

TABUK AGRICULTURAL DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

Interim Condensed Consolidated Financial Statements (Unaudited)
For the three-month and nine-month periods ended 30 September 2022
With The Independent Auditor's Review Report

Tabuk Agricultural Development Company
(A Saudi Joint Stock Company)

Interim Condensed Consolidated Financial Statements (unaudited)

For the three-month and nine-month periods ended 30 September 2022

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

TO THE SHAREHOLDERS OF TABUK AGRICULTURAL DEVELOPMENT COMPANY "TADCO"

INTRODUCTION

We have reviewed the accompanying interim condensed consolidated statement of financial position of Tabuk Agricultural Development Company (the "Company") and its subsidiaries (collectively referred to as "the Group"), as at 30 September 2022 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 period then ended, and a summary of significant accounting policies and other explanatory notes. 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" that is 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

Except for the effects of the matter described in the paragraph of basis for qualified conclusion, we conducted our review in accordance with International Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", that is endorsed in the Kingdom of Saudi Arabia. A review of interim condensed consolidated 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.

BASIS OF QUALIFIED CONCLUSION

As explained in note (7) to the interim condensed consolidated financial statements, related to investment in associate companies through equity method, we didn't provided with the signed financial statements of Eastern Asia company in accordance with international financial reporting standard that are endorsed in the kingdom of Saudi Arabia for the year end 31 December 2021 and for the period end 30 September 2022, including the interim condensed consolidated statement of profit or loss and other comprehensive income, changes in shareholders equity and cash flows, hence we were unable to determine whether there were any adjustments that might have been necessary to the consolidated statement of financial position as at 31 December 2021, and as at 30 September 2022 and for both the consolidated statement of profit or loss, other comprehensive income and change in shareholders equity for the three and nine month periods ended 30 September 2022.

QUALIFIED CONCLUSION

Based on our review, and except for the matters described in the basis for qualified conclusion paragraph 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) that is endorsed in the Kingdom of Saudi Arabia.

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

TO THE SHAREHOLDERS OF TABUK AGRICULTURAL DEVELOPMENT COMPANY "TADCO"

EMPHASIS OF MATTER

As indicated in note (5) to the interim condensed consolidated financial statements, the group financial statements includes the financial statement of Massadr Agricultural Feed Mill Ltd Company "Subsidiary Company", in which the statutory procedures to transfer ownership of assets and all operation activities to the Massadr Agricultural Feed Mill Ltd Company, in accordance with the signed agreement between the establishment owner (one of the partners) and Massadr Agricultural Feed Mill Ltd Company have not been completed and our conclusion is not modified in respect of this matter, which total assets of Massadr Agricultural Feed Mill Ltd company included in these interim condensed consolidated financial statements amount to SAR 36.5 million, and total liabilities amount to SAR 48.3 million, revenue amount to SAR 1.2 million, and total expenses amount to SAR 5.8 million.

OTHER MATER

The consolidated financial statement of Tabuk Agricultural Development Company for the year ended 31 December 2021 and the interim condensed consolidated financial statements for the three-month and nine-month periods ended 30 September 2021, were audited and reviewed by another auditor who expressed an qualified opinion dated 3 Ramadan 1443H corresponding to 4 April 2022G and unqualified conclusion dated 6 Rabi-Al-Thani 1443H corresponding to 11 November 2021G, accordance with international financial reporting standard that are endorsed in the kingdom of Saudi Arabia.

Following is the basis of qualified opinion on the consolidated financial statements for the year ended 31 December 2021:

We didn't obtain the financial statements of Eastern Asia Company for Agricultural investment, As a result of this matters, we were unable to determine whether any adjustments might have been found necessary to include in the consolidated statement of financial position as at 31 December 2021 and the consolidated financial statements for the year ended on 31 December 2021, including consolidated statement of profit or loss and other comprehensive income, and consolidated statement of changes in equity and consolidated statement of cash flows.

OTHER STATUTORY AND REGULATORY REQUIREMENTS

The consolidated financial statement for year ended 31 December 2021 have not been approved by shareholders to date, which is a violation of the company's law.

