

**AL SHARQIYAH DEVELOPMENT COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS AND INDEPENDENT  
AUDITORS REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2020**



**Crowe**

**Al Azem, Al Sudairy, Al Shaikh & Partners**  
CPA's & Consultants - Member Crowe Global

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

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS REPORT**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

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## **INDEPENDENT AUDITOR'S REPORT**

**TO: THE SHAREHOLDERS  
AL SHARQIAH DEVELOPMENT COMPANY  
(A Saudi Joint Stock Company)**

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the accompanying financial statements of **AL SHARQIAH DEVELOPMENT COMPANY (the "Company")**, which comprise the statement of financial position as at 31 December 2020, and the statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (SOCPA).

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISAs") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Material uncertainty related to Going Concern**

We would like to draw attention to note (1-b) in the accompanying financial statements related to going concern issue of the company, and as mentioned in note (1-b), these events or circumstances indicate a fundamental uncertainty, which may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters, a description of the key audit matters is set out below:

**INDEPENDENT AUDITOR'S REPORT (continued)**  
**AL SHARQIAH DEVELOPMENT COMPANY**  
**(A Saudi Joint Stock Company)**

**Key Audit Matters (continued)**

<b>Provision for Zakat and Zakat assessments</b>	
<b>Key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>The company submits its zakat declaration to the General Authority for Zakat and Tax ("the Authority") on an annual basis. The Authority issued zakat assessments for the years from 1991 to 2014 which resulted an additional zakat obligation on the company approximately 10 million Saudi riyals. The additional zakat obligation arose mainly on the company as a result of not allowing some items to be counted in the Zakat base. The company objected to the authority's interpretation, as the matter was raised to the higher authorities, and the final result cannot be determined at this stage.</p> <p>The Zakat assessments have not yet been issued for the years from 2014 to 2016 by the Authority, but in line with the assessments issued by the Authority for the years 1991 to 2014, and in the case some items are excluded, it will lead to additional zakat obligation.</p> <p>Zakat provisions require from the management to make assumptions and estimates regarding issues and provisions for zakat. This matter is considered as one of the key matters in our review of the company.</p>	<p>The review procedures include reviewing the company's zakat position and its correspondence with the Zakat and Tax Authority and with the company's zakat advisor for previous years and analyzing the assumptions used to determine the provisions of zakat based on our knowledge and experience in the application of zakat legislation by the relevant authorities and courts for the current year. Our assessment includes looking at the explanations for the adequacy of the provisions allocated by the company against of the obligations that may arise from zakat issues.</p> <p>We also evaluated the appropriateness of the disclosures included in the company's financial statements.</p> <p>Based on the audit procedures, we have concluded that the company's estimate of the amounts that have been recognized as zakat obligations is appropriate, and the disclosures provide a suitable description of the current status of the zakat position.</p>



**INDEPENDENT AUDITOR'S REPORT (continued)**  
**AL SHARQIAH DEVELOPMENT COMPANY**  
**(A Saudi Joint Stock Company)**

**Key Audit Matters (continued)**

<b>Restricted Government Grants (lands in the item of property, plant and equipments)</b>	
<b>Key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>The land item is considered one of the main audit matters as it requires the management to use accounting estimates that involve substantial assumptions. Restricted government grants are evaluated on the basis of the fair value of the granted assets, and its recorded as income in retained earnings according to the income entry for accounting on government grants and is recognized when the two below conditions are met:</p> <p>1-The companies will comply with the conditions.            2-The grants will be received.</p> <p>We considered this a major matter for review because of the important judgments and assumptions used by the management when recognizing government grants, which represent the main item for the company's assets, as it was reflected in the retained earnings of the company.</p>	<p>The review procedures include an understanding of the nature of those government grants and studying the achievement of the required conditions according to the letters submitted to the company from the Ministry of Agriculture and the Ministry of Environment,</p> <p>It also included the supporting documents stating the achievement of the conditions through letters sent from government agencies and the letter from the king to the company by evaluating the assumptions of the management, in addition to reviewing correspondence with other government agencies. Taking into consideration the external information available on this item.</p>

**Other Information**

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



**INDEPENDENT AUDITOR'S REPORT (continued)**  
**AL SHARQIAH DEVELOPMENT COMPANY**  
**(A Saudi Joint Stock Company)**

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, Regulations for Companies and Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**INDEPENDENT AUDITOR'S REPORT (continued)**  
**AL SHARQIAH DEVELOPMENT COMPANY**  
**(A Saudi Joint Stock Company)**

**Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



**Al Azem, Al Sudairy, Al Shaikh & Partners**  
**Certified Public Accountants**



**Abdullah M. AlAzem**  
**License No, 335**

17 Shaban 1442H (30 March 2021)  
Dammam, Kingdom of Saudi Arabia

**AL-SHARQIYAH DEVELOPMENT COMPANY**  
**(A Saudi Joint Stock Company)**  
**STATEMENT OF FINANCIAL POSITION**  
As at December 31, 2020  
(Saudi Riyals)

<u>Assets</u>	<u>Note</u>	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
<b>Non-current assets</b>			
Property plant and equipment's, net	3c,8	183,697,793	184,354,788
Investment in companies	3b,9	1,425,600	1,425,600
<b>Total non-current assets</b>		<b>185,123,393</b>	<b>185,780,388</b>
<b>Current assets</b>			
Prepayments and other assets, net	7	86,599	1,373,072
Inventory ,net	3e,6	-	-
Trade receivables, net	3d,5	-	12,500
Cash and cash equivalents	3h,4	124,711	84,028
<b>Total current assets</b>		<b>211,310</b>	<b>1,469,600</b>
<b>Total assets</b>		<b>185,334,703</b>	<b>187,249,988</b>
<b>Shareholder's equity and liabilities</b>			
<b>Shareholder's equity</b>			
Share capital	10	75,000,000	75,000,000
Statutory reserve	11	3,276,667	3,276,667
Retained earnings		64,727,878	66,967,242
<b>Total shareholder's equity</b>		<b>143,004,545</b>	<b>145,243,909</b>
<b>Non-current liabilities</b>			
Employees' defined benefits obligations	3i,18	47,097	17,854
<b>Total non-current liabilities</b>		<b>47,097</b>	<b>17,854</b>
<b>Current liabilities</b>			
Estimated zakat provision	3k,17e	19,938,849	19,745,456
Accrued dividends	16	1,359,072	1,359,072
Short term loan	15	10,000,000	10,000,000
Due to related parties	14	456,669	47,900
Accrued expenses and other liabilities	13	6,594,517	6,957,761
Trade payables	3i,12	3,933,954	3,878,036
<b>Total current liabilities</b>		<b>42,283,061</b>	<b>41,988,225</b>
<b>Total liabilities</b>		<b>42,330,158</b>	<b>42,006,079</b>
<b>Total shareholder's equity and liabilities</b>		<b>185,334,703</b>	<b>187,249,988</b>

