

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

**INTERIM CONDENSED FINANCIAL
INFORMATION (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIOD
ENDED 30 SEPTEMBER 2023
AND INDEPENDENT AUDITOR'S REVIEW REPORT
ON THE INTERIM CONDENSED FINANCIAL
INFORMATION**

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

**INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED) AND INDEPENDENT
AUDITOR'S REVIEW REPORT
FOR THREE- AND NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023**

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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 the financial position of Al-Sharqiyah Development Company, a Saudi joint stock company (the "Company"), as at September 30, 2023, and the related interim condensed consolidated statements of profit or loss and the other comprehensive income for the three and nine-month periods ended September 30, 2023, and the related interim condensed statements of changes in equity and cash flows for the nine months ended September 30, 2023, and other explanatory notes. The Company management is responsible for the preparation and presentation of these Interim condensed financial statements in accordance with International Accounting Standard No. 34 "Interim Financial Reporting" 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 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.

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

EMPHASES OF MATTER

We draw attention to:

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 September 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 recorded the government grants within the intangible assets (government grants) 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 agriculture land utilization. Our conclusion was not modified with respect of these matters.

For Al-Kharashi & Co.



Abdullah S. Al Msned
License No. (456)



Riyadh,
16 Rabie althaani 1445H
31 October 2023G

AL-SHARQIYAH DEVELOPMENT COMPANY

(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**AS AT 30 September 2023**

(All amounts expressed in Saudi Riyals unless otherwise stated)

		As at	
	Note	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Assets			
Non-current assets			
Property, plant and equipment		10,682,475	11,115,482
Intangible assets, government grant		171,307,811	171,307,811
Investments at fair value through other comprehensive income		1,425,600	1,425,600
Total non-current assets		183,415,886	183,848,893
Current assets			
Trade receivables, prepayments, and other receivables		1,150,371	316,907
Accrued interest		760,660	-
Cash and cash equivalents	6	201,864,042	408,906
Total current assets		203,775,073	725,813
Total assets		387,190,959	184,574,706
Equity and liabilities			
Equity			
Share capital	4	300,000,000	75,000,000
Statutory reserve		3,276,667	3,276,667
Retained earnings		55,210,749	60,911,933
Total equity		358,487,416	139,188,600
Liabilities			
Non-current liabilities			
Employee benefits obligations		691,934	506,075
Total non-current liabilities		691,934	506,075
Current liabilities			
Trade and other payables	7	5,402,907	10,261,094
Due to related parties	8	5,277,016	515,863
Short term loan	9	-	16,748,823
Accrued dividends		1,358,957	1,359,072
Provision for zakat		15,972,729	15,995,179
Total current liabilities		28,011,609	44,880,031
Total liabilities		28,703,543	45,386,106
Total equity and liabilities		387,190,959	184,574,706



Yousef Zidan
Chief Financial Officer




Mohammed Al Hojailan
Chief Executive Officer

The accompanying notes are an integrated part of this interim condensed financial information.

AL-SHARQIYAH DEVELOPMENT COMPANY

(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE- AND NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023

(All amounts expressed in Saudi Riyals unless otherwise stated)

		For the Three-Months Period Ended 30 September		For the Nine-Months Period Ended 30 September	
	Note	2023 (Unaudited) SR	2022 (Unaudited) SR	2023 (Unaudited) SR	2022 (Unaudited) SR
Sales		-	-	-	-
Cost of sales		-	-	-	-
Gross loss for the period		-	-	-	-
General and administrative expenses	10	(2,668,240)	(604,439)	(4,623,494)	(2,243,965)
Operating loss		(2,668,240)	(604,439)	(4,623,494)	(2,243,965)
Finance expenses		-	(194,427)	(844,404)	(236,126)
Dividends from investment companies		-	-	-	300,000
Other income	11	2,844,060	62,500	3,610,849	438,449
Profit (loss) for the period		<u>175,820</u>	<u>(758,601)</u>	<u>(1,857,049)</u>	<u>(1,741,642)</u>
Other comprehensive income		-	-	-	-
Total comprehensive Profit (loss) for the period		<u>175,820</u>	<u>(758,601)</u>	<u>(1,857,049)</u>	<u>(1,741,642)</u>
The basic and diluted profit (loss) per share	13	<u>0.008</u>	<u>(0.056)</u>	<u>(0.087)</u>	<u>(0.132)</u>