For Al-Bassam & Co.



Ahmed A. Mohandis
Certified Public Accountant
License No. 477
Jeddah: 14 Rabi-Al-Thani 1444H
Corresponding to: 8 November 2022



TABUK Agricultural Development Company
(A Saudi Joint Stock Company)

Interim Condensed Consolidated Statement of Financial Position

As of 30 September 2022

(All amounts expressed in Saudi Riyals)

| | Note | 30 September 2022 (Unaudited) | 31 December 2021 (Audited) |
|---|------|----------------------------------|-------------------------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment, net | 5 | 302,365,326 | 301,049,316 |
| Intangible assets, net | | 2,138 | 5,344 |
| Right-to-use assets, net | | 749,112 | 122,678 |
| Biological assets, net | 6 | 20,386,811 | 18,651,000 |
| Investments through equity method | 7 | 18,461,467 | 15,433,309 |
| Investments at fair value through OCI | 7 | 412,800 | 412,800 |
| Total non-current assets | | 342,377,654 | 335,674,447 |
| Current assets | | | |
| Inventories, net | 8 | 55,946,311 | 27,343,615 |
| Biological assets – current | 6 | 6,978,393 | 19,827,427 |
| Trade receivables, net | | 14,200,574 | 7,880,195 |
| Due from related parties | 9 | 11,345,559 | 14,286,325 |
| Prepayments and other debit balances, net | | 26,556,226 | 22,921,734 |
| Assets classified as held for sale | | 237,629 | 556,500 |
| Cash and cash equivalents | | 15,276,880 | 57,207,732 |
| Total current assets | | 130,541,572 | 150,023,528 |
| Total assets | | 472,919,226 | 485,697,975 |
| Shareholders' equity and liabilities | | | |
| Shareholders' equity | | | |
| Share capital | 1 | 391,767,000 | 391,767,000 |
| Other reserves | | 1,858,734 | 1,858,734 |
| Re-measurement reserve of employee benefit obligations | | 226,646 | 479,961 |
| Accumulated losses | | (119,752,263) | (96,412,880) |
| Equity attributable to the shareholders of the parent company | | 274,100,117 | 297,692,815 |
| Non-controlling interests | | 41,104,255 | 39,509,928 |
| Total Shareholders' equity | | 315,204,372 | 337,202,743 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Long term loan – non-current portion | 11 | 1,800,000 | 1,800,000 |
| Provision for guarantee loan related to associate - non-current portion | | 11,271,221 | - |
| Lease liabilities – non-current portion | | 696,725 | 122,050 |
| Employee benefit obligations | | 13,573,818 | 12,949,307 |
| Total non-current liabilities | | 27,341,764 | 14,871,357 |
| Current liabilities | | | |
| Long term loan – current portion | 11 | 5,519,301 | 7,188,914 |
| Lease liabilities – current portion | | 77,777 | 11,796 |
| Trade payables | | 22,636,761 | 18,858,459 |
| Due to a related party | 9 | 25,297,539 | 27,185,013 |
| Accrued expenses and other payables | | 40,237,177 | 32,422,096 |
| Dividend payable to shareholders' | | 23,011,864 | 23,046,458 |
| Dismantling provision | | 2,150,000 | 2,150,000 |
| Provision for guarantee loan related to associate - current portion | | 5,635,610 | 18,033,952 |
| Zakat provision | | 5,807,061 | 4,727,187 |
| Total current liabilities | | 130,373,090 | 133,623,875 |
| Total liabilities | | 157,714,854 | 148,495,232 |
| Total shareholders' equity and liabilities | | 472,919,226 | 485,697,975 |

Chief Financial Officer
Mohamed Saad Bakry



Chief Executive Officer
Fahad A Al-Semairi



Delegated Board of Directors Member
Yosif Abdulah Abdulaziz Al-Rajhi



The accompanying notes are an integral part of these interim condensed consolidated financial statements

TABUK Agricultural Development Company
(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 2022

