



# RSM

**RSM Allied Accountants**  
Dr. Abdelgadir Bannaga & Partners Co.

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

**INTERIM CONDENSED FINANCIAL  
STATEMENTS (UNAUDITED) AND  
INDEPENDENT AUDITORS' REVIEW REPORT  
FOR THE THREE AND SIX MONTHS PERIOD  
ENDED 30 JUNE 2021**

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

**INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) AND INDEPENDENT  
AUDITORS' REVIEW REPORT  
FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2021**

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# RSM

**RSM Allied Accountants**

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

To the Shareholders

**Al-Sharqiyah Development Company**

(A Saudi Joint Stock Company)

### Introduction

We have reviewed the accompanying interim condensed financial position of **Al-Sharqiyah Development Company, a Saudi joint stock company** (the "Company"), as at 30 June 2021 and related interim condensed statement of profit or loss and other comprehensive income for the three and six months period then ended, and the interim condensed changes in equity and cash flows for the six months period then ended and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim condensed financial statements 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 these interim condensed financial statements 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 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 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 statements 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 statements 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

**Dr. Abdelgadir Bannaga & Partners Co.**

**Mohammed bin Farhan bin Nader**

License 435

AlKhobar, Saudi Arabia

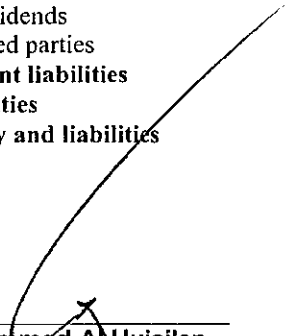
10 Muharram 1443H (corresponding 18 August 2021)



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

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

	<u>Note</u>	<u>30 June 2021</u> <u>(Unaudited)</u>	<u>31 December</u> <u>2020 (Audited)</u>
<b><u>Assets</u></b>			
<b>Non-current assets</b>			
Property plant and equipment, net		183,381,651	183,697,793
Investment in companies		1,425,600	1,425,600
<b>Total non-current assets</b>		<b>184,807,251</b>	<b>185,123,393</b>
<b>Current assets</b>			
Prepayments and other assets, net		74,545	86,599
Cash and cash equivalents		201,023	124,711
<b>Total current assets</b>		<b>275,568</b>	<b>211,310</b>
<b>Total assets</b>		<b>185,082,819</b>	<b>185,334,703</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	4	75,000,000	75,000,000
Statutory reserve	5	3,276,667	3,276,667
Retained earnings		61,984,057	64,727,878
<b>Total equity</b>		<b>140,260,724</b>	<b>143,004,545</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Employees' benefits		136,794	47,097
<b>Total non-current liabilities</b>		<b>136,794</b>	<b>47,097</b>
<b>Current liabilities</b>			
Zakat provision		19,938,849	19,938,849
Short term loan	8	10,000,000	10,000,000
Accrued expenses and other liabilities	10	9,075,173	6,594,517
Trade payables		3,847,733	3,933,954
Accrued dividends	9	1,359,072	1,359,072
Due to related parties	7	464,474	456,669
<b>Total current liabilities</b>		<b>44,685,301</b>	<b>42,283,061</b>
<b>Total liabilities</b>		<b>44,822,095</b>	<b>42,330,158</b>
<b>Total equity and liabilities</b>		<b>185,082,819</b>	<b>185,334,703</b>

  
**Mohammed Al-Hujailan**  
Managing Director and Chief  
Executive Officer

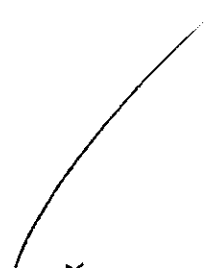
  
**Yousef Zaidan**  
Finance Manager

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

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

**INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME  
(UNAUDITED)  
FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2021**  
(All amounts in Saudi Riyals)

	Note	For the three-month period ended		For the six-month period ended	
		30 June 2021 (Unaudited)	30 June 2020 (Unaudited)	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
Sales		-	-	-	-
Cost of sales		(130,575)	(101,540)	(259,715)	(203,080)
<b>Gross loss for the period</b>		<b>(130,575)</b>	<b>(101,540)</b>	<b>(259,715)</b>	<b>(203,080)</b>
General and administrative expenses	11	(2,693,198)	(430,346)	(3,081,095)	(824,575)
<b>Loss from operations</b>		<b>(2,823,773)</b>	<b>(531,886)</b>	<b>(3,340,810)</b>	<b>(1,027,655)</b>
Financing expenses	8	-	(34,955)	(97,817)	(140,615)
Dividends from investments in companies		300,000	-	300,000	-
Other income	12	93,895	62,496	394,806	153,784
<b>Loss for the period</b>		<b>(2,429,878)</b>	<b>(504,345)</b>	<b>(2,743,821)</b>	<b>(1,014,486)</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive loss for the period</b>		<b>(2,429,878)</b>	<b>(504,345)</b>	<b>(2,743,821)</b>	<b>(1,014,486)</b>
<b>Loss per share basic and diluted</b>	13	<b>(0.32)</b>	<b>(0.07)</b>	<b>(0.37)</b>	<b>(0.14)</b>

