

**TABUK AGRICULTURAL
DEVELOPMENT COMPANY "TADCO"
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)**

**FOR THE THREE-MONTH AND NINE-MONTH
PERIODS ENDED 30 SEPTEMBER 2021 AND
INDEPENDENT AUDITOR'S REVIEW REPORT**

TABUK AGRICULTURAL DEVELOPMENT COMPANY "TADCO"
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three-month and nine-month periods ended 30 September 2021

INDEX

| <i>Content</i> | Page No. |
|---|-----------------|
| Independent auditor's review report | 2 |
| Interim condensed consolidated statement of financial position (unaudited) | 3 |
| Interim condensed consolidated statement of profit or loss and other comprehensive income (unaudited) | 4 |
| Interim condensed consolidated statement of changes in shareholders' equity (unaudited) | 5 |
| Interim condensed consolidated statement of cash flows (unaudited) | 6-7 |
| Notes to interim condensed consolidated financial statements (unaudited) | 8-25 |

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE SHAREHOLDERS OF TABUK AGRICULTURAL DEVELOPMENT COMPANY "TADCO" (A SAUDI JOINT STOCK COMPANY)

Introduction

We have reviewed the accompanying interim condensed consolidated financial statement of Tabuk Agricultural Development Company "TADCO", a Saudi Joint Stock Company ("the Company") and its Subsidiaries (collectively referred to as "the Group"), including the interim condensed consolidated statement of financial position as at 30 September 2021 and the related interim condensed consolidated statement of profit or loss and other comprehensive income for the three-month and nine-month periods then ended, and the interim condensed consolidated statements of changes in shareholders' equity and cash flows for the nine-month periods then ended and a summary of significant accounting policies and other explanatory notes from 1 to 19 form an integral part of these interim condensed consolidated financial statements.

Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Emphasis of matters

As indicated in Note 2 to the interim condensed consolidated financial statements, the group financial statements includes the financial statement of Masader Agricultural Feed Mill Ltd Company "Subsidiary Company", in which the statutory and regulatory procedures to transfer ownership of assets and all operation activities to the Company have not been completed, in accordance with the signed agreement between the establishment owner (one of the shareholders) and the Company, our opinion is not modified in respect of this matter, which total assets of Masader Agricultural Feed Mill Ltd. Company included in these interim condensed consolidated financial statements amount to SAR 54,5 million, and total liabilities amount to SAR 12 million, net shareholder's equity amount to SAR 42,4 million, revenues amount to SAR 5,7 million, and the total expenses amount to SAR 9 million.

For Dr. Mohamed Al-Amri & Co.



Jamal M. Al-Amri
Certified Public Accountant
Registration No. 331



11/11/2021(G)
06/04/1443(H)

TABUK AGRICULTURAL DEVELOPMENT COMPANY "TADCO"
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2021
(Expressed in Saudi Riyals)

| | Note | 30 September 2021 (Unaudited) | 31 December 2020 (Audited) |
|--|------|-------------------------------------|----------------------------------|
| ASSETS | | | |
| Non-Current assets | | | |
| Property, plant and equipment, net | (5) | 252,710,178 | 265,844,599 |
| right-of-use assets, net | | 126,495 | 136,309 |
| Intangible assets, net | | 6,413 | 9,619 |
| Biological assets, net | (6) | 20,566,300 | 13,901,351 |
| Capital work-in-progress, net | (7) | 63,022,973 | 57,198,332 |
| Investment | (8) | 16,127,449 | 16,700,896 |
| Total Non-current assets | | 352,559,808 | 353,791,106 |
| Current assets | | | |
| Inventories, net | (9) | 29,914,070 | 34,348,359 |
| Biological assets | (6) | 8,625,435 | 17,881,191 |
| Prepayments and other debit balances, net | | 27,013,682 | 24,008,863 |
| Murabaha investments - short term | | - | 5,000,000 |
| Due from related parties | (10) | 22,719,306 | 5,165,109 |
| Property, plant, and equipment held for sale | | 1,658,937 | 1,658,937 |
| Accounts receivable, net | | 15,097,705 | 19,547,166 |
| Cash and cash equivalents | | 69,753,779 | 4,174,564 |
| Total current assets | | 174,782,914 | 111,784,189 |
| Total assets | | 527,342,722 | 465,575,295 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | |
| Shareholders' equity | | | |
| Share capital | (1) | 391,767,000 | 241,767,000 |
| Statutory reserve | (11) | - | 68,019,821 |
| Other reserves | | 1,858,734 | 1,858,734 |
| Cost of issuing financial right instruments | (1) | (6,795,400) | - |
| Accumulated changes in other comprehensive income | | 94,841 | 1,018,879 |
| Accumulated losses | | (56,901,839) | (86,545,066) |
| Equity attributable to the shareholders of the Parent | | 330,023,336 | 226,119,368 |
| Non-controlling interest | | 40,015,915 | 13,149,944 |
| Total Equity | | 370,039,251 | 239,269,312 |
| Non-current Liabilities | | | |
| Long term borrowings - Non-current | | 4,254,086 | 12,527,119 |
| Employee benefit obligations | | 13,078,176 | 11,178,598 |
| Lease obligations - Non-current | | 133,846 | 133,846 |
| Deferred revenue - government grants | | 407,120 | 643,634 |
| Total Non-current Liabilities | | 17,873,228 | 24,483,197 |
| Current Liabilities | | | |
| Dismantling provision | | 2,150,000 | 2,150,000 |
| Claims provision | (17) | 6,040,745 | - |
| Provision for guarantee loan related to associate | | 18,033,952 | 20,194,852 |
| Bank facilities | | 2,033,008 | 6,845,910 |
| Long term loans - current | | 4,658,095 | 10,392,220 |
| Lease obligations - current | | 11,796 | 11,796 |
| Accounts payable | | 19,282,018 | 51,293,825 |
| Due to related parties | (10) | 27,185,013 | 41,212,165 |
| Accruals and other credit balances | | 29,476,514 | 33,089,461 |
| Dividends payable to shareholders | | 23,054,991 | 23,081,694 |
| Zakat | (16) | 7,504,111 | 13,550,863 |
| Total current Liabilities | | 139,430,243 | 201,822,786 |
| Total Liabilities | | 157,303,471 | 226,305,983 |
| Total Shareholders' equity and liabilities | | 527,342,722 | 465,575,295 |

Finance Manager
Name: Mohamed Saad Bakri

Signature: 

Chief Executive Officer
Name: Fahad A alsemaih

Signature: 

Delegated of Board of directors Member
Name: Yousif Abdullah Abaulaziz Alrajhi

Signature:  3

The accompanying notes from (1) to (19) form an integral part of these condensed consolidated financial statements