(All amounts expressed in Saudi Riyals)

| | Note | For the three-month period ended 30 September | | For the nine-month period ended 30 September | |
|---|------|--|---------------------|---|---------------------|
| | | 2022 (Unaudited) | 2021 (Unaudited) | 2022 (Unaudited) | 2021 (Unaudited) |
| Revenue- net | 13 | 52,394,156 | 35,748,782 | 99,218,524 | 88,891,217 |
| Revenue from rent | | - | 1,125,000 | - | 3,375,000 |
| Cost of revenue | | (34,629,922) | (29,154,559) | (78,748,045) | (87,326,653) |
| Gross profit | | 17,764,234 | 7,719,223 | 20,470,479 | 4,939,564 |
| Selling and distribution expenses | | (8,742,658) | (6,029,539) | (20,903,846) | (17,128,563) |
| General and administrative expenses | | (7,473,684) | (6,376,274) | (21,442,065) | (19,690,371) |
| Provision for expected credit losses | | - | - | (236,713) | - |
| (Revised) Provision for expected credit losses | | 541,897 | - | 541,897 | - |
| Net operating profit loss | | 2,089,789 | (4,686,590) | (21,570,248) | (31,879,370) |
| Gains from Murabaha investment – short term | | - | - | - | 11,507 |
| Share of income from associates | | 3,890,593 | (104,885) | 3,028,157 | (573,447) |
| Provision for claim | | - | (6,040,745) | - | (6,040,745) |
| Finance costs | | (5,126) | (82,872) | (35,229) | (313,300) |
| Other income / (expenses) , net | | (139,465) | 65,378 | 1,667,923 | 1,005,331 |
| Net profit / (loss) before Zakat | | 5,835,791 | (10,849,714) | (16,909,397) | (37,790,024) |
| Zakat refund | | - | - | - | 4,236,251 |
| Zakat | | - | (1,448,286) | (4,835,659) | (3,757,537) |
| Net profit / (loss) for the period | | 5,835,791 | (12,298,000) | (21,745,056) | (37,311,310) |
| Other comprehensive income: | | | | | |
| Items that will not be reclassified to statements of income in subsequent periods: | | | | | |
| Actuarial loss from re-measurement of employee benefit liabilities | | - | - | (253,315) | (924,038) |
| Total other comprehensive Income / (loss) | | 5,835,791 | (12,298,000) | (21,998,371) | (38,235,348) |
| Basic profit / (loss) per share from net profit / (loss) for the period | 12 | 0.13 | (0.41) | (0.60) | (1.21) |
| Profit / (loss) of the period attributed to: | | | | | |
| Shareholders of the parent Company | | 5,162,663 | (13,280,345) | (23,339,383) | (39,222,021) |
| Non-controlling interest | | 673,128 | 982,345 | 1,594,327 | 1,910,711 |
| | | 5,835,791 | (12,298,000) | (21,745,056) | (37,311,310) |
| Total comprehensive Income / (loss) of the period attributed to: | | | | | |
| Shareholders of the parent Company | | 5,162,663 | (13,280,345) | (23,592,698) | (40,146,059) |
| Non-controlling interest | | 673,128 | 982,345 | 1,594,327 | 1,910,711 |
| | | 5,835,791 | (12,298,000) | (21,998,371) | (38,235,348) |

Chief Financial Officer
Mohamed Saad Bakry



Chief Executive Officer
Fahad A Al-Semaih



Delegated Board of Directors Member
Yousif Abdullah Abdulaziz Al-Rajhi



The accompanying notes an integral part of these interim condensed consolidated financial statements

Tabuk Agricultural Development Company
(A Saudi Joint Stock Company)