The accompany notes from (1) to (26) are integrated part of these financial statements



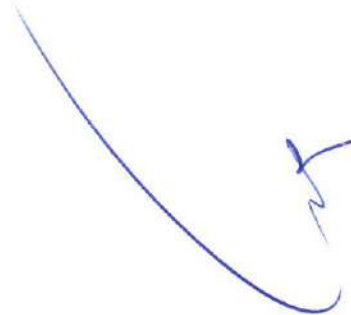
**AL-SHARQIYAH DEVELOPMENT COMPANY**  
**(A Saudi Joint Stock Company)**  
**STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended December 31, 2020  
(Saudi Riyals)

	<u>Note</u>	<u>2020</u>	<u>2019</u>
Sales	3m	-	-
Cost of sales	3o	<u>(525,171)</u>	<u>(935,993)</u>
<b>Gross loss</b>		<b>(525,171)</b>	<b>(935,993)</b>
General and administrative expenses	3o,20	<u>(2,068,845)</u>	<u>(3,159,419)</u>
<b>Net loss from main operations</b>		<b>(2,594,016)</b>	<b>(4,095,412)</b>
Other income	3m,21	<b>533,372</b>	353,825
Dividends from investments in companies	9b	-	180,000
Losses results from disposal of part of government grants	22	-	(63,369,605)
Finance expenses	15	<u>(143,216)</u>	<u>(542,227)</u>
<b>Net loss for the year before zakat</b>		<b>(2,203,860)</b>	<b>(67,473,419)</b>
Zakat	17	<u>(18,261)</u>	-
<b>Net loss for the year</b>		<b>(2,222,121)</b>	<b>(67,473,419)</b>
<b>OTHER COMPREHENSIVE INCOME:</b>			
<b>ITEMS NOT TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS:</b>			
Actuarial (loss)/ gain from re-measurement for employees' defined benefits	18	<u>(17,243)</u>	<u>3,257</u>
<b>Total comprehensive losses for the year</b>		<b>(2,239,364)</b>	<b>(67,470,162)</b>
<b>LOSS PER SHARE:</b>			
Loss per share	23	<u>(0,30)</u>	<u>(9,00)</u>
Weighted average for number of basic shares		<u>7,500,000</u>	<u>7,500,000</u>

The accompany notes from (1) to (26) are integrated part of these financial statements

**AL-SHARQIYAH DEVELOPMENT COMPANY**  
**(A Saudi Joint Stock Company)**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
For the year ended December 31, 2020  
(Saudi Riyals)

	Share capital	Statutory reserve	Retained earnings	Total shareholders' Equity
<b>Balance as at 1 January 2019</b>	75,000,000	3,276,667	134,437,404	212,714,071
Net loss for the year	-	-	(67,473,419)	(67,473,419)
Other comprehensive income items	-	-	3,257	3,257
<b>Balance as at 31 December 2019</b>	75,000,000	3,276,667	66,967,242	145,243,909
Net loss for the year	-	-	(2,222,121)	(2,222,121)
Other comprehensive income items	-	-	(17,243)	(17,243)
<b>Balance as at 31 December 2020</b>	75,000,000	3,276,667	64,727,878	143,004,545




The accompany notes from (1) to (26) are integrated part of these financial statements

**AL-SHARQIYAH DEVELOPMENT COMPANY**  
**(A Saudi Joint Stock Company)**  
**STATEMENT OF CASH FLOWS**  
For the year ended December 31, 2020  
(Saudi Riyals)

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating Activities:</b>		
Net loss for the year	(2,222,121)	(67,473,419)
<b>Adjustments to reconcile net loss with net cash used in operating activities:</b>		
Depreciation	662,540	1,118,943
Gain from sale of property, plant and equipment	(203,868)	(103,427)
Provision for doubtful debts	4,000	-
Zakat related to previous years	175,132	963,792
Losses results from disposal of part of government grants	-	63,369,605
Provision for slow moving and damaged goods	-	159,182
Zakat provision	18,261	-
Provision for employees' defined benefits obligations	12,000	14,126
	<u>(1,554,056)</u>	<u>(1,951,198)</u>
<b>Changes in working capital items:</b>		
Prepaid expenses and other debit balances	1,286,473	19,476
Accounts receivable ,net	8,500	29,500
Accrued expenses and other liabilities	(363,244)	(404,674)
Trade payables	55,918	(3,824,026)
<b>Net cash used in operating activities</b>	<u>(566,409)</u>	<u>(6,130,922)</u>
<b>Cash flows from Investing Activities:</b>		
Purchase of property plant and equipment	(5,547)	-
Proceeds from the sale of property plant and equipment	203,870	544,401
<b>Net cash provided by investing activities</b>	<u>198,323</u>	<u>544,401</u>
<b>Cash flows from Financing Activities:</b>		
Due to related parties	408,769	(902,100)
Short term loan	-	6,000,000
<b>Net cash provided by financing activities</b>	<u>408,769</u>	<u>5,097,900</u>
<b>Net change in cash and cash equivalents</b>	<u>40,683</u>	<u>(488,621)</u>
Cash and cash equivalents at the beginning of the year	84,028	572,649
<b>Cash and cash equivalents at the end of the year</b>	<u>124,711</u>	<u>84,028</u>
<b><u>Non-cash transactions</u></b>		
Actuarial (loss) gain from re-measurement of employee benefit liabilities	<u>(17,243)</u>	<u>3,257</u>

The accompany notes from (1) to (26) are integrated part of these financial statements

# AL-SHARQIYAH DEVELOPMENT COMPANY

(A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

(Saudi Riyals)

### 1. ACTIVITIES

Al Sharqiah development company is Saudi Joint Stock Company was founded according to the royal decree No. 406 dated Thu Al-Qa'dah 21, 1406H. The company is registered in the Kingdom of Saudi Arabia under the Commercial Registration No. 2050016477, issued in Dammam dated Muharram 19, 1407H corresponding to 23/9/1986. The paid-up capital of the company 75,000,000 SR from 7,500,000 shares at a par value of 10 SR per share.

#### a- The main activity of the company is:

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

The accompanying financial statements represents Company's financial statement and those of its branch's which are as follows:

<u>Branches name</u>	<u>CR No.</u>	<u>Activity</u>
Branch of Al Sharqiyah Development co. – Riyadh	1010480322	Management and leasing of owned or leased real estate

#### b- Going concern

The accompanying financial statements have been 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 under normal and extraordinary circumstances.