TABUK AGRICULTURAL DEVELOPMENT COMPANY "TADCO"
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
For the three-month and nine month periods ended 30 September 2021
(Expressed in Saudi Riyals)

| | | For the three- month period ended 30 September 2021 | For the three- month period ended 30 September 2020 | For the nine-month period ended 30 September, 2021 | For the nine-month period ended 30 September, 2020 |
|---|------|---|---|--|--|
| Revenue - net | (14) | 35,748,782 | 47,394,369 | 88,891,217 | 119,369,394 |
| Revenue from rent | | 1,125,000 | - | 3,375,000 | - |
| Cost of revenue | | (29,112,669) | (38,085,322) | (85,308,528) | (93,976,310) |
| Impairment in the value of crops Inventory | | (41,890) | - | (2,018,125) | (2,551,121) |
| GROSS PROFIT | | 7,719,223 | 9,309,047 | 4,939,564 | 22,841,963 |
| Selling and distribution expenses | | (6,029,539) | (8,920,192) | (17,128,563) | (21,151,943) |
| General and administrative expenses | | (6,376,274) | (5,218,757) | (19,690,371) | (15,288,186) |
| OPERATING LOSS | | (4,686,590) | (4,829,902) | (31,879,370) | (13,598,166) |
| Share of results of Associate | | (104,885) | - | (573,447) | - |
| Claims provision | (17) | (6,040,745) | - | (6,040,745) | - |
| Reversal impairment in associate companies | | - | 413,207 | - | 413,207 |
| Gains from murabaha investments - short term | | - | 8,706 | 11,507 | 102,171 |
| Finance costs | | (82,872) | (559,396) | (313,300) | (964,337) |
| Other income - net | | 65,378 | (292,441) | 1,005,331 | 1,143,870 |
| NET LOSS FOR THE PERIOD BEFORE ZAKAT | | (10,849,714) | (5,259,826) | (37,790,024) | (12,903,255) |
| Zakat refund | (16) | - | - | 4,236,251 | - |
| Zakat | (16) | (1,448,286) | (973,434) | (3,757,537) | (4,942,691) |
| NET LOSS FOR THE PERIOD | | (12,298,000) | (6,233,260) | (37,311,310) | (17,845,946) |
| OTHER COMPREHENSIVE INCOME: | | | | | |
| Items that will not be reclassified subsequently in profit or loss: | | | | | |
| Actuarial (loss)/profit from re-measuring of employee benefits obligation | | - | 389,434 | (924,038) | (450,513) |
| Total other comprehensive loss for the period | | (12,298,000) | (5,843,826) | (38,235,348) | (18,296,459) |
| Basic loss per share from net loss for the period | (12) | (0.41) | (0.05) | (1.21) | (0.61) |
| (Loss) /Profit of the period attributable to: | | | | | |
| Shareholders of the parent company | | (13,280,345) | (6,956,410) | (39,222,021) | (18,195,384) |
| Non-controlling interest | | 982,345 | 723,150 | 1,910,711 | 349,438 |
| | | (12,298,000) | (6,233,260) | (37,311,310) | (17,845,946) |
| Comprehensive (Loss) /Profit attributable to: | | | | | |
| Shareholders of the parent company | | (13,280,345) | (6,566,976) | (40,146,059) | (18,645,897) |
| Non-controlling interest | | 982,345 | 723,150 | 1,910,711 | 349,438 |
| | | (12,298,000) | (5,843,826) | (38,235,348) | (18,296,459) |

Finance Manager

Name: Mohamed Saad Bakri

Signature:



Chief Executive Officer

Name: Fahad A alsemaih

Signature:



Delegated of Board of directors Member

Name: Yousif Abdullah Abaulaziz Alrajhi

Signature:



The accompanying notes from (1) to (19) form an integral part of these condensed consolidated financial statements

TABUK AGRICULTURAL DEVELOPMENT COMPANY "TADCO"
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
For the nine month period ended 30 September 2021
(Expressed in Saudi Riyals)

| | Share Capital | Statutory Reserve | Other reserves | Cost of issuing for shareholders equity instruments | Accumulated changes in other comprehensive income items | Accumulated losses | Equity attributable to the shareholders of the parent company | Non-controlling interest | Total equity |
|---|---------------|-------------------|----------------|---|---|--------------------|---|--------------------------|--------------|
| Balance as at 1 January, 2020 (Audited) | 450,000,000 | 68,019,821 | 1,858,734 | - | 2,530,873 | (242,445,826) | 279,963,602 | 11,096,256 | 291,059,858 |
| Adjustment in the opening balances | - | - | - | - | - | 952,882 | 952,882 | - | 952,882 |
| Balance as at 1 January, 2020 (Audited) Adjusted | 450,000,000 | 68,019,821 | 1,858,734 | - | 2,530,873 | (241,492,944) | 280,916,484 | 11,096,256 | 292,012,740 |
| Net (Loss)/ profit for the period | - | - | - | - | - | (18,195,384) | (18,195,384) | 349,438 | (17,845,946) |
| Other comprehensive items for the period | - | - | - | - | (450,513) | - | (450,513) | - | (450,513) |
| Total comprehensive (Loss)/Income for the period | - | - | - | - | (450,513) | (18,195,384) | (18,645,897) | 349,438 | (18,296,459) |
| Non-controlling interest adjustments | - | - | - | - | - | - | - | 910,727 | 910,727 |
| Capital Reduction (Note 1) | (208,233,000) | - | - | - | - | 208,233,000 | - | - | - |
| Balance as at 30 September, 2020 (Unaudited) | 241,767,000 | 68,019,821 | 1,858,734 | - | 2,080,360 | (51,455,328) | 262,270,587 | 12,356,421 | 274,627,008 |
| Balance as at 1 January, 2021 (Audited) | 241,767,000 | 68,019,821 | 1,858,734 | - | 1,018,879 | (86,545,066) | 226,119,368 | 13,149,944 | 239,269,312 |
| Net (Loss)/ profit for the period | - | - | - | - | - | (39,222,021) | (39,222,021) | 1,910,711 | (37,311,310) |
| Other comprehensive loss items for the period | - | - | - | - | (924,038) | - | (924,038) | - | (924,038) |
| Total comprehensive (Loss)/Income for the period | - | - | - | - | (924,038) | (39,222,021) | (40,146,059) | 1,910,711 | (38,235,348) |
| Adjustments for investments in subsidiaries | - | - | - | - | - | 845,427 | 845,427 | - | 845,427 |
| Increase in capital (Note 1) | 150,000,000 | (68,019,821) | - | - | - | 68,019,821 | 150,000,000 | - | 150,000,000 |
| Cost of issuing for shareholders equity instruments | - | - | - | (6,795,400) | - | - | (6,795,400) | - | (6,795,400) |
| Non-controlling interest adjustments | - | - | - | - | - | - | - | 24,955,260 | 24,955,260 |
| Balance as at 30 September 2021 (Unaudited) | 391,767,000 | - | 1,858,734 | (6,795,400) | 94,841 | (56,901,839) | 330,023,336 | 40,015,915 | 370,039,251 |

