:

<u>Name</u>	<u>Relationship</u>
Mr. Mohammed Al-Hujailan	CEO and Managing Director
Mr. Sami Al-A Kuthairi	Shareholder

7.2 Due to related parties are as follows:

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Mr. Mohammed Al-Hujailan	255,256	2,558,400
Mr. Sami Al-Kuthairi	259,718	259,718
	<u>514,975</u>	<u>2,818,118</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2022
(All amounts expressed in Saudi Riyals unless otherwise stated)

8. SHORT-TERM LOAN

The movements in short term loans during the period / year are as follows:

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
As at 1 Jan	10,000,000	10,000,000
Received during the period / year	6,500,000	-
	<u>16,500,000</u>	<u>10,000,000</u>

During 2021, the Company obtained the approval from Saudi Investment Bank to renew and amend the credit facilities for a period ending on 31 August 2022, with total facility value Saudi Riyals 20,500,000 to finance short-term working capital requirements. These loans are subject to the prevailing interest rates among Saudi banks (SIBOR) in addition to a profit margin at rate of 3% annually. These facilities are guaranteed by the member of the board of directors and a promissory note issued by him in favor of the bank. Also, once the agricultural land ownership transfer to the Company, that it will be mortgage for the favor of the bank (referring to note 12). The process of the Company obtaining the land's deed (government grant) is subject to the release of the seizure of the land or a port of the land by Saudi Aramco Company. The financing expenses for the period ending on September 30, 2022, amounted to SAR 236,126 (September 30, 2021: SAR 164,427).

9. ACCRUED DIVIDENDS

The amounts of dividends payable to shareholders with a balance of SR 1,359,072 as at 30 September 2022 (SR 1,359,072 as at 31 December 2021) represents dividends payable to shareholders who did not approach banks to receive these dividends pertaining to previous years.

10. GENERAL AND ADMINISTRATIVE EXPENSES

	30 September 2022 (Unaudited)	30 September 2021 (Unaudited)
Salaries and employee benefits	923,250	2,805,972
Depreciations	479,695	89,402
remunerations for members of the Board of Directors and other committees	294,250	307,250
Fees and subscriptions	182,054	186,175
Professional fees and advice	137,499	150,375
Employee bonuses	100,000	-
Rents	49,923	87,003
Maintenance and fuel	22,440	17,158
Phone and mail	10,668	13,700
Advertising expenses	3,780	8,100
Fines	2,777	17,662
Stationery and prints	709	10,265
Other	36,920	10,513
	<u>2,243,965</u>	<u>3,703,575</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2022
(All amounts expressed in Saudi Riyals unless otherwise stated)

11. OTHER INCOME

	30 September 2022 (Unaudited)	30 September 2021 (Unaudited)
Lawyer expenses, reverse	250,949	-
Sheds rent	105,000	105,000
Income from rent of communications towers	82,500	82,500
Income from sale of scrap	-	221,391
Others	-	48,415
	<u>438,449</u>	<u>457,306</u>

12. CONTINGENCIES AND COMMITTEMENTS

Subsequently on August 2, 2022 (with reference to Note 14), the Company has received a decision issued by the Ministry of Environment, Water and Agriculture (the "Ministry") No. 361029/27/1443 issued on Dhu al-Hijjah 1, 1443 H (corresponding to June 30, 2022), in respect to the land's value (Government grant), which was previously classified on December 31, 2021 along with property, plants and equipment as agricultural land (Government Grant) pursuant to Royal Decree No. 1016 dated Jumada Al Thani 3, 1406 AH (corresponding to February 12, 1986), where the Ministry's decision included the following:

- 1) The land that was allocated in favor of the company, pursuant to Royal Decree No. 1016 dated Jumada Al-Thani 3, 1406 AH (corresponding to February 12, 1986), and the issuance of the ownership decision No. 321450/1062/1441 dated Jumada Al-Awwal 6, 1441 AH (corresponding to January 1, 2020) to own the company an area of 72,178,700 square meters of land handed over to the company has become among the reservations of Saudi Aramco under Royal Decree No. 40008 dated Jumada Al-Thani 28, 1443 AH, and it is not legally possible to issue a deed in the name of the company to conflict with the terms of the concession agreement concluded between the government and Saudi Aramco.
- 2) The company can benefit from the land until the actual need of Saudi Aramco in it is fulfilled, and then take what is required by law in this regard.
- 3) In the event that the land or part of it is released by Saudi Aramco in accordance with the necessary regulatory procedures in this regard, the government agencies - each within its jurisdiction - take what is necessary to issue a deed in the name of the company - if it was legally existing at that time on the area of the land or part of it.

In accordance with the above, the company's board of directors is closely following all the recent developments mentioned above regarding the procedures for owning the relevant land, and the delay in issuing the company's title deed for the concerned land, as the company's management believes that according to the above-mentioned items, the company can use of the concerned land and the establishment of its future projects, and it has no monetary impact on the company, (with reference to Note 1) the company reclassified the value of the land previously registered on December 31, 2021 within property, plants, and equipment as agricultural land (government grant) according to the ownership order No. 321450/1062/1441 dated Jumada 6, 1441 AH (corresponding to January 1, 2020) to become among the intangible assets (Government Grant) at the same value. Referring to note (2), The entity did not obtain any information for the expected useful life for the intangible asset (government grant). The company's management believes that the above-mentioned Ministry's decision will not affect the company's future plans.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2022
(All amounts expressed in Saudi Riyals unless otherwise stated)

13. LOSS PER SHARE

Basic and diluted Loss per share is calculated based on the loss attributable to the Company's shareholders divided by the weighted average number of shares issued.

	For the period ended	
	30 September 2022 (Unaudited)	30 September 2021 (Unaudited)
Period loss attributable to the Company's shareholders	(1,741,642)	(3,502,422)
Weighted average number of shares	7,500,000	7,500,000
Loss per share	(0.23)	(0.47)

14. SUBSEQUENT EVENTS

No subsequent events after the period end which require to be disclose or adjust with this interim condensed financial information.

15. FINANCIAL RISK MANAGEMENT

The financial instruments presented in the interim statement of financial position list consist of bank balances, trade receivables, prepayments and other receivables, trade payables and other payables, due to related parties, short-term loan, and accrued dividends to shareholders.

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 (note 2).

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.

AL-SHARQIYAH DEVELOPMENT COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (CONTINUED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2022
(All amounts expressed in Saudi Riyals unless otherwise stated)

15. FINANCIAL RISK MANAGEMENT (continue)

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.

16. APPROVAL OF INTERIM CONDENSED FINANCIAL INFORMATION

The interim condensed financial information was approved on the date of Rabi Al-Thani 15, 1444 H (November 9, 2022).