As of December 31, 2020, the company's current liabilities exceeded its current assets by SAR 42,071,751 (2019: 40,518,625 Saudi riyals), and this indicates the existence of a state of uncertainty about the company's ability to continue as the company did not achieve any sales during the year as a result of the suspension of the main activity of the company in addition to the existence of installments due for payment during the second quarter of the year 2021 for one of the banks In return for the loan granted to the company and the General Authority for Zakat and Income Tax claim the amounts owed by the company and the need to pay them, which indicates the existence of a fundamental uncertainty about the company's ability to manage liquidity.

The management believes that the company's cash inflows will be sufficient to meet its obligations for a period of not less than 12 months from the date of the accompanying financial statements based on the following:  
The decision issued by the Ministry of Environment, Water and Agriculture No.321450/1441/1062 dated 6 Jumada I 1441 AH corresponding to (January 1, 2020), which includes the ownership of the Eastern Development Company of an area of (72,178,700 square meters) of the total land area of the grant provided to the company and accordingly the management believes The company will own this area during the year 2021, which provides it with freedom to dispose of it by obtaining loans in exchange for mortgaging the land deed, dividing the land and obtaining separate loans by mortgaging parts of it, in addition to entering into projects with the Ministry of Environment through the Agricultural Bank loan according to the system of Ministry of Environment and agriculture and water.

During the year, the company obtained the initial permits from the Ministry of Environment, Water and Agriculture, which are as follows:

- Hydroponics for the production of vegetables (hydroponic) from the date of 1/5/1442H for a period of one year only.

**AL-SHARQIYAH DEVELOPMENT COMPANY**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2020  
(Saudi Riyals)

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**1. ACTIVITIES (CONTINUED)**

**b- Going concern**

- Hydroponics for vegetable production and fish farming (aquaponics) from the date of 1/5/1442 H for a period of one year only.
- Providing marketing services on behalf of others from the date of 1/5/1442 H for a period of one year only.
- Breeding and producing mothers of broiler chickens and operating their hatcheries from the date of 7/5/1442H for a period of one year only.
- Breeding poultry from the date of 7/5/1442 H for a period of one year only.
- Egg production from the date of 7/5/1442 H for a period of one year only.
- Production of poultry, rabbit and fresh birds meat varieties from the date of 7/5/1442 H for a period of one year only.

The Board of Directors 'recommendation to increase the capital by offering shares of priority rights to the shareholders amounted 225,000,000 Saudi riyals, so that the total capital after the increase becomes 300,000,000 Saudi riyals, and a financial advisor has been appointed to manage the subscription in the priority rights shares.

As explained above, the management has reasonable expectations of the existence of various funding sources to meet the risk of liquidity management 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 their recognized values and fulfill the obligations in the normal course of business in the amounts mentioned in the attached financial statements.

**2. BASIS OF PREPARATION FINANCIAL STATEMENTS**

**a. Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards approved in the Kingdom of Saudi Arabia and other standards and publications approved by the Saudi Organization for Certified Public Accountants.

The Capital Market Authority issued the Commission's Board Decision on Muharram 15, 1438 AH, corresponding to October 16, 2016, requiring listed companies to apply the cost model when measuring property and equipment assets, investment properties and intangible assets when adopting IFRS for a period of 3 years starting from the date of adopting IFRSs. And, on December 31, 2019, until the financial periods for the year beginning on January 1, 2022, were extended, while continuing to adhere to the disclosure requirements of International Financial Reporting Standards approved in the Kingdom of Saudi Arabia, which require or encourage disclosure of fair value.

**b. Basis of measurement**

The financial statements have been prepared on the historical cost basis using the accrual basis of accounting except for the following:

- Investments at fair value through profit and loss measured at fair value.
- Employee benefits obligations that are recognized at the present value of future liabilities using the expected credit unit method.

**c. Functional and presentation currency**

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

**d. Use of estimates and judgments**

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

## **2. BASIS OF PREPARATION FINANCIAL STATEMENTS (CONTINUED)**

### **d. Use of estimates and judgments**

In particular, information about significant areas of estimation uncertainties and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is summarized as follows:

- Management periodically reassesses the economic useful lives of tangible assets and intangible assets based on the general condition of these assets and the expectation for their useful economic lives in the future.
- Management frequently reviews the lawsuits raised against the company based on a legal study prepared by the company's legal advisors. This study highlights potential risks that the company may incur in the future.
- A provision for doubtful debts is taken on the basis and estimates approved by management in conformity with International Financial Reporting Standards (IFRS).
- Management estimates the provision to decrease inventory to net realizable value if the cost of inventory may not be recoverable, damaged, wholly or partially obsolete, and its selling price to fall below cost or any other factors that causes the recoverable amount to be lower than its carrying amount.
- Management estimates the recoverable amount of the other financial assets to determine whether there was any impairment in its value
- Management estimates the zakat expense according to instructions and active law.

### **e. Fair value measurement**

- Fair value represents the amount that may be collected from the asset sale or a boost to convert commitment between knowledgeable parties on the same terms and dealing with others and depends on the fair value measurement of the following conditions:
- In the principal market for the asset or liability, or the most advantageous market for the asset or liability in the absence of a principal market the company should be able to handle through the most advantageous market.

When measuring the fair value of an asset or a liability, the company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.
- The company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.
- Management believes that its estimates and judgments are reasonable and adequate.

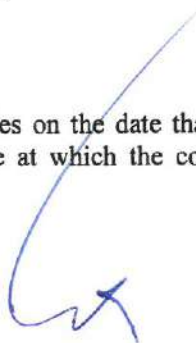
## **3. SIGNIFICANT ACCOUNTING POLICIES**

The company has adopted the International Financial Reporting Standards in the preparation of the financial statements as of December 31, 2020 in accordance with the instructions of the Saudi Organization for Certified Public Accountants. The mandatory implementation of International Financial Reporting Standards is effective from 1 January 2017, and the following is a statement of significant accounting policies adopted:

### **a. Financial instruments**

#### *(i) Non-derivative financial assets*

The company initially recognizes financing and receivables on the date that they are originated. All other financial assets are recognized initially on the trade date at which the company becomes a party to the contractual provisions of the instrument.



**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**a. Financial instruments**

The company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when the company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

*Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in active markets. Such assets are recognized initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition financing and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Interest income is recognized using the effective interest rate method, except for short-term receivables, when the recognition of interest is immaterial.

*Non-derivative financial liabilities*

Financial liabilities are recognized initially on the trade date at which the company becomes a party to the contractual provisions of the instrument.