The accompanying notes from (1) to (19) form an integral part of these condensed consolidated financial statements

TABUK AGRICULTURAL DEVELOPMENT COMPANY "TADCO"
(A SAUDI JOINT STOCK COMPANY)
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the nine-month period ended 30 September 2021 (UNAUDITED)
(Expressed in Saudi Riyals)

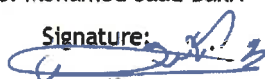
| | <i>For the nine-month period ended 30 September 2021</i> | <i>For the nine-month period ended 30 September 2020</i> |
|---|--|--|
| <u>Cash flows from operating activities:</u> | | |
| Net Loss for the period before Zakat | (37,790,024) | (12,903,255) |
| Adjustments to reconcile Net loss with cash flows from operating activities: | | |
| Depreciation of property, plant and equipment | 20,427,427 | 21,892,233 |
| Amortizations of biological Assets | - | 186,117 |
| Right of use assets amortizations | 9,814 | 17,039 |
| Employees defined benefit obligations - form during the period | 1,456,638 | 1,797,155 |
| Investments in equity instruments | - | (412,800) |
| Share of results from investments in associate | 573,447 | - |
| Claims provision | 6,040,745 | - |
| Provision for guaranteeing loans in associate companies - No longer required | (2,160,900) | - |
| Amortization of intangible assets | 3,206 | 3,206 |
| Impairment in the value of the crops | 2,018,125 | 2,551,121 |
| financing costs | 313,300 | - |
| Opening Balance Adjustments | - | 952,882 |
| Adjustment of investments in a subsidiary company | 845,427 | - |
| Changes in operating assets and liabilities | | |
| Inventories | 2,416,164 | 2,302,570 |
| Accounts receivable | 4,449,461 | (6,623,663) |
| Prepayments and other debit balances | (3,004,819) | (5,497,354) |
| Due from related parties | (6,587,921) | (375,725) |
| Biological Assets | 9,255,756 | 4,826,480 |
| Accounts payable | (32,011,807) | 1,643,091 |
| Due to related parties | (538,168) | (5,016,515) |
| Accruals and other credit balances | (3,612,947) | 17,761,588 |
| Lease obligation- current portion | - | (10,235) |
| Zakat paid | (5,568,038) | (1,891,459) |
| Employees defined benefit obligations Paid | (481,098) | (2,775,758) |
| Net cash (used in) / resulted from operating activities | (43,946,212) | 18,426,718 |

The accompanying notes from (1) to (19) form an integral Part of these condensed consolidated financial statements

TABUK AGRICULTURAL DEVELOPMENT COMPANY "TADCO"
(A SAUDI JOINT STOCK COMPANY)
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the nine-month period ended 30 September 2021 (UNAUDITED)
(Expressed in Saudi Riyals)

| | <i>For the nine-month period ended 30 September 2021</i> | <i>For the nine-month period ended 30 September 2020</i> |
|---|--|--|
| <u>Cash flows from investing activities:</u> | | |
| proceeds from investments - short term | 5,000,000 | 8,621,864 |
| projects work in progress additions | (11,609,480) | (14,380,891) |
| Purchase of property, plant, and equipment | (1,508,167) | (6,595,117) |
| Biological Assets additions | (6,664,949) | - |
| Biological Assets disposal | - | (1,397,178) |
| Net cash used in investing activities | (14,782,596) | (13,751,322) |
| <u>Cash flow from financing activities</u> | | |
| Proceeds from long term loans | - | 15,879,264 |
| Paid in long term loans | (14,243,672) | (11,584,442) |
| Banking facilities | (4,812,902) | (665,666) |
| Financing costs paid | (313,300) | - |
| Dividend paid | (26,703) | 122,463 |
| Adjustment non-controlling interest | 500,000 | - |
| Cost of issuing for shareholders equity instruments | (6,795,400) | - |
| Capital increase | 150,000,000 | - |
| Net cash resulted from financing activities | 124,308,023 | 3,751,619 |
| Net change in Cash and cash equivalents during the period | 65,579,215 | 8,427,015 |
| Cash and cash equivalents beginning of the period | 4,174,564 | 2,065,629 |
| Cash and cash equivalents end of the period | 69,753,779 | 10,492,644 |
| <u>Non - cash transactions</u> | | |
| Capital Reduction | - | 208,233,000 |
| Non-controlling interest/due to related parties | - | 910,727 |
| Transfer from capital work-in-progress to Property, plant and equipment | 5,784,839 | - |
| Amortization of accumulated losses through statutory reserves | 68,019,821 | - |
| Transfer from related parties to non-controlling interest | 24,455,260 | - |

Finance Manager
Name: Mohamed Saad Bakri

Signature: 

Chief Executive Officer
Name: Fahad A alsemaih

Signature: 

Delegated of Board of directors Member
Name: Yousif Abdullah Abaulaziz Alrajhi

Signature: 

The accompanying notes (1) through (19) form an integral part of these condensed consolidated financial statements.

1. ORGANIZATION AND ACTIVITIES

Tabuk Agricultural Development Company "TADCO" ("the Company") is a Saudi joint stock Company established in accordance with commercial Registration No 3550005403 issued in Tabuk on 15 Shaaban 1404 H (corresponding to 16 May 1984). The Group operates under Royal Decree No. (M / 11) dated 22 March 1983.

The company's capital is SAR 450 million, divided into 45 million shares, with a nominal value of SAR 10. On 18 March 2020, the capital was reduced to SAR 241,767,000, with a nominal value of SAR 10, to cover the Company's accumulated losses.

On May 4, 2021, the capital was increased by 150 million Saudi riyals to become 391,767,000 Saudi riyals, divided into 39,176,700 shares with a nominal value of 10 Saudi riyals. This resulted in cost of issuing for shareholder's equity instruments amounting to SR 6.8 million which were deducted from equity.

The principal activities of the Group are mixed farming (Mixed production between crops and animals without specialized production (crops and livestock), livestock support activities, concentrated animal feed manufacturing, management and leasing of owned or leased properties (residential and non-residential).

The outbreak of the new Corona virus (Covid-19) is increasing and developing. Hence, it is now difficult to predict the level and extent of its overall impact on business and the economy. The Group has assessed the impact of the virus on its operations and has taken some precautionary measures. Despite these challenges, the group's business and operations are currently still largely unaffected, based on these factors, the company's management believes that the emerging corona virus (Covid-19) epidemic had no material impact on the group's results that were reported for the period ended on 30 September 2021. The extent and duration of these impacts are still uncertain and depends on future developments that cannot be precisely predicted at present in terms of the rate of mutation of the emerging corona virus (Covid-19) and the effectiveness of the containment measures taken.

The accompanying financial statements include the accounts of the following branches:

Branch of Tabuk Agricultural Development Company registered in Riyadh operating under Commercial Registration No. 1010439522 issued on 19 Safar 1437 H corresponding to 1 December 2015. The branch activity is in agricultural and livestock production, manufacturing and marketing of their products, operating in the field of agricultural marketing by the import and export of agricultural, plant, livestock and fish products and their by-products.

