

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

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021**  
**TOGETHER WITH REPORT ON REVIEW OF CONDENSED INTERIM**  
**FINANCIAL STATEMENTS**



**Crowe**

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

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

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021**

**TOGETHER WITH REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS**

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**REPORT ON REVIEW OF  
CONDENCED INTERIM FINANCIAL STATEMENTS**

**TO: THE SHAREHOLDERS OF  
AL-SHARQIYAH DEVELOPMENT COMPANY  
(A Saudi Joint Stock Company)**

**Introduction:**

We have reviewed the accompanying condensed interim statement of financial position of **AL-SHARQIYAH DEVELOPMENT COMPANY (the "Company")** as at 31 March 2021, and the related condensed interim statement of comprehensive income, changes in shareholders' equity and cash flows for the three-months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard (34) "Interim Financial Reporting" endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

**Scope of Review:**

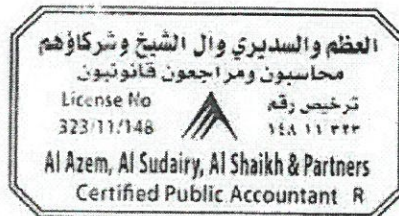
We conducted our review in accordance with International Standard on Review Engagements - 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are 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 an 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 condensed interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard (34) "Interim Financial Reporting" endorsed in the Kingdom of Saudi Arabia.

**Emphasis of matter:**

We would like to draw attention to note (1-c) about the accompanying condensed interim financial statements related to going concern issue of the company, and as mentioned in note (1-c), 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 conclusion is not modified in respect of this matter.



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

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

24 Ramadan 1442H (06 May 2021)  
Dammam, Kingdom of Saudi Arabia

Audit, Tax & consultants

Salman B. AlSudairy  
License No. 283

Musad A. AL Shaikh  
License No. 658

Abdullah M. AlAzem  
License No. 335

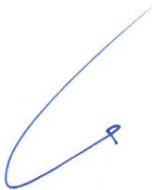


**AL-SHARQIYAH DEVELOPMENT COMPANY****(A Saudi Joint Stock Company)****CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (Unaudited)**

As at March 31, 2021

(Saudi Riyals)

	<u>Note</u>	31 March 2021 (Unaudited)	31 December 2020 (Audited)
<b><u>Assets</u></b>			
<b>Non-current assets</b>			
Property plant and equipment's, net		183,541,931	183,697,793
Investment in companies		1,425,600	1,425,600
<b>Total non-current assets</b>		<b>184,967,531</b>	<b>185,123,393</b>
<b>Current assets</b>			
Prepayments and other assets, net		64,440	86,599
Trade receivables, net		2,000	-
Cash and cash equivalents		206,546	124,711
<b>Total current assets</b>		<b>272,986</b>	<b>211,310</b>
<b>Total assets</b>		<b>185,240,517</b>	<b>185,334,703</b>
<b><u>Shareholder's equity and liabilities</u></b>			
<b>Shareholder's equity</b>			
Share capital	4	75,000,000	75,000,000
Statutory reserve	5	3,276,667	3,276,667
Retained earnings		64,413,936	64,727,878
<b>Total shareholder's equity</b>		<b>142,690,603</b>	<b>143,004,545</b>
<b>Non-current liabilities</b>			
Employees' defined benefits obligations		50,297	47,097
<b>Total non-current liabilities</b>		<b>50,297</b>	<b>47,097</b>
<b>Current liabilities</b>			
Estimated zakat provision		19,938,849	19,938,849
Accrued dividends	9	1,359,072	1,359,072
Short term loan	8	10,000,000	10,000,000
Due to related parties	7	432,890	456,669
Accrued expenses and other liabilities	10	6,795,623	6,594,517
Trade payables		3,973,183	3,933,954
<b>Total current liabilities</b>		<b>42,499,617</b>	<b>42,283,061</b>
<b>Total liabilities</b>		<b>42,549,914</b>	<b>42,330,158</b>
<b>Total shareholder's equity and liabilities</b>		<b>185,240,517</b>	<b>185,334,703</b>




The accompany notes from (1) to (17) are integrated part of these condensed interim financial statements

**AL-SHARQIYAH DEVELOPMENT COMPANY****(A Saudi Joint Stock Company)****CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Unaudited)****FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021****(Saudi Riyals)**