The company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when the company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The company has the following non-derivative financial liabilities:

Trade and other payables, dividends payables, accruals, due to related parties.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

*Provision for doubtful debts*

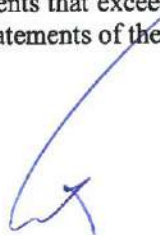
The provision for doubtful debts is determined by reference to a set of factors to ensure that receivables are not overvalued as a result of the possibility of non-collection, including the total quality and age of receivables, continuous credit evaluation of customers' financial conditions and the guarantees required of customers in certain circumstances. Specific provisions are recorded for individual accounts when the company becomes aware of the customer's inability to meet his financial obligations.

*Share capital – ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity.

**b. Investments**

Investments in associates: Investments in associates consist of shares in companies in which the company owns ownership shares in different percentages. Investments in which the company's share is less than 20% of the equity are shown at cost and Investment in which the company's share is between 20% to 50% of the equity, it is processed according to the equity method. As for the investments that exceed the ownership share of 50%, their financial statements are consolidated within the financial statements of the company (if any).



**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**c. Property, plant and equipments**

*Recognition and measurement*

Items of property, plant and equipments are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset, and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipments have different useful lives, they are accounted for as items (major components) of property, plant and equipments.

Gains and losses on disposal of an item of property, plant and equipments are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipments and are recognized net within "other income" in the statement of comprehensive income.

*Subsequent costs*

The cost of replacing part of an item of property, plant and equipments is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipments are recognized in statement of comprehensive income as incurred.

*Depreciation*

Items of property, plant and equipments are depreciated on a straight-line basis in statement of income over the estimated useful lives of each component. Land is not depreciated.

Items of property, plant and equipments are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

Leasehold improvements are amortized over the shorter of the estimated useful life or term of the lease, whichever is shorter.

The depreciation rates of property, plant and equipments for the current and previous year are as follows:

Hangers and constructions	2-15%
Machinery and equipments	10-25%
Motor Vehicles	12,5-20%
Furniture & fixtures	20%

**d. Trade receivables**

Trade receivable are stated at original invoice amount less appropriate provision for any doubtful trade accounts receivable. An estimate of provision for doubtful debts is made when collection of the full amount is doubtful. bad debts are written off as incurred.

**e. Inventories**

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is determined based on the weighted average principle, and includes expenditure incurred in acquiring the inventories.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.





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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**f. Provision of slow moving and damaged inventory**

Inventories are stated at the lower of cost and net realizable value. Adjustments are made to reduce the cost of inventories to net recoverable amount, if necessary.

Influencing factors includes changes in inventory demand, technological changes, deterioration of quality and other quality matters. Accordingly, the company considers these factors and takes them into account to calculate the provision of idle stock and slow movement. Any adjustments that may result from the difference in these factors are periodically reviewed.

**g. Restricted government grants**

Government grants are recognized when there is reasonable assurance that the grants will be obtained and all the conditions necessary for the entitlement of those grants will be complied with. Restricted government grants are evaluated on the basis of the fair value of the granted assets and they are recorded as income within retained earnings according to the income entry for accounting for government grants. It is recognized when the following two conditions are met:

- 1- Companies will comply with the conditions attached to them.
- 2- The grants will be received.

**h. Cash and cash equivalents**

Cash and cash equivalents consist of cash balances that have a maturity of three months or less since the date of acquisition and are not exposed to a high degree of risk of change in the fair value and are used by the company to meet its short-term liabilities.

**i. Trade payable**

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the suppliers or not.

**j. Provisions**

A provision is recognized if, as a result of a past event, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

**k. Zakat**

Zakat is provided on accrual basis in accordance with the Regulations of the General Authority for Zakat and Income ("GAZT") in the Kingdom of Saudi Arabia. The zakat provision is charged to the statement of comprehensive income. Any differences resulting from the final assessments are recorded in the year of their finalization.

**l. Employees' defined benefits**

Provision for employee's obligations is deducted from their periods of service at the financial position date. Provision for defined benefit obligations is made according to the expected unit method in accordance with IAS 19 Employee Benefits, taking into account Saudi Labor Law. The provision is recognized based on the present value of the defined benefit obligation.

The present value of the defined benefit obligation is calculated using assumptions for the average annual salary increase ratio, the average work period of employees and an appropriate discount rate. The probabilities used are calculated on a constant basis for each period and reflect the best management estimates. The discount rate is determined based on the best available market returns estimates available at the reporting date.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**l. Employees' defined benefits**

**Changes in accounting policies due to revision of IAS 19**

The amendments to IAS 19 resulted in changes in accounting for defined benefit plans and end of service benefits. The material changes are related to the accounting changes in the defined plan's commitments and assets. The amendments require recognition of changes in the specific liability for fair value and recognition and recognition of all accounting gains and losses directly through comprehensive income in order to reflect the net recognized asset or liability of the company in the statement of financial position.

The re-measurement of actuarial valuation was performed by the Al Khwarizmi for Actuarial Services and was carried out using the expected credit module.

The main assumptions used for actuarial valuation were as follows:

Employee turn over	Medium
salaries increase	3.05%
Discount rate of cash flow	3.05%

**m. Revenue recognition**

Sales revenue is calculated on the basis of the fair value of the consideration received or expected to be received. Revenues are reduced by allocations of returns, sales discounts, and any other similar allowances, if any.

Revenue from sales is recognized when the goods are delivered and the services rendered to the customers. Revenue from the sale of the goods is recognized when all of the following conditions are met:

- The significant risks and rewards of ownership have been transferred to the customer.
- The Company no longer retains the ownership of the goods as an ongoing administrative intervention
- There is no continuing management involvement with the goods.
- The economic benefits associated with the sale are likely to flow.
- The associated costs and possible return of goods can be measured reliably.

Other income is recognized when earned.

**n. Lease contracts**

Assets held under leases that transfer to the company substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognized in the Company's Statement of Financial Position. Rentals in respect of operating leases are charged to the Statement of comprehensive income over the term of the leases.

**o. Expenses**

Expenses incurred by the company consist of administrative and general expenses. Sales costs are charged at full cost of materials, direct labor and indirect costs. Other direct and indirect expenses relating to management that are not related to the production function are classified as administrative and general expenses. Joint expenses are distributed, if necessary, between administrative and general expenses and operating expenses on a consistent basis. The accrual principle is applied in charging the financial period with administrative and general expenses.