Branch of Tabuk Agricultural Development Company registered in Dammam operating under Commercial Registration No. 2050107496 issued on 19 Safar 1437 H corresponding to 1 December 2015. The branch activity is in agricultural and livestock production, manufacturing and marketing of their products, operating in the field of agricultural marketing by the import and export of agricultural, plant, livestock and fish products and their by-products.

Branch of Tabuk Agricultural Development Company registered in Jeddah operating under Commercial Registration No. 4030286243 issued on 19 Safar 1437H, corresponding to 1 December 2015. The branch activity is in agricultural and livestock production, manufacturing and marketing of their products, operating in the field of agricultural marketing by the import and export of agricultural, plant, livestock and fish products and their by-products.

1. ORGANIZATION AND ACTIVITIES (Continued):

Factory of Tabuk Agricultural Development Company for Cork registered in Tabuk operating under Commercial Registration No. 3550033016 issued on 2 Rabi` Al Thani 1435 H corresponding to 2 February 2014. The branch activity is to produce packaging materials for agricultural products and their by-products.

North Factory for extracting and packing oils registered in Tabuk operating under Commercial Registration No. 3550033015 issued on 2 Rabi` Al Thani 1435 H corresponding to February 2, 2014. The branch activity is in the production and processing of olives, marketing of their products and by-products, and import and export of their products.

Branch of Tabuk Agricultural Development Company registered in Khamis Mushait operating under commercial registration No. 5855069210 issued on 19 Safar 1437 H corresponding to 1 December 2015. The branch activity is in agricultural and livestock production, manufacturing and marketing of their products, operating in the field of agricultural marketing by the import and export of agricultural, plant, livestock and fish products and their by-products

Plantation of Tabuk Agricultural Development Company registered in Tabuk operating under Commercial Registration No. 3550033301 issued on 24 Rabi` Al Thani 1435 H corresponding to 24 February 2014. The branch activity is to produce seedlings of forest, ornamental, aromatic and medicinal fruits, marketing their products and by-products, and import and export their products.

The financial period starting from 1 January 2021 and ended 30 September 2021. The Group's financial period begins at the beginning of January of each calendar period and ends at the end of December of the same period.

The head office of the Company is located in the Tabuk region, and the board of directors may establish branches, offices or agencies inside and outside the Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION

2.1 Statement of commitment

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" "IAS 34" that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements. They should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2020. (The last consolidated financial statement). In addition, results for the interim period ended 30 September 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

2.2 Functional and presentation currency

The interim condensed consolidated financial statements are presented in Saudi Riyals ("SAR"), which is the functional and presentational currency of the Group.

2.3 Basis of Preparation

The interim condensed consolidated financial statements have been prepared on a historical cost basis except the important items which included in the condensed consolidated statement of financial position.

- Murabaha investments - short term
- Recognition of employee defined benefit obligations at the present value of future liabilities using the expected credit unit method.
- Biological assets that can be reliably measured at fair value has been measured at fair value, and if they are not reliably measured at fair value, they are measured at cost.

2. BASIS OF PREPARATION (Continued)

2.4 Basis for consolidating financial statements

Basis for consolidation and equity accounting

A- Subsidiary Companies

The interim condensed consolidated financial statements include the financial statements of the Company and the Companies controlled by the Company and its subsidiaries as at the reporting date. Control is achieved when the Company has:

- Power and control over the investee.
- Exposure, or rights, to variable returns from its transactions with the investee.
- The ability to use its power over the investee to affect its returns.

The Company reassesses whether or not it controls the investee if facts and circumstances indicate the existence of changes in one or more of the three elements of control.

When the Company has less than a majority of the voting rights of the investee, it has control over the investee company when the voting rights are sufficient to give it the practical ability to unilaterally direct the relevant activities of the investee. The Company considers all relevant facts and circumstances in assessing whether it has control over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee.
- The Company's potential voting rights. Other voting rights holder and other parties.
- Rights arising from other contractual arrangements.
- Any other facts and circumstances that indicate that the company has or does not have the current ability to direct relevant activities at the time of decision-making, including voting patterns in previous shareholder meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date it ceases to control the subsidiary

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for in the consolidated statement of changes in equity.

Profits or losses and each component of other comprehensive income are attributed to the shareholders of the company and to the non-controlling interest. The total comprehensive income of the subsidiaries is distributed among the shareholders of the company and the non-controlling interest even if this results in the non-controlling interests having a deficit balance.

If the company loses control over a subsidiary, it de-recognizes related assets (including goodwill), liabilities, non-controlling equity and other components of equity, while any resulting gain or loss is recognized in profits or losses. Any investment retained is recorded at fair value. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All assets, liabilities, equity, revenues, expenses and cash flows related to intercompany operations are completely eliminated on consolidation.

2. BASIS OF PREPARATION (Continued)

2.4 Basis for consolidating financial statements (continued)

Basis for consolidation and equity accounting (continued)

B- Associate companies

Associates are all entities over which the Group has significant influence but no control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method, after initially being recognized at cost.

Equity method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of other comprehensive income of the investee in other comprehensive income. If the share in the investee is reduced to zero, a liability is recognised only to the extent that there is an obligation to fund the investee's operations or any payments have been made on behalf of the investee. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment

Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in the other comprehensive income ("OCI") of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate and joint venture are eliminated to the extent of the interest in the associate or joint venture. The financial statements of the associate or joint venture are prepared for the same reporting period as the Group.

When necessary, adjustments are made to bring the accounting policies of the associate or joint venture in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the loss as 'Share of profit of an associate and a joint venture' in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate or joint control of the joint venture, the group measures and recognizes any retained investments at fair value. Any difference between the carrying value of the associate or joint venture upon loss of joint influence or control and the fair value of the remaining investments and the proceeds on disposal of these investments is recognized in the consolidated statement of profit or loss.

TABUK AGRICULTURAL DEVELOPMENT COMPANY "TADCO"
(A SAUDI JOINT STOCK COMPANY)
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the nine-month period ended 30 September 2021 (UNAUDITED)
(Expressed in Saudi Riyals)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Basis for consolidating financial statements (continued)

Basis for consolidation and equity accounting (continued)

B- Associate companies (continued)

Equity method (Continued)

The accompanying condensed consolidated financial statements include the financial statements of the Company and its following subsidiaries, which are set out below, and collectively referred to as "the Group":

| <u>Company Name</u> | <u>Commercial Registration No.</u> | <u>Legal Status</u> | <u>Country</u> | <u>Ownership proportions</u> | |
|---|--|---|----------------|----------------------------------|-------------|
| | | | | <u>2020</u> | <u>2021</u> |
| Horizon Food Co. Ltd.* | 2051220421 | Limited Liability Company | KSA | 50% | 50% |
| Masader Agricultural Feed Mill Co. Ltd.** | 4030325647 | Limited Liability Company | KSA | 60% | 60% |
| Tabuk Agricultural Co. for Marketing*** | 3550123534 | A closed joint stock company one person | KSA | 100% | 100% |
| Tabuk Agricultural Co. for Nursery and Landscape*** | 3550123535 | A closed joint stock company one person | KSA | 100% | 100% |

* On August 15, 2021, the capital of Horizon Food Company Ltd. was increased from SAR 31,1 million to SAR 80 million ,through the use of balances Due to the partners amounted SAR 26.4 million and cash payments amounted SAR 22.5 million.