	<u>Note</u>	<u>31 March 2021</u> <u>(Unaudited)</u>	<u>31 March 2020</u> <u>(Unaudited)</u>
Sales		-	-
Cost of sales		(129,140)	(130,575)
<b>Gross loss</b>		<u>(129,140)</u>	<u>(130,575)</u>
General and administrative expenses	11	(387,897)	(365,194)
<b>Net loss from main operations</b>		<u>(517,037)</u>	<u>(495,769)</u>
Finance expenses	8	(97,817)	(105,660)
Other income	12	300,912	91,288
<b>Net loss for the period</b>		<u>(313,942)</u>	<u>(510,141)</u>
<b>Other Comprehensive Losses:</b>		-	-
<b>Total Other comprehensive losses for the period</b>		<u>(313,942)</u>	<u>(510,141)</u>
<b>LOSS PER SHARE:</b>	13	<u>(0,04)</u>	<u>(0,07)</u>

The accompany notes from (1) to (17) are integrated part of these condensed interim financial statements

**AL-SHARQIYAH DEVELOPMENT COMPANY**  
**(A Saudi Joint Stock Company)**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)**  
**FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021**  
**(Saudi Riyals)**

	Share capital	Statutory reserve	Retained earnings	Total shareholders' Equity
Balance as at 1 January 2020 (audited)	75,000,000	3,276,667	66,967,242	145,243,909
Net loss for the period	-	-	(510,141)	(510,141)
Balance as at 31 March 2020 (unaudited)	75,000,000	3,276,667	66,457,101	144,733,768
Balance as at 1 January 2021 (audited)	75,000,000	3,276,667	64,727,878	143,004,545
Net loss for the period	-	-	(313,942)	(313,942)
Balance as at 31 March 2021 (unaudited)	75,000,000	3,276,667	64,413,936	142,690,603

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The accompanying notes from (1) to (17) are integrated part of these condensed interim financial statements



**AL-SHARQIYAH DEVELOPMENT COMPANY**  
**(A Saudi Joint Stock Company)**  
**CONDENSED INTERIM STATEMENT OF CASH FLOWS (Unaudited)**  
**FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021**  
**(Saudi Riyals)**

	<b>31 March 2021</b> <b>(Unaudited)</b>	<b>31 March 2020</b> <b>(Unaudited)</b>
<b>Cash flows from operating Activities:</b>		
Net loss for the period	(313,942)	(510,141)
<b>Adjustments to reconcile net loss with net cash provided by (used in) operating activities:</b>		
Depreciation	158,851	164,470
Provision for employees' defined benefits obligations	3,200	3,200
	<u>(151,891)</u>	<u>(342,471)</u>
<b>Changes in working capital items:</b>		
Prepayments and other assets, net	22,159	1,187,478
Accounts receivable, net	(2,000)	-
Accrued expenses and other liabilities	201,106	(1,260,497)
Trade payables	39,229	(48,934)
<b>Net cash provided by (used in) operating activities</b>	<u>108,603</u>	<u>(464,424)</u>
<b>Cash flows from Investing Activities:</b>		
Purchase of property plant and equipment	(2,989)	-
<b>Net cash used in investing activities</b>	<u>(2,989)</u>	<u>-</u>
<b>Cash flows from Financing Activities:</b>		
Due to related parties	(23,779)	402,581
Due to bank	-	59,433
<b>Net cash (used in) provided by financing activities</b>	<u>(23,779)</u>	<u>462,014</u>
<b>Net change in cash and cash equivalents</b>	<b>81,835</b>	<b>(2,410)</b>
Cash and cash equivalents at the beginning of the period	<u>124,711</u>	<u>84,028</u>
<b>Cash and cash equivalents at the end of the period</b>	<u><b>206,546</b></u>	<u><b>81,618</b></u>

The accompany notes from (1) to (17) are integrated part of these condensed interim financial statements

# AL-SHARQIYAH DEVELOPMENT COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021

(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- The results of operations for the condensed interim periods may not be an accurate indication of the results of the full year operations.

### c- 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 March 31, 2021, the company's current liabilities exceeded its current assets by SAR 42,226,631 (2020: 42,071,751 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.
- 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.



# AL-SHARQIYAH DEVELOPMENT COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021

(Saudi Riyals)

## 1. ACTIVITIES (CONTINUED)

### c- Going concern

-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 Condensed Interim Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting that is endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA") and should be read in conjunction with the Company's last annual Financial Statements as at and for the year ended 31 December 2020. They do not include all of the information required for a complete set of IFRS Financial Statements however, accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since December 31, 2020.. 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, 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 condensed interim financial statements are presented in Saudi Riyal. which is the company's functional currency.

### d. Use of estimates and judgments

The preparation of condensed interim 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.

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



# AL-SHARQIYAH DEVELOPMENT COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021

(Saudi Riyals)

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

The main accounting policies applied in preparing these condensed interim financial statements have been applied consistently to all periods presented.