  
**Mohammed Al Hujailan**  
Managing Director and Chief  
Executive Officer

  
**Yousef Zaidan**  
Finance Manager

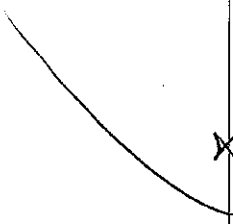
The accompanying notes from (1) to (16) form an integrated part of these interim condensed financial statements

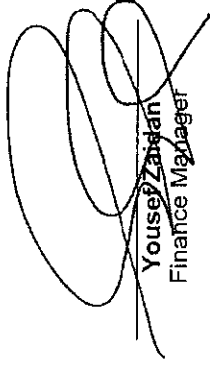


**AL-SHARQIYAH DEVELOPMENT COMPANY**  
(A Saudi Joint Stock Company)

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 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	-	-	(1,014,486)	(1,014,486)
Balance as at 30 June 2020 (Unaudited)	75,000,000	3,276,667	65,952,756	144,229,423
Balance as at 1 January 2021 (Audited)	75,000,000	3,276,667	64,727,878	143,004,545
loss for the period	-	-	(2,743,821)	(2,743,821)
Balance as at 30 June 2021 (Unaudited)	75,000,000	3,276,667	61,984,057	140,260,724

  
**Mohammed Al Hujailan**  
Managing Director and Chief  
Executive Officer

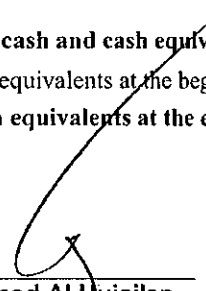
  
**Yousef Zaidan**  
Finance Manager

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

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

**INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021**  
(All amounts in Saudi Riyals)

	<b>For the six-month period ended</b>	
	<b>30 June 2021 (Unaudited)</b>	<b>30 June 2020 (Unaudited)</b>
<b>Cash flows from operating activities:</b>		
Loss for the period	(2,743,821)	(1,014,486)
<b>Adjustments to reconcile net loss with net cash from / (used in) operating activities:</b>		
Depreciation	319,131	329,286
Employees' benefits	89,697	6,364
	<u>(2,334,993)</u>	<u>(678,836)</u>
<b>Changes in working capital items:</b>		
Prepayments and other assets	12,054	1,369,888
Accounts receivable	-	7,000
Accrued expenses and other liabilities	2,480,656	(1,192,249)
Trade payables	(86,221)	28,516
<b>Net cash from / (used in) operating activities</b>	<u>71,496</u>	<u>(465,681)</u>
<b>Cash flows from investment activities:</b>		
Purchase of property, plant and equipment	(2,989)	(5,547)
<b>Net cash used in investment activities</b>	<u>(2,989)</u>	<u>(5,547)</u>
<b>Cash flows from financing activities:</b>		
Due to related parties	7,805	374,430
Due to bank	-	94,388
<b>Net cash from financing activities</b>	<u>7,805</u>	<u>468,818</u>
<b>Net change in cash and cash equivalents</b>	<u>76,312</u>	<u>(2,410)</u>
Cash and cash equivalents at the beginning of the period	124,711	84,028
<b>Cash and cash equivalents at the end of the period</b>	<u>201,023</u>	<u>81,618</u>

  
**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 statements

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

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

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**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 statements 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 STATEMENTS**

**Statement of compliance**

The interim condensed financial statements 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 statements does not include all the information and disclosures required in the annual financial statements. Accordingly, this interim condensed financial statements is to be read in conjunction with the annual financial statements 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, 1438 AH (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 statements 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.



**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021**  
(All amounts in Saudi Riyals)

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**2. BASIS FOR PREPARATION INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**

**Going concern**

The accompanying interim condensed financial statements 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 for the six-month period ended 30 June 2021 of SR 2,743,821 (30 June 2020: SR 1,014,486) and as at that date, the Company's current liabilities exceeded its current assets by SR 44,409,733 (31 December 2020: SR 42,071,751). These and following circumstances indicate the existence of material uncertainty about the Company's ability to continue as a going concern.

- The Company could not commence its operations during the period the Company's main activities were suspended; and
- The current assets are insufficient to settle the current liabilities repayment of the borrowings from bank and provision for additional zakat liability and other liabilities, and;

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 statements 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.