Interim Condensed Consolidated Statement of Changes in Shareholders' Equity

For the nine-month period ended 30 September 2022

(All amounts expressed in Saudi Riyals)

| | Share capital | Statutory reserve | Other reserves | Re-measurement reserve of employee benefit obligations | Accumulated losses | Equity attributable to the shareholders of the parent company | Non-controlling interests | Total |
|--|--------------------|-------------------|------------------|--|----------------------|---|---------------------------|--------------------|
| Balance as at 1 January 2022 (Audited) | 391,767,000 | - | 1,858,734 | 479,961 | (96,412,880) | 297,692,815 | 39,509,928 | 337,202,743 |
| Comprehensive income for the period | | | | | | | | |
| Net loss for the period | - | - | - | - | (23,339,383) | (23,339,383) | 1,594,327 | (21,745,056) |
| Other comprehensive losses for the period | - | - | - | (253,315) | - | (253,315) | - | (253,315) |
| Total comprehensive loss for the period (unaudited) | - | - | - | (253,315) | (23,339,383) | (23,592,698) | 1,594,327 | (21,998,371) |
| Balance as at 30 September 2022 (unaudited) | 391,767,000 | - | 1,858,734 | 226,646 | (119,752,263) | 274,100,117 | 41,104,255 | 315,204,372 |
| 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 |
| Comprehensive income for the period | | | | | | | | |
| Net loss for the period | - | - | - | - | (39,222,021) | (39,222,021) | 1,910,711 | (37,311,310) |
| Other comprehensive losses for the period | - | - | - | (924,038) | - | (924,038) | - | (924,038) |
| Total comprehensive loss for the period | - | - | - | (924,038) | (39,222,021) | (40,146,059) | 1,910,711 | (38,235,348) |
| Increase in capital | 150,000,000 | - | - | - | - | 150,000,000 | - | 150,000,000 |
| Cost of issuing for shareholders equity instruments | - | - | - | - | (6,795,400) | (6,795,400) | - | (6,795,400) |
| Accumulated losses amortization | - | (68,019,821) | - | - | 68,019,821 | - | - | - |
| Prior year adjustments | - | - | - | - | 845,427 | 845,427 | - | 845,427 |
| Non-controlling interest adjustments | - | - | - | - | - | - | 24,955,260 | 24,955,260 |
| Balance as at 30 September 2021 (unaudited) | 391,767,000 | - | 1,858,734 | 94,841 | (63,697,239) | 330,023,336 | 40,015,915 | 370,039,251 |

Chief Financial Officer
Mohamed Saad Bakry



Chief Executive Officer
Fahad A Al-Semaih



Delegated Board of Directors Member
Yousif Abdullah Abdulaziz Al-Rajhi



The accompanying notes an integral part of these interim condensed consolidated financial statements

Tabuk Agricultural Development Company
(A Saudi Joint Stock Company)

Interim Condensed Consolidated Statement of Cash Flows (Unaudited)

For the nine-month period ended 30 September 2022

(All amounts expressed in Saudi Riyals)