**p. Foreign currency transactions**

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions, at financial position date, monetary assets and liabilities denominated in foreign currencies are translated to Saudi Riyals at the exchange rates prevailing on that date. Gains and losses arising on settlement and translation of foreign currency transactions are recognized in the statement of comprehensive income.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**q. Impairment**

*Financial assets*

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event had an impact on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against financing and receivable. interest on the impaired asset continues to be recognized, when an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

*Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

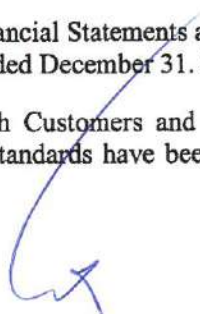
**r. Offsetting**

Financial liabilities are set off against financial assets, and the net amount is shown in the consolidated financial position only when the obliging legal rights are available and when settled on net basis or the realization of assets or settlement of liabilities is done at the same time.

**s. Changes in significant accounting policies**

Except as described below, the accounting policies applied in these Financial Statements are the same as those applied in the last annual Financial Statements as at and for the year ended December 31, 2019.

The Company has adopted IFRS (15) Revenue from Contracts with Customers and IFRS (9) Financial Instruments from 1 January 2019, the effect of application of these standards have been fully explained in below:



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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- s. Changes in significant accounting policies**  
• **IFRS (9) Financial Instruments:**

**A- Financial Assets**

The company classifies its financial assets into the following measurement categories in accordance with International Financial Reporting Standard No. (9). Upon initial recognition, financial assets are classified as:

A- Financial assets measured at amortized cost.

B -Financial assets measured at FVOCI

C- Financial assets measured at fair value through profit or loss.

The classification of financial assets according to IFRS 9 is usually based on the business model within which the financial assets are managed as well as their contractual cash flow characteristics.

Financing as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Company analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS (9).

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

**B- Financial Liabilities'**

The company classifies its financial liabilities into the following measurement categories in accordance with International Financial Reporting Standard No. (9)

On initial recognition, the financial liabilities are classified as:

A. Financial liabilities measured at amortized cost.

B. Financial liabilities measured at fair value through profit or loss.

The company derecognises financial liabilities when contractual obligations are fulfilled, canceled or expired. The company also evaluates at each reporting date whether the financial assets carried at amortized cost have a low credit value.

The application of International Financial Reporting Standard No. (9) did not have a material impact on the company's accounting policies relating to financial liabilities and derivative financial instruments.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**s. Changes in significant accounting policies**

**B- Financial Liabilities'**

**• IFRS (15) Revenue from Contracts with Customers.**

IFRS (15) was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under this standard, revenue is recognized when the customer obtains controls of the goods at a point in time i.e. on delivery and acknowledgement of goods, which is in line with the requirements of IFRS (15). Accordingly, there is no material effect of adopting 'IFRS (15) Revenue from Contracts with Customers' on the recognition of Revenue of the Company.

The new revenue standard replaces all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2019.

The company has implemented the International Financial Reporting Standard No. (16) "Lease Contracts" as of January 1, 2019, the application of the standard has been clarified below. There are no new standards that have been issued. However, a number of amendments to the standards are effective from January 1, 2020, but not for them. Impact on the financial statements of the company.

**• IFRS (16) Leases**

IFRS (16) was issued in January 2016 and IFRS (16) replaces existing leases guidance including IAS (17) Leases, IFRIC (4) Determining whether an arrangement contains a Lease, SIC-(15) Operating Leases-Incentives and SIC-(27) Evaluating the substance of transactions involving the legal Form of a lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-statement of financial position model similar to the accounting for finance leases under IAS (17). The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS (16) is substantially unchanged from today's accounting under IAS (17). Lessors will continue to classify all leases using the same classification principle as in IAS (17) and distinguish between two types of leases: operating and finance leases. Accordingly, there is no significant impact from the application of IFRS No. (16) "lease contracts" on the company's rents.



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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

<b>New standards, amendments to standards and interpretations</b>	<b>Effective date</b>
<b>New standards or amendments</b>	
Amendments to References to Conceptual Framework in IFRS Standards Definition of Material (Amendments to IAS 1 and IAS 8) Definition of a Business (Amendments to IFRS 3) Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	1 January 2020
COVID-19-Related Rent Concessions (Amendment to IFRS 16)	1 June 2020
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) Annual Improvements to IFRS Standards 2018–2020 Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022
Classification of Liabilities as Current or Non-current (Amendments to IAS 1) IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts	1 January 2023
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Available for optional adoption/ effective date deferred indefinitely

The company expects to apply the above standards and interpretations (improvements) to the financial statements as per the date mentioned in the standard with expectations that there will be no material impact on the financial statements of the company.

**4. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents as of December 31 comprise the following:

	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
Cash at banks	<u>124,711</u>	<u>84,028</u>
	<u>124,711</u>	<u>84,028</u>




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**5. TRADE RECEIVABLE NET**

Trade receivables as of December 31 comprise the following:

	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
Trade receivables	1,297,531	1,306,031
Provision for doubtful debts	<u>(1,297,531)</u>	<u>(1,293,531)</u>
	<u>-</u>	<u>12,500</u>

Provision for doubtful debts as at December 31 comprises of the following:

	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
Balance as January 1	1,293,531	1,293,531
Charge for the year	4,000	-
Balance as December 31	<u>1,297,531</u>	<u>1,293,531</u>

**6. INVENTORIES NET**

Inventories as at December 31 comprises of the following:

	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
Fertilizers and pesticides	116,121	116,121
Oils	43,061	43,061
Provision for slow moving and damaged goods	<u>(159,182)</u>	<u>(159,182)</u>
	<u>-</u>	<u>-</u>

**7. PREPAYMENTS AND OTHER ASSETS NET**

	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
Employees receivables	845,756	860,254
Prepaid expenses	85,217	4,665
Advances to suppliers	1,740	1,740
Accrued dividend	-	180,000
Other receivables	-	1,172,527
Provision for impairment of receivables	<u>(846,114)</u>	<u>(846,114)</u>
	<u>86,599</u>	<u>1,373,072</u>

- Employees receivables and advance to employees include an amount of 846,114 Saudi riyals (846,144 Saudi riyals in 2019), representing a balance for more than a year, while the provision for impairment in the values of receivables amounted to 846,114 Saudi riyals (846,144 Saudi riyals in 2019). The company's management believes that it will be possible to recover these outstanding receivables after deducting the provision in the near future.