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 going concern.

**Functional and presentation currency**

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

**Use of estimates, assumptions and judgments**

The preparation of interim condensed financial statements 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 STATEMENTS (CONTINUED)**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021**  
(All amounts in Saudi Riyals)

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied in these interim condensed financial statements are in accordance with the International Financial Reporting Standards approved 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 statements have been applied consistently to all periods presented.

**New standards and amendments to standards and interpretations**

Certain amendments to existing standards became applicable for the current reporting period. The amendments did not have an impact on the interim condensed financial information of the Company and accordingly the Company did not have to change its accounting policies or make any retrospective adjustments.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

**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 June 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:



**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 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 - 48.7594 m long  
East/ 50 m wide road - 9528.67 m long  
West/50 m wide road - 49.9448 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 June 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 June 2021 (Unaudited)	31 December 2020 (Audited)
Payments on behalf of the company	727,356	456,669
Allowances and bonuses for board members and other committees	223,500	409,084
CEO's salaries and allowances	1,800,000	-

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

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Mr. Mohammed Al-Hujailan	204,756	196,951
Mr. Sami Al-Kuthairi	259,718	259,718
	<u>464,474</u>	<u>456,669</u>

**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 June 2021 amounted to SR 97,817 (SR 140,615 for the period ended 30 June 2020), and during the year 2021, the loan were rescheduled to the third quarter of 2021.



**AL-SHARQIYAH DEVELOPMENT COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 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 June 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**

	<b>30 June 2021</b>	<b>31 December</b>
	<b>(Unaudited)</b>	<b>2020 (Audited)</b>
Allowances and bonuses for members of the board and other committees	<b>1,982,584</b>	1,751,584
Accrued employees' salaries and benefits*	<b>3,213,614</b>	1,225,008
Provision of legal cases	<b>1,105,537</b>	1,071,719
Accrued expenses for studies and consultations**	<b>1,045,765</b>	1,045,765
Accrued rent	<b>118,500</b>	122,409
Rents received in advance	<b>57,315</b>	136,376
Other	<b>1,551,858</b>	1,241,656
	<b><u>9,075,173</u></b>	<b><u>6,594,517</u></b>

\*The increase of employees' benefits and salaries resulting from the recognition of the CEO's salaries retroactively from 1 January 2019 up to date at SR 1,800,000 during the second quarter of 2021, as the contract for employment was approved on 1 April 2020 and the Board of Directors approved the joining date on 20 June 2021.

\*\* 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 June 30, 2021.



**AL-SHARQIYAH DEVELOPMENT COMPANY**  
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021**  
(All amounts in Saudi Riyals)

**11. GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>1 January 2021 to 30 June 2021 (Unaudited)</b>	<b>1 January 2020 to 30 June 2020 (Unaudited)</b>
Salaries and employees' benefits	2,481,454	195,909
Allowances and bonuses for members of the Board of Directors and other committees	223,500	210,000
Professional fees and consultations	102,875	74,760
Fees and subscriptions	96,020	107,937
Consumptions	59,419	126,206
Rents	58,002	60,504
Fines expenses	15,812	-
Maintenance and fuel	11,992	17,508
Stationery and prints	10,251	1,820
Advertising expenses	8,100	20,219
Telephone and postage	1,830	6,498
Hospitality and cleanliness	461	661
Other	11,379	2,553
	<b>3,081,095</b>	<b>824,575</b>

**12. OTHER INCOME**

	<b>1 January 2021 to 30 June 2021 (Unaudited)</b>	<b>1 January 2020 to 30 June 2020 (Unaudited)</b>
Income from sale of scrap	221,391	-
Income from rent of communications towers	55,000	54,998
Others	118,415	98,786
	<b>394,806</b>	<b>153,784</b>

**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.

	<b>1 January 2021 to 30 June 2021 (Unaudited)</b>	<b>1 January 2020 to 30 June 2020 (Unaudited)</b>
Period loss attributable to the Company's shareholders	(2,743,821)	(1,014,486)
Weighted average number of shares	7,500,000	7,500,000
Loss per share	<b>(0.37)</b>	<b>(0.14)</b>



**AL-SHARQIYAH DEVELOPMENT COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)****FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021**

(All amounts in Saudi Riyals)

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**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 statements.

**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 share bonds owned by their deceased father since the establishment of the Company despite the deceased father had paid a quarter of the value of the shares at that time and the Company notifying all shareholders of the necessity to pay the sums they owed them. On a regular basis. 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 statements.

**16. APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS**

The interim condensed financial statements were approved on the date of 10 Muharram 1443H (corresponding 18 August 2021).