| | 2022 (Unaudited) | 2021 (Unaudited) |
|--|---------------------|---------------------|
| <u>Cash flows from operating activities</u> | | |
| Net loss before Zakat | (16,909,397) | (37,790,024) |
| Adjustments: | | |
| Depreciation of property, plant, and equipment | 19,746,347 | 20,427,427 |
| Amortization of intangibles assets | 3,206 | 3,206 |
| Right-of-use assets amortizations | 127,819 | 9,814 |
| Share of results from investments in associates | (3,028,157) | 573,447 |
| Employees defined benefit obligations- additions | 1,953,261 | 1,456,638 |
| Impairments in biological assets | 2,404,640 | 2,018,125 |
| Provision for claim | - | 6,040,745 |
| (Reverse) Provision for slow moving inventories | (1,875,949) | - |
| (Reverse) Provision for expected credit losses | (305,184) | - |
| Prior year adjustments | - | 845,427 |
| <u>Changes in operating assets and liabilities</u> | | |
| Inventories | (26,726,746) | 2,416,164 |
| Trade receivables | (6,015,195) | 4,449,461 |
| Prepayments and other receivables | (3,634,493) | (3,004,819) |
| Due from related parties | 2,940,765 | (6,587,921) |
| Biological assets | 10,444,394 | 9,255,756 |
| Assets classified as held for sale | 318,871 | - |
| Trade payables | 3,778,297 | (32,011,807) |
| Due to related parties | (1,887,475) | (538,168) |
| Accrued expenses and other payables | 7,815,086 | (3,612,947) |
| Paid Zakat during the period | (4,009,096) | (5,568,038) |
| Paid employee's benefits during the period | (1,328,750) | (481,098) |
| Net cash used in operating activities | (16,187,756) | (42,098,612) |
| <u>Cash flows from investing activities</u> | | |
| Murabaha investments- short term | - | 5,000,000 |
| Purchase of property, plant, and equipment | (21,070,509) | (13,117,647) |
| Net change in biological Assets | (1,735,811) | (6,664,949) |
| Proceeds from disposal of property, plant, and equipment | 8,152 | - |
| Net cash used in investing activities | (22,798,168) | (14,782,596) |
| <u>Cash flows from financing activities</u> | | |
| Provision for guaranteeing loans for associate companies | (1,127,122) | (2,160,900) |
| Payment of lease liabilities | (113,596) | - |
| Payment from long-term loans | (1,669,614) | (14,243,672) |
| Bank facilities | - | (4,812,902) |
| Paid dividends | (34,595) | (26,703) |
| Change in non-controlling interest | - | 500,000 |
| Cost of issuing shareholders equity instruments | - | (6,795,400) |
| Capital increase | - | 150,000,000 |
| Net cash (used in) generated from financing activities | (2,944,927) | 122,460,423 |
| Net change in cash and cash equivalents balance during the period | (41,930,851) | 65,579,215 |
| Cash and cash equivalents at the beginning of the period | 57,207,731 | 4,174,564 |
| Cash and cash equivalents at the end of the period | 15,276,880 | 69,753,779 |
| <u>Non-cash transactions:</u> | | |
| Actuarial loss from re-measurement of employee benefit liabilities | 253,315 | - |
| Transfer from projects in progress to property, plant, and equipment | - | 5,784,839 |
| Amortization of part of the accumulated losses through the statutory reserve | - | 68,019,821 |
| Transfer from due related parties to non-controlling interest | - | 24,455,260 |

Chief Financial Officer
Mohamed Saad Bary

Chief Executive Officer
Fahad A Al-Samir

Delegated Board of Directors Member
Yousif Abdullah Al Rajhi

The accompanying notes an integral part of these interim condensed consolidated financial statements

Tabuk Agricultural Development Company
(A Saudi Joint Stock Company)

Notes to The Interim Condensed Consolidated Financial Statements (Unaudited)

For the three-months and nine-months periods ended 30 September 2022

(All amounts expressed in Saudi Riyals)

1. ORGANIZATION AND ACTIVITIES FOR THE COMPANY AND ITS SUBSIDIARY

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 1404H (corresponding to 16 May 1984). The Group operates under Royal Decree No. (M / 11) dated 22 March 1983. The Company's capital was 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 4 May 2021, the capital was increased by SAR 150 million to become SAR 391,767,000 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 SAR 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).

COVID 19 UPDATE

In response to the spread of the COVID-19 virus and the resulting disruption to social and economic activities over the past two years, management continues to proactively assess its impact on its operations. The preventive measures taken by the Company in April 2020 are still ongoing, including the formation of continuous crisis management teams and operations, to ensure the health and safety of its employees, customers, consumers and society as a whole, as well as ensuring the continuity of supplying its products. Globally, there has been a significant decrease in the number of cases registered so the restrictions related to COVID- 19 have been lifted. Based on these factors, management believes that the COVID-19 pandemic did not have a material impact on the Group reported financial results for the period ended March 31, 2022, including significant accounting judgments and estimates.

The Company continues to closely monitor the situation of COVID-19 although management at this time is not aware of any expected factors that may change the impact of the pandemic on the Group operations during 2022 or beyond.

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 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.

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.