**The group assigned all its shares in the Fine Flour Mills Company "a Subsidiary Company" number of 750 shares to a related party with its rights and obligations in exchange for establishing a new company (Masader Agricultural Feed Mill Co. Ltd.) with a capital of SAR 1,250,000, provided that the Group will own 60% of the capital, with an amount of SAR 750,000. The commercial registration for the Subsidiary was issued on 24 February 2020, and the Group's management is working with the management of the Subsidiary to complete the procedures for transferring the ownership of the assets and transferring all financial and operational processes to the Subsidiary in accordance with the agreement signed between the owner of the establishment (one of the Shareholders) and the Company, in which the total assets of the Masader Agricultural Feed Mill Ltd. Company in these consolidated financial statements amount to SAR 54,5 million, total liabilities amount to SAR 12 million, net shareholder's equity amount to SAR 42,4 million, revenues amount to SAR 5,7 million, and the total expenses amount to SAR 9 million, In order to preserve the rights of the shareholders of Tabuk Agricultural Development Company, the company filed a lawsuit to claim the recovery of the amount of SR 18 million which was offered to the subsidiary or for the partner surrender of plant assets, in case of the ownership could not be transferred to the subsidiary company.

***the company's board of directors issued a decision on June 30, 2021, to liquidate of Tabuk Company for Nursery and Landscape and Tabuk Company for Agricultural Marketing.

3. USING IMPORTANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparing of the interim condensed consolidated financial statements requires management to use judgments, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities, revenues and expenses, the accompanying disclosures, and the disclosure of contingent liabilities. Actual results may differ from these estimates.

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

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and calculation methods applied in the preparation of the interim condensed consolidated financial statements are consistent with those used in preparing the annual financial statements of the company for the year ended 31 December, 2020.

TABUK AGRICULTURAL DEVELOPMENT COMPANY "TADCO"
(A SAUDI JOINT STOCK COMPANY)
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the nine-month period ended 30 September 2021 (UNAUDITED)
(Expressed in Saudi Riyals)

5. PROPERTY, PLANT, AND EQUIPMENT - NET

| | <u>Lands</u> | <u>Buildings and constructions*</u> | <u>Machinery and equipment* *</u> | <u>Wells and irrigation equipment</u> | <u>Cars and Trucks</u> | <u>Bearer Plants</u> | <u>Furniture and fixture</u> | <u>Total</u> |
|---------------------------------|-------------------|-------------------------------------|---------------------------------------|---------------------------------------|------------------------|----------------------|------------------------------|--------------------|
| <u>Cost</u> | | | | | | | | |
| 1 January, 2021 | 43,220,600 | 326,907,965 | 156,777,461 | 191,893,643 | 24,274,142 | 62,283,755 | 12,797,185 | 818,154,751 |
| Additions | - | 3,817,770 | 333,240 | - | 1,132,931 | 1,861,175 | 147,890 | 7,293,006 |
| 30 September, 2021 | 43,220,600 | 330,725,735 | 157,110,701 | 191,893,643 | 25,407,073 | 64,144,930 | 12,945,075 | 825,447,757 |
| <u>Accumulated depreciation</u> | | | | | | | | |
| 1 January, 2021 | - | 199,763,342 | 114,763,563 | 171,163,727 | 21,037,564 | 34,976,934 | 10,605,022 | 552,310,152 |
| Additions | - | 6,853,790 | 6,100,984 | 3,643,106 | 802,960 | 2,692,414 | 334,173 | 20,427,427 |
| 30 September, 2021 | - | 206,617,132 | 120,864,547 | 174,806,833 | 21,840,524 | 37,669,348 | 10,939,195 | 572,737,579 |
| <u>Net book value</u> | | | | | | | | |
| 30 September, 2021 | 43,220,600 | 124,108,603 | 36,246,154 | 17,086,810 | 3,566,549 | 26,475,582 | 2,005,880 | 252,710,178 |
| 31 December, 2020 | 43,220,600 | 127,144,623 | 42,013,898 | 20,729,916 | 3,236,578 | 27,306,821 | 2,192,163 | 265,844,599 |

* Buildings and constructions include cold storages with a net book value of SAR 40 million, and are mortgaged in favor of the Agricultural Development Fund as a guarantee for the loan granted to the Group.

** Machinery and equipment includes the assets of the Masader Agricultural Feed Mill Ltd Co. (Subsidiary Company), whose net book value as at 30 September 2021 amount to SAR 31,7 million and is mortgaged in favor of the Saudi Industrial Development Fund as a guarantee for the loan granted to the Group.

TABUK AGRICULTURAL DEVELOPMENT COMPANY "TADCO"
(A SAUDI JOINT STOCK COMPANY)
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the nine-month period ended 30 September 2021 (UNAUDITED)
(Expressed in Saudi Riyals)

6. BIOLOGICAL ASSETS - NET

| | <u>Herd of sheep</u> | <u>Crops</u> | <u>Total</u> |
|--|----------------------|-------------------|-------------------|
| Biological assets classified as at 30 September, 2021 | | | |
| Biological assets - Non-current | 20,566,300 | - | 20,566,300 |
| Biological assets - Current | 816,300 | 7,809,135 | 8,625,435 |
| | <u>21,382,600</u> | <u>7,809,135</u> | <u>29,191,735</u> |
| Biological assets classified as at 31 December, 2020 | | | |
| Biological assets - Non-current | 13,901,351 | - | 13,901,351 |
| Biological assets - Current | - | 17,881,191 | 17,881,191 |
| | <u>13,901,351</u> | <u>17,881,191</u> | <u>31,782,542</u> |

7. CAPITAL WORK-IN-PROGRESS - NET

| | <u>30 September 2021</u> | <u>31 December 2020</u> |
|---------------------------------|--------------------------|-------------------------|
| Capital projects, net | 28,979,677 | 20,699,457 |
| Civil construction | 391,039 | 5,373,615 |
| Immature horticultural projects | 26,840,126 | 23,306,608 |
| Other | 6,812,131 | 7,818,652 |
| | <u>63,022,973</u> | <u>57,198,332</u> |

8. INVESTMENT

| | <u>30 September 2021</u> | <u>31 December 2020</u> |
|--|--------------------------|-------------------------|
| Investment in Associates (8-1) | 15,714,649 | 16,288,096 |
| Investment in equity instruments (8-2) | 412,800 | 412,800 |
| | <u>16,127,449</u> | <u>16,700,896</u> |