Yousef Zidan
Chief Financial Officer



Mohammed Al Hojailan
Chief Executive Officer

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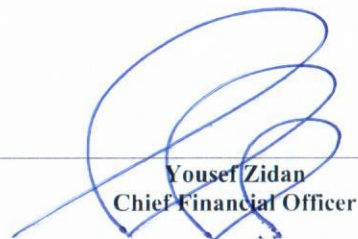
AL-SHARQIYAH DEVELOPMENT COMPANY

(A Saudi Joint Stock Company)

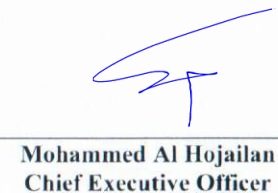
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY**For The nine Months Period Ended 30 September 2023**

(All amounts expressed in Saudi Riyals unless otherwise stated)

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Retained earnings</u>	<u>Total</u>
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)	<u>75,000,000</u>	<u>3,276,667</u>	<u>62,648,448</u>	<u>140,925,115</u>
 Balance as at 1 January 2023 (Audited)	75,000,000	3,276,667	60,911,933	139,188,600
Issuance of shares	225,000,000	-	-	225,000,000
Transaction cost	-	-	(3,844,135)	(3,844,135)
Loss for the period	-	-	(1,857,049)	(1,857,049)
Balance as at 30 September 2023 (Unaudited)	<u>300,000,000</u>	<u>3,276,667</u>	<u>55,210,749</u>	<u>358,487,416</u>



Yousef Zidan
Chief Financial Officer

Mohammed Al Hojailan
Chief Executive Officer

The accompanying notes are an integrated part of this interim condensed financial information.

AL-SHARQIYAH DEVELOPMENT COMPANY

(A Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF CASH FLOWS**For The Nine Months Period Ended 30 September 2023**

(All amounts expressed in Saudi Riyals unless otherwise stated)

	For the Nine months ended	
	30 September 2023	30 September 2022
	(Unaudited)	(Unaudited)
Cash flows from operating activities:		
Loss for the period	(1,857,049)	(1,741,642)
<i>Adjustments to reconcile net loss with net cash used in operating activities:</i>		
Depreciation	454,524	479,697
Employee benefit obligations	185,859	35,101
Net cash used in operating activities	(1,216,666)	(1,348,865)
Changes in working capital items:		
Trade receivables, prepaid expenses and other receivables	(833,464)	(332,535)
Trade and other payables	(4,858,187)	(1,789,496)
Due to related parties	4,761,153	(2,303,143)
Accrued interest	(760,660)	-
Accrued dividends	(115)	-
Cash used in operations	(2,907,939)	(5,652,018)
Zakat paid	(22,450)	-
Net cash used in operating activities	(2,930,389)	(5,652,018)
Cash flows from investing activities:		
Payments for purchases of property, plant and equipment	(21,517)	-
Net cash used in investment activities	(21,517)	-
Cash flows from financing activities:		
Issuance of shares	225,000,000	-
Transaction cost	(3,844,135)	-
Changes in short-term loans	(16,748,823)	6,500,000
Net cash generated from financing activities	204,407,042	6,500,000
Net change in cash and cash equivalents	201,455,136	847,982
Cash and cash equivalents at the beginning of the period	408,906	272,628
Cash and cash equivalents at the end of the period	201,864,042	1,120,610

Yousef Zidan
Chief Financial Officer



Mohammed Al Hojailan
Chief Executive Officer

The accompanying notes are an integrated part of this interim condensed financial information.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (Unaudited)
For The Three And Nine -Months Period Ended 30 September 2023
(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. Referring to note 4, The Company’s shareholders at the extraordinary generally assembly meeting held on May 8, 2023 (corresponding to Shawwal 18, 1444H) have approved the share capital increase by SR 225 million. The share capital after shareholders’ approval was by SR 300 million.