Tabuk Agricultural Development Company
(A Saudi Joint Stock Company)

Notes to The Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

For the three-months and nine-months periods ended 30 September 2022

(All amounts expressed in Saudi Riyals)

1. ORGANIZATION AND ACTIVITIES FOR THE COMPANY AND ITS SUBSIDIARY (continued)

The accompanying financial statements include the accounts of the following branches (continued)

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.

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 2022 and ended 31 March 2022. 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.

Notes to The Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

For the three-months and nine-months periods ended 30 September 2022

(All amounts expressed in Saudi Riyals)

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 2021.

The accounting policies used in preparing the interim condensed consolidated financial statements are in line with those used in preparing the company’s annual financial statements for the year ended on December 31, 2021.

2.2 Basis of measurement

These interim condensed consolidated financial statements have been prepared on the historical cost basis, unless international financial reporting standard allows measurement according to other evaluation methods.

The interim condensed consolidated financial statements have been prepared in accordance with international financial reporting standard that requires from management to make judgement, estimates and assumptions that may affect on the accounting policies and the amounts disclosed in the interim condensed consolidated financial statements.

These significant estimates and assumptions have been disclosed in the annual consolidated financial statements for the year ended 31 December 2021.

2.3 Going concern assessment

The accumulated losses of the group as at 30 September 2022 is 30.6% of the capital, which requires the Group in accordance with the instructions of the Capital Market Authority for listed companies on the Saudi Stock Exchange, whose accumulated losses exceeds 20% and less than 35% of the capital, to announce the amount of accumulated losses, their percentage of capital, and the main reasons that led to these losses.

2.4 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.

Notes to The Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

For the three-months and nine-months periods ended 30 September 2022

(All amounts expressed in Saudi Riyals)

2. BASIS OF PREPARATION (CONTINUED)

2.5 Basis of Preparation

A- Subsidiary Companies

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

Notes to The Interim Condensed Consolidated Financial Statements (Unaudited) “Continued”

For the three-months and nine-months periods ended 30 September 2022

(All amounts expressed in Saudi Riyals)

2. BASIS OF PREPARATION (CONTINUED)

2.5 Basis of Preparation (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 interim condensed consolidated statement of profit or loss and other comprehensive income 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 in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the interim condensed consolidated statement of changes in shareholders 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 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 interim condensed consolidated statement of profit or loss and other comprehensive income.

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 interim condensed consolidated statement of profit or loss and other comprehensive income.

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2. BASIS OF PREPARATION (CONTINUED)

2.5 Basis of Preparation (continued)

The accompanying interim 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":

| Company name | Commercial registration No. | Legal Status | Country | Ownership proportion | | Activity |
|---|-----------------------------|---|---------|----------------------|------|--|
| | | | | 2022 | 2021 | |
| Horizon Food Ltd Co | 2051220421 | A closed joint stock company | KSA | 50% | 50% | Production of chilled and frozen types of poultry, rabbits and birds, production of chilled and frozen meat, cutting, processing, packaging and packaging of meat and poultry, production of sausages and hamburgers from meat |
| Masader Agricultural Feed Mill Ltd Co* | 4030325647 | Limited Liability Company | KSA | 60% | 60% | Agents for sale of live animals wholesale of grains and seeds except barley, wholesale of animal feed. |
| Tabuk Agricultural Company for Marketing ** | 3550123534 | A closed joint stock company one person | KSA | 100% | 100% | Agricultural marketing |
| Tabuk Agricultural Company for Nursery and Landscape ** | 3550123535 | A closed joint stock company one person | KSA | 100% | 100% | landscaping |

*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 Ltd Co) 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 2019, 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,

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Notes to The Interim Condensed Consolidated Financial Statements (Unaudited) “Continued”

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2. BASIS OF PREPARATION (CONTINUED)

2.5 Basis of Preparation (continued)

In which the total assets of the Masader Agricultural Feed Mill Ltd. Company in these interim condensed consolidated financial statements amount to SAR 36.5 million, and the total expenses amount to SAR 5.8 million. And to save right for shareholders “TADCO” the company filed a lawsuit claiming to recover the amount of SAR 18 million, which was presented to the subsidiary company in exchange for the partner’s assignment of the factory assets, in case the ownership cannot be transferred to the subsidiary company.