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**8. PROPERTY, PLANT AND EQUIPMENTS, NET**

Property, Plant and equipment's comprised the following as of December 31:

<u>Cost</u>	<u>Lands</u>	<u>Buildings and construction</u>	<u>Machinery &amp; equipment's</u>	<u>Motor vehicles</u>	<u>Furniture &amp; fixtures</u>	<u>Total</u>
Balance as at January 1	171,307,811	42,028,722	2,211,417	168,578	115,600	215,832,128
Additions during the year	-	-	-	-	5,547	5,547
Disposals during the year	-	(864,616)	(265,000)	-	-	(1,129,616)
<b>Balance as at December 31</b>	<b>171,307,811</b>	<b>41,164,106</b>	<b>1,946,417</b>	<b>168,578</b>	<b>121,147</b>	<b>214,708,059</b>
<u>Depreciation</u>						
Balance as at January 1	-	29,018,051	2,202,186	168,577	88,526	31,477,340
Additions during the year	-	636,022	3,221	-	23,297	662,540
Disposals during the year	-	(864,615)	(264,999)	-	-	(1,129,614)
<b>Balance as at December 31</b>	<b>-</b>	<b>28,789,458</b>	<b>1,940,408</b>	<b>168,577</b>	<b>111,823</b>	<b>31,010,266</b>
<u>Net Book Value</u>						
<b>December 31, 2020</b>	<b>171,307,811</b>	<b>12,374,648</b>	<b>6,009</b>	<b>1</b>	<b>9,324</b>	<b>183,697,793</b>
December 31, 2019	171,307,811	13,010,671	9,231	1	27,074	184,354,788

- Depreciation of property, plant and equipment's amounted to SAR 662,540 and 1,118,943 SAR for the years ended December 31, 2020 and 2019, respectively,  
- The book value of the company's assets excluding lands amounted to 12,389,982 Saudi riyals and (13,046,977)  
the company's management believes that there is no impairment in these assets as of December 31, 2020, and 2019, respectively.  
- The above lands item represents the lands allocated to the company from the government (government grants) (note.18). The value of the lands as on December 31, 2020 amounted to 171,307,811 Saudi riyals (171,307,811 Saudi riyals for the year 2019) .





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**9. INVESTMENTS IN ASSOCIATES**

a) Following is a summary of investments in companies as of December 31:

<u>Company Name</u>	<u>Location</u>	<u>Ownership</u>	<u>2020</u>	<u>2019</u>
National company for seed production	Saudi Arabia	2.80%	825,600	825,600
United dairy farms company	Saudi Arabia	8.28%	600,000	600,000
			<u>1,425,600</u>	<u>1,425,600</u>

b) The value of dividends payable on investments in the United Dairy Farms Company amounted Zero Saudi riyals as of December 31, 2020 (180,000 Saudi riyals as of December 31 2019).

**10. 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.

**11. STATUTORY RESERVE**

The Companies Law in the Kingdom of Saudi Arabia and the Company's Articles of Association 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.

**12. TRADE PAYABLES**

	<u>31 December</u>	<u>31 December</u>
	<u>2020</u>	<u>2019</u>
Trade payable	3,933,954	3,878,036
	<u>3,933,954</u>	<u>3,878,036</u>

**13. ACCRUED EXPENSES AND OTHER LIABILITIES**

Accrued expenses and other liabilities as at December 31 consist of the following:

	<u>31 December</u>	<u>31 December</u>
	<u>2020</u>	<u>2019</u>
Allowances and bonuses for members of the Board of Directors and other committees	1,751,584	1,342,500
Accrued employees' salaries and benefits	1,225,008	1,200,315
Provision of legal cases	1,071,719	854,221
Accrued expenses for studies and consultations*	1,045,765	2,167,579
Rents received in advance	136,376	176,371
Accrued rent	122,409	22,570
Others	1,241,656	1,194,205
	<u>6,594,517</u>	<u>6,957,761</u>

\*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, according to which the agreement was signed between the Eastern Development Company and Mr. Omar bin Saleh bin Abdulaziz Babiker with the aim 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, by increasing the company's capital and issuing compensation shares for the value of the assets to be acquired, which included that 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 Rajab 13 1441 AH corresponding to (March 8, 2020) to vote on the aforementioned acquisition deal, and the results of the vote were represented in not approving the acquisition deal in exchange for the issuance of new shares, and during the year Mr. Omar Babiker paid all expenses owed to the financial advisor and therefore the existing balance is the value of the company owed in favor of Mr. / Omar Babiker as on December 31, 2020.




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**14. DUE TO RELATED PARTY**

Related parties are dealings with associates, non-executive directors and employees, The top management of the company where the employees of the top management are the people who exercise authority and responsibility in planning, Managing and controlling the company's activities, directly or indirectly, including managers. In the normal course of its business, the Company had the following significant transactions with major related parties during the year ending December 31, 2020 and 2019 as follows:

<u>Name</u>	<u>Relation</u>
Mr. Mohammed Alhejelan	CEO and Managing Director
Mr. Sami Alkhatheri	ShareHolder

The following are the main transactions and the amounts related to them:

	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
Payments on behalf of the company	456,669	47,900
Allowances and bonuses for members of the Board of Directors	409,084	393,000

Due to related parties as of December 31, 2020 and 2019 are as follows:

	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
Mr. Mohammed Alhejelan	196,951	47,900
Mr. Sami Alkhatheri	259,718	-
	<u>456,669</u>	<u>47,900</u>

**15. SHORT TERM LOAN**

During the last year, the company obtained credit facilities 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 10,000,000 Saudi riyals for a period of one year, subject to renewal. These murabaha are subject to the prevailing interest rates among Saudi banks (SAIBOR) plus a profit margin at the rate of 3% annually. These facilities are guaranteed by the member of the Board of Directors through a continuous guarantee of solidarity and solidarity that is not irrevocable in addition to a bond for an order by him in favor of the bank. The financing expenses for the year ended December 31, 2020 amounted to 143,216 Saudi riyals (542,227 Saudi riyals for the year ended December 31, 2019), and during the current year the amounts due from the loan were rescheduled until the end of the second quarter of 2021.

**16. ACCRUED DIVIDEND**

The amounts of distributions payable to shareholders with a balance of 1,359,072 Saudi riyals as of December 31, 2020 (1,359,072 Saudi riyals as of December 31, 2019) represents dividends payable to shareholders who did not approach banks to receive these distributions pertaining to previous years.