8.1 Investment in Associate

| | <u>Percentage of participation</u> | <u>30 September 2021</u> | <u>31 December 2020</u> |
|---|------------------------------------|--------------------------|-------------------------|
| Eastern Asia Company for Agricultural Investment * | 28.57% | 15,714,649 | 16,288,096 |
| Gulf Technical Company for Sustainable Energy ** | 50% | - | - |
| Rakha for Agricultural Investment and Development *** | 21.61% | - | - |
| | | <u>15,714,649</u> | <u>16,288,096</u> |

8. INVESTMENT (Continued)

8.2 Investments in equity instruments

Investments in equity instruments represent the Group's investments in unlisted companies that are evaluated based on available financial information

| | 30 September 2021 | 31 December 2020 |
|--|------------------------------|-----------------------------|
| The National Company for Seed Production and Trade | 412,800 | 412,800 |
| Potato Cooperative Society | - | - |
| Wheat Cooperative Society | - | - |
| Total | 412,800 | 412,800 |

* The Eastern Asia Company for Agricultural Investment was incorporated on 7 May 2013, and it is a closed Saudi joint stock Company registered in the Kingdom of Saudi Arabia with a capital of SAR 70,000,000. The Company was established for the purpose of agricultural investment and the establishment of agricultural projects for the production of crops, grains, rice, barley, fruits, olives, fodder, all agricultural products and field crops, establishment, management and maintenance of factories for food industries and the establishment of livestock and poultry production projects, and the establishment and management of factories for dairy products, meat and feed. The company use the equity method to recognize the value of the investment.

** The group owns a 50% shares in the Gulf Technical Company for Sustainable Energy (under liquidation) amounting to SAR 250,000, and an impairment loss was recognized for the full value of the investment, and the necessary legal procedures are taken to liquidate the Company.

*** Because the Company incurred accumulated losses which exceeded the value of that investment, the Group recognized losses of the total value of the investment in Jannat Agricultural Investment Company, a limited liability company, (under liquidation) amounting to SAR 17,500,000. The group also has guarantee obligations against loans to others, whereas, Tabuk Agricultural Development Company is one of the partners of Jannat Agricultural Investment Company (a Saudi Limited Co.), that contributes 67% in Rakha for Agricultural Investment and Development Company (an Egyptian joint stock company). The Group has guaranteed the equivalent of its investment share of 18.85% of a loan belonging to Rakha for Agricultural Investment and Development Company for the benefit of the Saudi Development Fund, amount to SAR 100 million. On 24 October 2016, the Saudi Development Fund notified Jannat Agricultural Investment and Development Company that, from that date, the loan owed by Rakha for Agricultural Investment and Development Company is considered to have been implicitly transferred to the guarantors of the loan with a fine and the performance, and demand of the guarantor partners to quickly repay the obligations of the partners, and accordingly a provision for the full value has been formed, to meet the obligation. During the year 2020, the ownership of 17,288 shares of Rakha for Agricultural Investment and Development Company was transferred to the Group's ownership, which represents 21.61% of the Company's shares. The shareholder's deficit of Rakha for Agricultural Investment and Development Company reached 285.3 million Egyptian pounds as of 31 December 2020.

TABUK AGRICULTURAL DEVELOPMENT COMPANY "TADCO"
(A SAUDI JOINT STOCK COMPANY)
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the nine-month period ended 30 September 2021 (UNAUDITED)
(Expressed in Saudi Riyals)

9. INVENTORY - NET

| | 30 September 2021 | 31 December 2020 |
|-----------------------------------|------------------------------|-----------------------------|
| Feed | 1,499,080 | 7,508,275 |
| Grain | 1,738,651 | 958,914 |
| Seeds | 1,263,537 | 434,662 |
| Foodstuffs | 620,789 | 1,584,641 |
| Finished products | 8,724,740 | 7,692,721 |
| Fertilizers and chemicals | 1,023,712 | 1,617,164 |
| processed meat | 5,618,071 | 4,725,336 |
| Spare parts and other consumables | 13,521,630 | 13,922,786 |
| Total | 34,010,210 | 38,444,499 |
| Less: slow moving Provision | (4,096,140) | (4,096,140) |
| Total | 29,914,070 | 34,348,359 |

10. DUE FROM / TO RELATED PARTIES

Related party transaction

- a) Transactions with related parties mainly represent financing services that are carried out on mutually agreed terms and approved by the management, which are as follows:

| <u>Name</u> | <u>Relation</u> |
|---|------------------------------------|
| Horizon Food Co. Ltd. | Subsidiary |
| Ahmed Hussein Al-Omari Est. | Another related party |
| Ahmed bin Mohammed Al-Arfaj | Non-controlling equity individuals |
| Gulf investment for food Company | Another related party |
| Ahmed Hussein Al-Omari | Non-controlling equity individuals |
| Rakha for Agricultural Investment and Development | Associate |

TABUK AGRICULTURAL DEVELOPMENT COMPANY "TADCO"
(A SAUDI JOINT STOCK COMPANY)
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the nine-month period ended 30 September 2021 (UNAUDITED)
(Expressed in Saudi Riyals)

10. DUE FROM/TO RELATED PARTIES (Continued)

b) Transactions with related parties in the financial statements as of 30 September are summarized below:

Due from related party

| Related party | Nature of transaction | 1 January, 2021 | Transaction during the period | | 30 September, 2021 |
|---|------------------------------|------------------------|--------------------------------------|---------------|---------------------------|
| | | | Debit | Credit | |
| Rakha for Agricultural Investment and Development | Finance | 3,062,234 | 2,160,900 | - | 5,223,134 |
| Ahmed bin Mohammed Al-Arfaj | Capital increase | - | 11,326,633 | - | 11,326,633 |
| Ahmed Hussein Al-Omari EST | Finance | 2,102,875 | 4,066,664 | - | 6,169,539 |
| | | 5,165,109 | 17,554,197 | - | 22,719,306 |

Due to related party

| Related party | Nature of transaction | 1 January, 2021 | Transaction during the period | | 30 September, 2021 |
|-----------------------------|------------------------------|------------------------|--------------------------------------|---------------|---------------------------|
| | | | Debit | Credit | |
| Ahmed Hussein Al-Omari | Finance | 27,723,181 | 538,168 | - | 27,185,013 |
| Ahmed bin Mohammed Al-Arfaj | Capital increase | 13,488,984 | 13,488,984 | - | - |
| | | 41,212,165 | 14,027,152 | - | 27,185,013 |

11. STATUTORY RESERVE

On May 3, 2021, the company's board of directors approved for using the statutory reserve amounted 68 million Saudi riyals for amortizing part of the accumulated losses according to the audited financial statements as of December 31, 2020, amounted 86.5 million Saudi riyals.