****Based on extraordinary general assembly on 11 October 2022, the liquidation for both Tabuk Agricultural Company for Nursery and Landscape and Tabuk Agricultural Marketing Company, Company has been approved, and the regular liquidation procedures will be initiated.**

3. USE OF JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In preparing these Condensed Consolidated Interim Financial Statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. 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 consolidated financial statements for the year ended in 31 December, 2021.

Going concern

The company's management has assessed the company's ability to continue according to the principle of continuity, and is convinced that the company has sufficient resources to continue its business in the near future. In addition, management has no fundamental doubts about the Company's ability to continue. Therefore, the interim condensed consolidated financial statements have been prepared on the basis of continuity.

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Standards, interpretations, and amendments to existing standards

There are no new standards issued. However, some of the amendments to the standards are effective as of 1 January 2022, which were explained in the financial statements issued on 31 December 2021, but they do not have a material impact on the company's interim condensed consolidated financial statements.

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Notes to The Interim Condensed Consolidated Financial Statements (Unaudited) “Continued”

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5. Property, plant, and equipment, Net

| | Land | Building and construction* | Machinery and equipment** | Wells and irrigation equipment | Cars and trucks | Bearer plants | Furniture and fixture | Project under construction | Total |
|--|-------------------|-----------------------------------|----------------------------------|---------------------------------------|------------------------|----------------------|------------------------------|-----------------------------------|--------------------|
| <u>Cost</u> | | | | | | | | | |
| Balance as at 1 January 2022 | 43,220,600 | 331,171,487 | 157,191,824 | 192,027,324 | 25,971,168 | 64,144,930 | 12,961,235 | 62,185,060 | 888,873,628 |
| Additions | - | 28,300 | 226,108 | - | 892,970 | - | 107,109 | 19,816,022 | 21,070,509 |
| Disposals | - | - | - | - | (163,975) | - | - | - | (163,975) |
| Transfer from project under construction | - | - | 9,017,539 | - | - | 9,399,857 | - | (18,417,396) | - |
| Balance as at 30 September 2022 | 43,220,600 | 331,199,787 | 166,435,471 | 192,027,324 | 26,700,163 | 73,544,787 | 13,068,344 | 63,583,686 | 909,780,162 |
| <u>Accumulated depreciation</u> | | | | | | | | | |
| Balance as at 1 January 2022 | - | 213,641,845 | 126,623,286 | 175,950,039 | 22,134,616 | 38,580,067 | 10,894,459 | - | 587,824,312 |
| Depreciation for the period | - | 4,254,870 | 8,308,872 | 2,972,481 | 828,523 | 3,120,128 | 261,473 | - | 19,746,347 |
| Disposals | - | - | - | - | (155,823) | - | - | - | (155,823) |
| Balance as at 30 September 2022 | - | 217,896,715 | 134,932,158 | 178,922,520 | 22,807,316 | 41,700,195 | 11,155,932 | - | 607,414,836 |
| Net book value | | | | | | | | | |
| As at 30 September 2022 | 43,220,600 | 113,303,072 | 31,503,313 | 13,104,804 | 3,892,847 | 31,844,592 | 1,912,412 | 63,583,686 | 302,365,326 |
| As at 1 January 2021 | 43,220,600 | 117,529,642 | 30,568,538 | 16,077,285 | 3,836,552 | 25,564,863 | 2,066,776 | 62,185,060 | 301,049,316 |

*Buildings and constructions include cold storages with a net book value of SAR 39 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 Massader Agricultural Feed Mill Ltd Co. (Subsidiary Company), whose net book value as at 30 September 2022 amount to SAR 30 million and is mortgaged in favor of the Saudi Industrial Development Fund as a guarantee for the loan granted to the Company.