Moreover, the shareholders have approved to change the Company’s main activity which is summarized as follows:

- Agriculture, forestry and fishing.
- Construction.
- Wholesale and retail trade and repair of motor vehicles and motorcycles.
- Transportation and storage.
- Accommodation and food service activities.
- Real estate activities.
- Arts, entertainment and leisure.
- Other service activities, which are represented in the activities of professional membership organizations.

The accompanying financial information includes 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

Referring to note 4, as of May 7, 2023, the Company’s shareholders have approved the Company’s board of director recommendation for issuing right issues by SR 225 million. The Company’s management is in the process of starting its’ approved long-term strategic plan. Until the reporting date, the company still has losses, as the Company incurred a net loss for the nine-month period ended September 30, 2023, by SR 1,8 million (September 30, 2022: SR 1,7 million). Moreover, as the net cash used in operating activities by SR 2.9 million (September 30, 2022: by SR 5.6 million). Anyhow, the Company’s management expects that the company is able to change its current position. And providing the necessary liquidation 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 investment 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 mat contribute for the significant improve of the Company’s financial position and cash flows.

AL-SHARQIYAH DEVELOPMENT COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (Unaudited) (CONTINUED)
For The Three And nine -Month Period Ended 30 September 2023
(All amounts expressed in Saudi Riyals unless otherwise stated)

1. GENERAL INFORMATION (continue)

On the other hand, as a result of Ministry of Environment, Water, and Agriculture decision which issued on September 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.

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 providing of necessary liquidation after finalizing the issuing process of right issues, 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 2022.

Basis of measurement

These condensed interim financial statements are prepared under the historical cost convention, as modified for financial assets at fair value through other comprehensive income, and by using the actuarial basis for employees' end-of-service benefits, on the accrual basis of accounting. The principal accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the company annual financial statements for the year ended December 31, 2022. The preparation of these condensed interim financial statements in conformity with IFRS required management to make judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts in the condensed interim financial statements. These critical accounting judgments and key sources of estimations were the same as those described in the last annual financial statements.

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 2022.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (Unaudited)
For The Three And Nine -Months Period Ended 30 September 2023
(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 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 2022.

New Standards, Amendment to Standards and Interpretations

There are no new standards issued, however, there are the number of amendments to standards which are effective from 1 January 2023 and have been explained in the 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.

on May 7, 2023 (corresponding to Shawwal 17, 1444H), The Company's shareholders have approved the Company's board of directors' recommendation for share capital increase by issuing right issues by SR 225 million, the share capital after the increase be SR 300 million. The Company issue 3 shares for every 1 share, and the Company's shares after this increase be 30 million shares instead of 7,5 million shares. The Company has recognized a transaction cost related to the capital share increase by SR 3,844,135. Also Company's shareholders has approved the amendments on the Company's bylaw for the related period of Company's share capital increase as mentioned above.

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. CASH AND CASH EQUIVALENTS

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Cash at banks	378,416	408,906
Short term deposits	201,485,626	-
	201,864,042	408,906

Cash at banks and short-term deposits are placed with counterparties that have high credit reliability.

Short-term deposits are placed with locals with an original maturity of less than three months from the date of placement and earn commission income at an average rate of 5.40% to 5.78% (2022: nil) per annum.

AL-SHARQIYAH DEVELOPMENT COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (Unaudited) (CONTINUED)
For The Three And nine -Month Period Ended 30 September 2023
(All amounts expressed in Saudi Riyals unless otherwise stated)

7. TRADE AND OTHER PAYABLES

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Trade payables	3,347,733	4,356,511
Allowances and remunerations for members of the Board of Directors and other committees	292,460	2,511,084
Accrued employee-related costs	26,917	26,918
Provision of legal cases	-	250,949
Payable to consultation offices	37,579	1,045,766
Advance from tenants	174,815	142,315
Accrued rent	-	85,000
Accrued professional fees	353,400	404,900
Provision for vacation and tickets	101,731	37,936
Accrued GOSI expenses	17,179	218,323
Other	1,051,093	1,181,392
	5,402,907	10,261,094

8. 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.