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**17. ESTIMATED ZAKAT PROVISION**

- a) The company received from the Department of Zakat and Income the final assessment for the period from 31/7/1991 to 31/7/1994, in which the Department of Zakat and Income asked the company to pay an amount of 3,762,232 Saudi riyals and the company recorded this amount in the zakat appraisal provision, and the company submitted an objection to The aforementioned assessment, and on January 9, 2017, the company received another letter from the Department of Zakat and Income for the years under review from 1991 until 2014, which states that the company is required to pay zakat amounts amounting to 19.2 million Saudi riyals, The company had already made a provision for zakat for those years amounting to 8.9 million Saudi riyals, and for this the company created an additional provision of 10,000,000 Saudi riyals to cover these additional amounts in the previous financial statements, The company has filed an objection to the aforementioned link once again on the above mentioned period.
- On 28/7/2018, the company's management received the decision of the primary tax objection committee, which includes the committee's opinion on the company's objection submitted to the zakat assessment for the years from 1995 to 2014, as this decision includes the committee's support for the company's objection in five zakat items, while The company's objection was rejected in nine other items, and an appeal was submitted by the company's zakat advisor, and no final judgment was issued until the date of these financial statements. In 2018, the company's management paid the zakat amount owed for the fiscal year 2015, which amounted to (192,991) Saudi riyals. During the current year, the company was informed on 27 Jumada al-Thani 1441 AH corresponding to (February 22, 2020) that there are amounts due to be paid to the General Authority for Zakat and Income, with a total amount of 19,745,456 Saudi riyals, and the company created an additional provision in the amount of 963,792 Saudi riyals (note 19) that was recorded in the financial statements For the year 2019, the letter also stated that the General Authority for Zakat and Income will resort to implementing compulsory collection procedures against the company in the event of failure to pay all dues owed by the company within a maximum period of (20) Twenty days from the date of the claim, and during the third quarter of the current year the company also received notices of other amendment to the zakat assessments for the years 2015 and 2017, with a total amount of 175,132 Saudi riyals. During the subsequent period, the company submitted the settlement file to the settlement committees of the General Authority of Zakat and Income, as the company received a receipt notification from the committee for the settlement file, and accordingly, a date will be set by the relevant committee to start the settlement dialogue sessions. The company's management is currently seeking, through direct communication with the relevant authorities of the General Authority for Zakat and Income, to negotiate with them on a specific mechanism for settlement through which the company is granted a payment discount on the total amount required in exchange for direct and full payment.

- b) The company submitted its zakat declarations for the Department of Zakat and Income for the previous years and up to 2019.

- c) **The zakat provision was calculated based on the following:**

	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
Shareholders' equity - as per GAZT	145,243,909	212,714,071
Provisions beginning of the year and other Adjustments	42,289,644	35,466,576
Book value of long term assets - as per GAZT	(183,697,793)	(184,354,788)
Investments	(1,425,600)	(1,425,600)
Adjusted loss for the year	(1,761,412)	(66,516,319)
Zakat base	<u>648,748</u>	<u>(4,116,060)</u>
Zakat calculated	<u>18,261</u>	<u>-</u>

Zakat is payable at 2.5% of the adjusted net profit attributable to shareholders and 2.58474% of the Zakat base after deducting the adjusted net profit.

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**17. ESTIMATED ZAKAT PROVISION (CONTINUED)**

**d) Adjusted net loss for the year**

The adjusted net loss for the year reconciliation is as follows:

	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
Net losses for the year	(2,203,860)	(67,473,419)
Other Provisions	430,448	1,122,974
Dividends from investments in companies	-	(180,000)
Additions to employees' end of service benefits	12,000	14,126
Adjusted net loss for the year	<u>(1,761,412)</u>	<u>(66,516,319)</u>

**e) The following is the movement in zakat provision for the year ended December 31:**

The adjusted net income for the year reconciliation is as follows:

	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
Balance at the beginning of the year	19,745,456	18,781,664
charge for the year	18,261	-
Zakat assessments pertaining to previous years	175,132	963,792
Balance at the end of the year	<u>19,938,849</u>	<u>19,745,456</u>

**18. EMPLOYEES' DEFINED BENEFITS OBLIGATIONS**

The following tables summarize the components of the provision for employee benefit obligations recognized in the statement of profit and loss and the amounts recognized in the statement of comprehensive income and the statement of financial position:

**a) The amount recognized in the balance sheet:**

	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
The present value of the defined benefits obligation	47,097	17,854
	<u>47,097</u>	<u>17,854</u>

**b) Benefits expenses (recognized in the profit and loss statement):**

	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
The current cost of services	12,000	14,126
	<u>12,000</u>	<u>14,126</u>

**c) Movement on the present value of the defined benefits obligation:**

	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
The present value of the benefits obligation specified at the beginning of the year	17,854	6,985
Expenses recognized in the profit and loss statement are the cost of current services	12,000	14,126
Actuarial gains based on a defined benefits plan recognized in the statement of comprehensive income	17,243	(3,257)
Present value of the defined benefit obligation at the end of the year	<u>47,097</u>	<u>17,854</u>

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**18. EMPLOYEES' DEFINED BENEFITS OBLIGATIONS (CONTINUED)**

**c) Movement on the present value of the defined reward obligation:**

The main assumptions used for the purposes of the actuarial valuation were as follows:

The employees turnover rate	Medium
Salary increase	3,05%
Discount rate for cash flow	3,05%

**19. RESTRICTED GOVERNMENT GRANTS - (LANDS INCLUDED IN PROPERTY, PLANT AND EQUIPMENTS)**

Among the property, machinery and equipment item, lands appear in the form of government grants represented in the value of lands allocated to the company from the state (the state gift), where the reclaimed part of it was evaluated by the company's board of directors in 1407 AH at 7 halala per square meter. The area of the part that was evaluated in At that time, the land amounted to 65,234,561 square meters with a total amount of 4,566,419 Saudi riyals, and the remaining part of the land with an area of 36,019,439 square meters was recorded at a value of 6 riyals per meter in 2017 and a total amount of 216,166,634 Saudi riyals to become a total The recorded space in the company's books is 101,254,000 square meters, and a total amount of 220,683,053 Saudi riyals.,

The company received on 8 Jumada Al-Thani 1441 AH corresponding to (February 2, 2020) a decision issued by the Ministry of Environment, Water and Agriculture stating the following:

That the Minister of Environment, Water and Agriculture and based on Royal Decree No. 4/1016 / AD dated 03/06/1406 AH, and based on Cabinet Resolution No. 288 dated 05/30/1440 AH, which stipulates the ownership of the joint-stock agricultural company (according to the applicable statutory procedures) equivalent to the living area, and after reviewing the minutes of the Central Committee for the Distribution of Fallen Lands No. 2142 dated 26/08/1440 AH, and which it recommended that Al-Sharqiyah Agricultural Development Company own an area equivalent to the area that it revived from the area allocated to it according to the allocation decision No. 49078 dated 22/07/1406 AH. Whereas, the royal residence was approved by the king Order No. (24682) dated 15/4/1441 AH,

Decided the following:

First: Ownership / Sharqiya Development Company The land located 17 km from the Al-Fadhili Triangle / Abu Hadriya, and its area is 72,178,700 dunams (seventy-two million one hundred and seventy-eight thousand seven hundred square meters) and its coordinates are shown in Plan No. 1209 dated 02/08/1440 AH.