12. BASIC LOSS PER SHARE FROM NET LOSS FOR THE PERIOD

| | 30 September 2021 | 30 September 2020 |
|--|------------------------------|------------------------------|
| Net loss for the period | (39,222,021) | (18,195,384) |
| Weighted average number of shares | 32,418,458 | 30,028,503 |
| Basic loss per share from net loss for the period | (1.21) | (0.61) |

On May 4, 2021, the capital was increased by SAR 150 million to become SAR 391,767,000 divided into 39,176,700 shares with a nominal value of SAR10.

13. FINANCIAL INSTRUMENT AND RISK MANAGEMENT

The Group's activities are exposed to a variety of financial risks: market risk (including currency risk, fair value of interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the fluctuations of financial markets and the Group's management attempts to mitigate the potential adverse effects on the Group's financial performance.

Financial Risk Management Framework

The high management is implemented risk management under policies approved by the Board of Directors. Top management identifies, evaluates and hedges for financial risks in close collaboration with the Group's operating units. The most important types of risk are credit risk, currency risk equity price and interest rates.

Board of Directors has overall responsibility for establishing and overseeing the Group's risk management framework. Executive management team is responsible for developing and monitoring the Group's risk management policies, where the team conducts regular meetings. Any changes or matters relating to policy compliance shall be reported to the Board through the management.

Risk management systems are reviewed regularly by the executive management team to reflect changes in market conditions and activities of the Group. The Group aims through training, management standards, and procedures to develop a responsible and constructive control environment so that all employees are aware of their roles and obligations.

Board of Directors oversees compliance by management with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

The financial instruments included in the statement of consolidated financial position include cash and cash equivalents, murabaha investments - short term, accounts receivable, prepayments and other debit balances, Due from related parties, accounts payable, accruals and other credit payables balances, loans. The methods of evidence used are disclosed in the policy statement for each item.

The offsetting between the financial assets and liabilities were comprised and the net amounts included in the statement of consolidated financial position when there is a legally enforceable right to offset those amounts and when the Group has an intention to settle them on a net basis or to sell the assets to settle the liability simultaneously.

13- FINANCIAL INSTRUMENT AND RISK MANAGEMENT (Continued)

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market prices. Market risk includes three types of risk: interest rate risk, currency risk and other price risk.

Activity Risks

The Group is exposed to the following risks related to its agricultural activities:

a) Regulatory and environmental risks

The Group is subject to all applicable laws and regulations in the Kingdom of Saudi Arabia, and the Group has developed a set of policies and procedures aimed at complying with all applicable environmental laws.

b) climate-related risks

The Group is exposed to the risk of loss resulting from climatic changes and other natural factors, and the Group monitors this type of risk in order to reduce the size of the loss resulting.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments or the associated cash flows will fluctuate due to changes in interest rates.

The following are the loans obtained by the Group and carry a variable interest rate according to the prevailing market rates of interest

| | Book value as at 30 September 2021 (Unaudited) | Book value as at 31 December 2020 (Audited) |
|---|---|--|
| <u>Financial instruments with variable interest rate</u> | | |
| Loans and bank facilities | 11,352,309 | 30,408,883 |

The table below reflects the potential impact of a change in 100 basis points on interest rates at the balance sheet date on profit or loss, with all other variables held constant.

| | <u>Profit / (loss) in 30 September 2021</u> | | <u>Profit / (loss) in 31 December 2020</u> | |
|--------------|---|---|---|---|
| | Decrease in base points related to interest rates 100 basis points | Increase in base points related to interest rates 100 basis points | Decrease in base points related to interest rates 100 basis points | Increase in base points related to interest rates 100 basis points |
| Loans | (113,523) | 113,523 | (304,089) | 304,089 |

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group did not undertake significant transactions in currencies other than Saudi Riyals and US Dollar during the period. While Saudi Riyal is pegged against US Dollar, however, the management monitors the currency risk and believes that it is not materially exposed to currency risk in case of transactions in other foreign currencies.

13- FINANCIAL INSTRUMENT AND RISK MANAGEMENT (Continued)

Credit risk

Credit risk is the risk that a party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. The Group has established procedures to manage exposure to credit risk, including assessing the creditworthiness of customers and credit approvals, allocating credit limits, monitoring the aging of receivables and following them up on a permanent basis.

Trade receivables are interest free and often have a credit period in line with industry standards. Usually guarantees are not required, as are letter of credits, but they can be used under certain circumstances in some markets, especially in less developed markets. The Group has no concentration of credit risk as the customer base is distributed on both the economic and geographic levels.

The Group reviews the recoverable amounts for each commercial debt on an individual basis at the end of the reporting period to ensure that there is adequate provision for the non-recoverable amounts. In addition, impairment analysis is also performed at each reporting date based on facts and circumstances existing at that date to determine expected credit losses due to the time value of money and credit risk. For the purposes of this analysis, receivables are classified into portfolios based on homogeneous receivables. Each portfolio is then evaluated for impairment using the expected credit loss model in accordance with the provisions under IFRS 9. The calculation is based on a provision matrix in which actual historical data are adjusted appropriately for future projections and prospects.

Collateralized receivables are excluded for the purposes of this analysis as there is no credit risk involved. Loss rates are based on actual experience of credit losses over the past periods. Loss rates are then appropriately adjusted to reflect differences between current and historical economic conditions and the Group's view of economic conditions over the expected life of receivables.

The following is the maximum exposure to credit risk that can affect the Group at the reporting date:

| | 30 September 2021 | 31 December 2020 |
|-----------------------------------|------------------------------|-----------------------------|
| | (Unaudited) | (Audited) |
| Current Assets | | |
| Cash and cash equivalent | 69,753,779 | 4,174,564 |
| Accounts receivable, net | 15,097,705 | 19,547,166 |
| Due from related parties | 22,719,306 | 5,165,109 |
| Murabaha investments - short term | - | 5,000,000 |
| | 107,570,790 | 33,886,839 |

The aging of Accounts receivable as at the reporting date are as follows:

| | | |
|---|-------------------|-------------------|
| Less than 3 months | 8,247,920 | 12,081,281 |
| More than 3 month and less than 6 months | 1,645,004 | 3,772,419 |
| More than 6 months and less than a year | 1,121,085 | 4,013,129 |
| More than a year | 9,944,148 | 5,540,789 |
| Total receivables before subtracting provision | 20,958,157 | 25,407,618 |
| Less: | | |
| Expected credit loss provision | (5,860,452) | (5,860,452) |
| Accounts receivable, net | 15,097,705 | 19,547,166 |

13- FINANCIAL INSTRUMENT AND RISK MANAGEMENT (Continued)

liquidity risk management

Liquidity risk is the inability of the Group to meet its liabilities related to financial liabilities as they fall due.

Liquidity needs are monitored on a monthly basis and the management works to ensure that sufficient funds are available to meet any commitments when they are due.