8.1 List of related parties:

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

8.2 Due to related parties are as follows:

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Mr. Mohammed Al-Hujailan	-	256,145
Mr. Sami Al-Kuthairi	-	259,718
Payable to tradeable rights holders	9.2.1 5,277,016	-
	5,277,016	515,863

8.2.1 During 2023, the Company has increased its share capital by the way of offering tradable Rights to its shareholders. As per Saudi Exchange tradeable Rights regulations, If the sale price of the rump shares is higher than the offering price, the difference, if any, will be distributed to holders of tradable Rights who did not subscribe to their Rights by their ownership percentage.

AL-SHARQIYAH DEVELOPMENT COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (Unaudited) (CONTINUED)
For The Three And nine -Month Period Ended 30 September 2023
(All amounts expressed in Saudi Riyals unless otherwise stated)

9. SHORT TERM LOAN

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

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Islamic Banking Facilities (Murabaha)	-	16,748,823
	-	16,748,823

During 2022, 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. The financing expenses for the period ending on September 30, 2023 amounted to SAR 33,572 (September 30, 2022: SAR 97,817). The loan was repaid during 2023

10. GENERAL AND ADMINISTRATIVE EXPENSES

	30 September 2023 (Unaudited)	30 September 2022 (Unaudited)
Allowances and remunerations for members of the Board of Directors and other committees	611,502	195,500
Employee salaries and benefits	2,132,257	800,318
Rewards	500,000	-
Depreciation	454,524	318,141
Fees and subscriptions	440,006	132,054
Professional fees and advice	202,499	92,499
Rent	47,167	34,923
Maintenance and fuel	28,528	17,130
Other	206,884	48,961
	4,623,367	1,639,526

11. OTHER INCOME

	30 September 2023 (Unaudited)	30 September 2022 (Unaudited)
Income from bank deposits	3,341,860	-
Income from the rent of communications towers	82,500	82,500
Reverse custom issues provision	-	250,949
Others	186,488	105,000
	3,610,848	438,449

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (Unaudited) (CONTINUED)
For The Three And nine -Month Period Ended 30 September 2023
(All amounts expressed in Saudi Riyals unless otherwise stated)

12. RESTRICTED GOVERNMENT GRANTS

Subsequently on August 2, 2022, 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 September 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
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NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (Unaudited) (CONTINUED)
For The Three And nine -Month Period Ended 30 September 2023
(All amounts expressed in Saudi Riyals unless otherwise stated)

13. BASIC AND DILUTED EARNINGS

Basic (loss) earnings per share is calculated by dividing the net (loss) profit for the year by the weighted average number of ordinary shares outstanding during the year.

Diluted (loss) earnings per share is calculated by dividing the net (loss) profit for the year by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The weighted average number of shares has been retrospectively adjusted for the prior year to reflect the element of the rights issue as required by IAS 33, "Earnings per share" as follows:

	September 30, 2023	September 30, 2022
	(unaudited)	(unaudited)
Issued ordinary shares as of 1 January	7,500,000	7,500,000
Adjusted rights issue/bonus element	13,729,412	5,700,000
Weighted average number of ordinary shares	21,229,412	13,200,000

The weighted average number of ordinary shares for the prior year is computed using an adjustment factor of 1.76 which is a ratio of the theoretical ex-right price of SR 10 and the closing price per share of SR 23.52 per share on 11 May 2023, the last day on which the shares were traded before the rights issue.

The basic and diluted loss per share are as follows:

	September 30, 2023	September 30, 2022
	(unaudited)	(unaudited)
Net loss for the period	(1,857,049)	(1,741,642)
Weighted average number of ordinary shares	21,229,412	13,200,000
Basic and diluted earnings per share (restated)	(0.087)	(0.132)

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (Unaudited) (CONTINUED)
For The Three And nine -Month Period Ended 30 September 2023
(All amounts expressed in Saudi Riyals unless otherwise stated)

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 1, 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. APPROVAL OF INTERIM CONDENSED FINANCIAL INFORMATION

The interim condensed financial information was approved on the date of 16 Rabie althaani 1445H (31 October 2023).