And its limits

And its ruling coordinates /

North / 50 meters wide road – 7618,28 meters long

South / 50 meters width road – 7594,48 meters long

East / 50 meters wide road – 9528,67 meters long

To the west / 50 meters wide road – 9448,49 meters long

NUMBER	EAST	NORTH
1	312672,58	2971108,23
70	320236,16	2970197,44
77	319041,32	2960743,98
120	311511,30	2961731,37

Second: This land is used in accordance with the laws and policies regulating agriculture.

Third: This decision is not considered enforceable except after being approved by the King.

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**19. RESTRICTED GOVERNMENT GRANTS - (LANDS INCLUDED IN PROPERTY, PLANT AND EQUIPMENTS) (CONTINUED)**

In line with International Accounting Standard (10) - events after the reporting period - as this decision refers to events that provide evidence of circumstances that existed at the end of the reporting period for the year ending on December 31, 2019, which requires modification to the financial statements. The financial statements for the year ended on December 31, 2019 have been adjusted by amount of 63,369,605 Saudi riyals, so the value of the land item becomes 171,307,811 Saudi riyals.

**20. GENERAL AND ADMINISTRATIVE EXPENSES**

General and administrative expenses for the years ended December 31. Represented as follows:

	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
Allowances and bonuses for members of the Board of Directors and other committees	409,084	393,000
Employees salaries and benefits	398,474	467,812
Legal expenses	276,316	13,553
Fees and subscriptions	227,261	507,231
Zakat assessments for previous years (Note 16)	175,132	963,792
Depreciation	137,369	342,132
Professionals Fees and consultations	129,975	117,139
Rentals	118,506	118,668
Penalty expenses	80,000	-
Maintenance and fuel	34,307	120,551
Advertising expenses	25,079	22,917
Telephone and postage	14,451	20,029
Provision for doubtful debts	4,000	-
Hospitality and cleanliness	2,150	2,329
Stationery	1,891	5,479
Car expenses	-	5,117
Others	34,850	59,670
	<u>2,068,845</u>	<u>3,159,419</u>

**21. OTHER INCOME**

Other income for the years ended December 31, Represented as follows:

	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
Gain from the sale of property, machinery and equipment	203,868	103,427
Income from the rental of cowsheds	140,000	140,000
Income from leasing communications towers	110,000	110,000
Others	79,504	398
	<u>533,372</u>	<u>353,825</u>

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**22. OTHER IMPORTANT MATTERS AND CONTINGENT LIABILITIES**

1-The company received on 8 Jumada Al-Thani 1441 AH corresponding to (February 2, 2020) a decision issued by the Ministry of Environment, Water and Agriculture No. 321450/1441/1062 and the date of Jumada Al-Uola 6 1441 AH corresponding to (January 1, 2020), which includes the ownership of the Eastern Development Company for an area of (72,178,700 square meters) of the total land area of the grant provided to the company, as the decision of the Ministry of Environment, Water and Agriculture stipulated the approval of the king to be enforced.

In line with International Accounting Standard (10) - events after the reporting period - as this decision refers to events that provide evidence of circumstances that existed at the end of the reporting period for the year ending on December 31, 2019, which requires modification to the financial statements. The financial statements for the year ended on December 31, 2019 have been adjusted by amount of 63,369,605 Saudi riyals, so the value of the land item becomes 171,307,811 Saudi riyals.

2- There is a lawsuit filed against the company by the heirs of one of the shareholders to demand the Eastern Development Company to pay an 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 paying a quarter of the value of the shares at that time and the company notifying all the shareholders of the necessity to pay the sums they owed them. On a regular basis, the company's management believes that there is no obligation that may arise as a result of the aforementioned order, and therefore no provisions have been made in the accompanying financial statements.

**23. LOSS OF SHARE:**

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

	<u>2020</u>	<u>2019</u>
Net loss for the year attributable to the shareholders of the company	(2,239,364)	(67,470,162)
Weighted average number of shares	<u>7,500,000</u>	<u>7,500,000</u>
Loss of share	<u>(0,30)</u>	<u>(9,00)</u>

**24. FINANCIAL INSTRUMENTS - RISK MANAGEMENT**

Financial instruments included in the statement of financial position mainly include bank balances. investments in companies. accounts receivable and other assets. bank facilities. payables and other liabilities.

**Commission rate risk:**

The risk arising from fluctuation in the value of financial instruments resulting from fluctuations in commission rates prevailing in the market. The company does not have significant assets or liabilities related to commission rates as of December 31, 2020. with the exception of bank facilities. and the management believes that the risk of change in commission rates for bank facilities. if any. is not material as on December 31, 2020.

**Credit risk:**

Credit risk is the inability of one party to meet its obligations. which results in the other party incurring a financial loss. The company does not have significant concentration of credit risk. Accounts receivable of customers are constantly reviewed and the ages of those receivables are analyzed and the necessary provisions are formed to meet any doubtful receivables. The balance of receivables is shown after deducting doubtful debts. The company keeps the cash with local banks with good credit rating.

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**24. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (CONTINUED)**

**Liquidity risk:**

It is the risk that the company will not be able to fulfill its obligations. Liquidity risk is managed by monitoring it regularly to ensure that sufficient liquidity is available to meet any future liabilities.

**Currency risk:**

This is the risk of change in the value of financial instruments due to changes in foreign exchange rates. The management monitors fluctuations in foreign exchange rates and believes that the company is not significantly exposed to currency risk since the primary transactions of the company are in Saudi riyals within the borders of the Kingdom of Saudi Arabia.

**Fair value:**

The fair value is the value that would be received to sell an asset, or paid to transfer any of the liabilities in regular transactions between market participants at the measurement date. As such, differences can arise between the carrying values and the fair value estimates. The definition of fair value is based on the presumption that the company continues its business without any intention or need to downsize its operations or to conduct a deal on adverse terms.

**Fair value of financial instruments carried at amortized cost:**

Management considers that the carrying value of financial assets and financial liabilities carried at amortized cost in the financial statements approximates their fair value.

**Valuation techniques and assumptions applied to the fair value measurement:**

The fair value of the financial assets and liabilities is determined using the valuation techniques and similar assumptions used in preparing the annual audited financial statements for the year ended December 31, 2020.

**25. RECLASSIFICATION:**

Certain financial statement balances for the year ended December 31, 2019 have been reclassified to conform to the classification used for the year ended December 31, 2020.

**26. APPROVAL OF FINANCIAL STATEMENTS:**

These financial statements were approved by the Board of Directors on Shaban 17, 1442 H corresponding to (March 30, 2021).