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

No new standards have been issued, however, a number of amendments to the standards are in effect as of January 1, 2021, which have been explained in the company's annual financial statements, but have no material impact on the Company's condensed interim financial statements.

## 4. SHARE CAPITAL

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

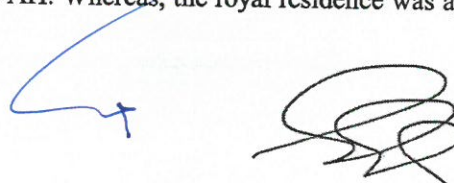
## 5. STATUTORY RESERVE

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

## 6. RESTRICTED GOVERNMENT GRANTS - (LANDS INCLUDED IN PROPERTY, PLANT AND EQUIPMENTS)

Among the property, plant 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), As mentioned below and according to the decision issued by the Ministry of Environment, Water and Agriculture, which includes the ownership of the Al Sharqiya Development Company of an area (72,178,700 square meters), where the net book value of the lands as on March 31, 2021 amounted to 171,307,811 Saudi riyals, (December 31, 2020: SAR 171,307,811). 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 30/05/1440 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,





**AL-SHARQIYAH DEVELOPMENT COMPANY****(A Saudi Joint Stock Company)****NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)****FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021****(Saudi Riyals)****8. 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 period ended March 31, 2021 amounted to 97,817 Saudi riyals (105,660 Saudi riyals for the period ended March 31, 2020), and during year 2020 the amounts due from the loan were rescheduled until the end of the second quarter of 2021.

**9. ACCRUED DIVIDEND**

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

**10. ACCRUED EXPENSES AND OTHER LIABILITIES**

Accrued expenses and other liabilities as at March 31, 2021 and December 31, 2020 consist respectively:

	<u>2021</u>	<u>2020</u>
Allowances and bonuses for members of the Board of Directors and other committees	1,888,834	1,751,584
Accrued employees' salaries and benefits	1,235,171	1,225,008
Provision of legal cases	1,105,537	1,071,719
Accrued expenses for studies and consultations*	1,045,765	1,045,765
Accrued rent	151,410	122,409
Rents received in advance	113,876	136,376
Others	1,255,030	1,241,656
	<u>6,795,623</u>	<u>6,594,517</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 2020 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 March 31, 2021.



**AL-SHARQIYAH DEVELOPMENT COMPANY****(A Saudi Joint Stock Company)****NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)****FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021****(Saudi Riyals)****11. GENERAL AND ADMINISTRATIVE EXPENSES**

General and administrative expenses for the two periods ending on March 31, 2021 and 2020, respectively, consist of the following:

	<u>2021</u>	<u>2020</u>
Allowances and bonuses for members of the Board of Directors and other committees	129,750	103,750
Employees salaries and benefits	99,755	93,547
Fees and subscriptions	45,500	47,100
Depreciation	29,711	33,895
Rents	29,001	30,252
Professionals Fees and consultations	23,375	32,067
Maintenance and fuel	6,055	11,509
Telephone and postage	3,699	2,914
Stationery	2,756	1,820
Hospitality and cleanliness	461	661
Advertising expenses		7,036
Others	17,834	643
	<u>387,897</u>	<u>365,194</u>

**12. OTHER INCOME**

Other income for the two periods ending on March 31 consist of the following:

	<u>2021</u>	<u>2020</u>
Income from the sale scrap	221,391	-
Income from the rental of cowsheds	35,000	35,000
Income from rent of communications towers	27,500	27,500
Others	17,021	28,788
	<u>300,912</u>	<u>91,288</u>

**13. 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>For the period ended March 31, 2021</u>	<u>For the period ended March 31, 2020</u>
Net loss for the year attributable to the shareholders of the company	(313,942)	(510,141)
Weighted average number of shares	7,500,000	7,500,000
Loss of share	<u>(0,04)</u>	<u>(0,07)</u>

**14. 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 March 31, 2021.

## **AL-SHARQIYAH DEVELOPMENT COMPANY**

**(A Saudi Joint Stock Company)**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)**

**FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021**

**(Saudi Riyals)**

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### **14. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (CONTINUED)**

#### **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.

#### **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 period ended March 31, 2021.

### **15. CONTINGENT LIABILITIES**

There is a lawsuit filed against the company by the heirs of one of the shareholders to demand the Al Sharqiah 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 condensed interim financial statements.

### **16. RECLASSIFICATION:**

Certain financial statement balances for the period ended March 31, 2020 have been reclassified to conform to the classification used for the period ended March 31, 2021.

### **17. APPROVAL OF CONDENSED INTERIM FINANCIAL STATEMENTS:**

The condensed interim financial statements were approved by the Board of Directors on 24 Ramadan 1442H (corresponding to May 06, 2021).