The Group's financial liabilities consist of loans, trade payables, accrued expenses and other credit balances, and the company works to reduce liquidity risk by ensuring that the necessary cash is available, in addition to making a harmonization between collection periods of trade receivables, loan repayment periods, trade and other credit balances.

Other financial assets

Other financial assets consists of bank deposits, investments in unquoted shares, receivables from invested companies under equity method or joint ventures. The risks arising from these financial assets are limited and there are no guarantees held for these parties due to the fact that the counterparties are companies invested in by equity method. The recognized banks and financial institutions have a high credit rating set by international credit rating agencies.

Capital management

The Group manages its capital to ensure its continuity and maximize return to stakeholders by improving the balance between debt and equity. When managing capital, the Group's objective is as follows:

- 1) Safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits to others stakeholders
- 2) Providing an adequate return for the shareholders.

| | 30 September 2021 (Unaudited) | 31 December 2020 (Audited) |
|------------------------------------|-------------------------------------|----------------------------------|
| Financial Assets | | |
| At amortized cost | | |
| Other debit balances, net | 17,436,058 | 18,065,286 |
| Murabaha investments - short term | - | 5,000,000 |
| Due from related parties | 22,719,306 | 5,165,109 |
| Accounts receivable, net | 15,097,705 | 19,547,166 |
| Cash and cash equivalents | 69,753,779 | 4,174,564 |
| Financial liabilities | | |
| At amortized cost | | |
| Long term loans - current | 4,658,095 | 10,392,220 |
| Accounts payable | 19,282,018 | 51,293,825 |
| Accruals and other credit balances | 29,476,514 | 33,089,461 |
| Dividends payable to shareholders | 23,054,991 | 23,081,694 |

13- FINANCIAL INSTRUMENT AND RISK MANAGEMENT (Continued)

Fair value of financial instrument

For the purposes of financial reporting, the Group used the fair value hierarchy categorized at levels 1, 2 and 3 based on the inputs used in the valuation techniques as follows.

- **Level 1:** Quoted prices (unadjusted) in an active market for identical assets or liabilities.
- **Level 2:** inputs other than quoted prices included 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).

The valuation of each publicly traded investment is based on the marketing closing price at that date minus the discount if the guarantee is restricted.

14. SEGMENT REPORTING

The information provided to the decision-maker in charge of operations with the aim of allocating resources and assessing the performance of sectors on the types of goods or services provided. The Group's management decided to organize the Group according to the differences in the internal financial reporting structure. The operating sectors of the Company are as follows:

Operational sector

Feeds
Vegetables
fruit
Grains
Other products
Processed Meat

Activities

Manufacturing Feed
Planting Vegetables
Planting seasonal fruits
Grain trading
Production of olive oil, honey
Selling Processed Meat

TABUK AGRICULTURAL DEVELOPMENT COMPANY "TADCO"
(A SAUDI JOINT STOCK COMPANY)
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the nine-month period ended 30 September 2021 (UNAUDITED)
(Expressed in Saudi Riyals)

14. SEGMENT REPORTING (Continued)

| 30 September 2021(consolidated) | Feeds | Vegetables | Fruits | Grain | Other products | Processed Meat | Total |
|---|--------------|-------------------|---------------|--------------|-----------------------|-----------------------|--------------|
| Revenue | 16,475,939 | - | 15,170,920 | 16,897,356 | 3,768,438 | 36,578,564 | 88,891,217 |
| Depreciation and Amortizations | 6,302,440 | - | 5,889,104 | 6,559,278 | 1,392,540 | 297,085 | 20,440,447 |
| Operating (loss)/ Profit | (11,173,957) | - | (11,513,814) | (12,824,074) | (2,860,016) | 6,492,491 | (31,879,370) |
| Total assets | 143,488,580 | - | 125,532,141 | 139,817,573 | 31,182,025 | 87,322,403 | 527,342,722 |
| Total liabilities | 44,301,911 | - | 45,424,338 | 50,593,582 | 11,283,348 | 5,700,292 | 157,303,471 |
| 30 September 2020 (consolidated) | | | | | | | |
| Revenue | 64,376,200 | 2,837,931 | 16,513,674 | 16,278,643 | 2,793,285 | 16,569,661 | 119,369,394 |
| Depreciation and Amortizations | 12,975,310 | 571,998 | 3,328,404 | 3,281,033 | 769,361 | 1,172,489 | 22,098,595 |
| Operating (loss)/ Profit | (5,216,468) | (771,485) | (4,489,201) | (4,425,309) | 149,873 | 1,154,424 | (13,598,166) |
| Total assets | 263,924,518 | 11,634,729 | 67,701,470 | 66,737,911 | 13,451,688 | 68,765,131 | 492,215,447 |
| Total liabilities | 116,287,847 | 5,126,381 | 29,829,961 | 29,405,407 | 7,045,731 | 29,893,112 | 217,588,439 |

15. CONTINGENT LIABILITIES

The Group has a contingent liability for the uncovered portion of bank letters of guarantee estimated at SAR nil (December 31, 2020: SAR 2.4 million).

16. ZAKAT STATUS

16.1 Zakat status for the Parent Company

The Company submitted its zakat return till 2020. Final assessments were issued for the years from 2014 to 2018 which included zakat differences amounted of SAR 2,971,851 and an objection was made to Zakat, tax and custom Authority. A final decision has not been issued regarding the objection. Final assessment was also issued for the years from 2010 to 2012 which included zakat differences of SAR 706,732 and the objection was made to Zakat, tax and custom Authority. A final decision has not been issued regarding the objection. The group reverse the provision for the years from 2007 to 2009 of SAR 4,236,251 due to the cancellation of debts by Zakat, tax and custom Authority.

16.2 Zakat status for the subsidiary companies.

i. Horizon Food Ltd Co.

The Company submitted all the zakat declarations for all previous years up to 2020.

ii. Masader Agricultural Feed Mill Ltd company.

The company is in the process to submit their Zakat return

iii. Tabuk Agricultural Company for Marketing.

The Company submitted all the zakat declarations for all previous years up to 2020.

iv. Tabuk Agricultural Company for Nursery and Land Scape

The Company submitted all the zakat declarations for all previous years up to 2020

17. IMPORTANT EVENTS AND SUBSEQUENT EVENTS

On July 11, 2021, Horizon Food Ltd Co (a subsidiary company) appointed a financial advisor for the process of offering the company's shares in the parallel market (Nomu) in accordance with the applicable registration and listing rules.

On 8 August 2021 the Group received the decision of the Governor of the northern state in the Republic of Sudan regarding the appeal submitted by the Group due to cancelling the project by support the decision of cancellation based on the investment law.

On 1 October 2021 the Group received a value-added tax assessment of SAR 9.2 million including tax claims, amending declarations after review, penalties for payment delays from the years 2018 to 2021, Group management record a provision amount to SAR 6 million.

18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

19. APPROVAL OF THE FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved by the Board of Directors on 11/11/2021.