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6- Biological Assets, net

Classification of Biological assets

As of 30 September 2022

| | <u>Herd of sheep</u> | <u>Crops</u> | <u>Total</u> |
|---|----------------------|------------------|-------------------|
| Biological assets classified as non-current | 20,386,811 | - | 20,386,811 |
| Biological assets classified as current | 1,865,900 | 5,112,493 | 6,978,393 |
| | <u>22,252,711</u> | <u>5,112,493</u> | <u>27,365,204</u> |

Classification of Biological assets

As of 31 December 2021

| | <u>Herd of sheep</u> | <u>Crops</u> | <u>Total</u> |
|---|----------------------|-------------------|-------------------|
| Biological assets classified as non-current | 18,651,000 | - | 18,651,000 |
| Biological assets classified as current | 1,865,900 | 17,961,527 | 19,827,427 |
| | <u>20,516,900</u> | <u>17,961,527</u> | <u>38,478,427</u> |

7-Investments

7/1 Investments through equity method

| | <u>Percentage of participation</u> | <u>30 September 2022 – Unaudited</u> | <u>31 December 2021 - Audited</u> |
|--|------------------------------------|--------------------------------------|-----------------------------------|
| Eastern Asia Company for Agricultural Investment* | 28.57% | 14,230,213 | 15,433,309 |
| Gulf technical Company for sustainable energy ** | 50% | - | - |
| Rakha for agricultural investment and development*** | 21.61% | 4,231,254 | - |
| | | <u>18,461,467</u> | <u>15,433,309</u> |

* The Eastern Asia Company for Agricultural Investment was incorporated on 7 May 2013 and 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 group owns 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. Necessary legal procedures are taken to liquidate the Company.

***The Group owns an investment of 27.8%, amounting to 17,500,000 million SAR in Jannat Agricultural Investment Company – A Saudi Limited Liability Company – under liquidation, and all investment losses have been previously recognized for the entire invested share.

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7- Investments (Continued)

7/1 Investments through equity method (Continued)

Jannat Agricultural Investment Company owns a 78% share in the capital of Rakhaa Agricultural Investment and Development Company – An Egyptian Joint Stock Company. Because of the liquidation procedures, the Company relinquished its 78% share to the shareholders, and the shares were transferred to them, each according to his share. The ownership of Tabuk Agricultural Development became 21.61% as a direct share in Rakhaa for Agricultural Investment and Development – An Egyptian Joint Stock Company.

During 2009, Rakhaa Agricultural Investment and Development Company obtained a loan of SR 100 million, with guarantees provided by the shareholders in Jannat Agricultural Investment Company. Because of the deficit in the financial statements and the inability of Rakhaa Agricultural Investment and Development Company to pay, the group proved its share in the loan against the guarantee provided for the benefit of the Saudi Industrial Development Fund in the amount of SR 18 million.

During the period the shareholders of Rakhaa Company for Agricultural Investment and Development agreed to transfer the balance of the loan which records at the books of the Rakhaa Agricultural Investment and Development Company, and registered in favor of the Saudi Industrial Development Fund, to be a loan from the shareholders without any financial returns and in the Egyptian pound. The General Assembly Meeting of Rakhaa Company for Agricultural Investment and Development was approved by the competent authorities on 30 August 2022.

7/2 Investments at fair value through OCI

The investment are represent in the value of the group investment in the national company for seed production and trade amounted by 412,800 SAR (2021: 412,800 SAR) which represent 1.4% of the total capital of the company.

8- Inventory, Net

| | 30 September 2022 – Unaudited | 31 December 2021 – Audited |
|-----------------------------------|--------------------------------------|-----------------------------------|
| Feed | 257,821 | 593,496 |
| Seeds | 801,125 | 299,132 |
| Fruits and olive oil | 21,664,049 | 6,642,508 |
| Fertilizers and chemicals | 2,808,035 | 1,882,423 |
| Meat | 17,649,646 | 8,498,002 |
| Spare parts and other consumables | 14,756,981 | 13,524,194 |
| | 57,937,657 | 31,439,755 |
| Deduct: Slow moving provisions | (1,991,346) | (4,096,140) |
| | 55,946,311 | 27,343,615 |

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9. Related parties

- 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:

| Name | Relation |
|--|-----------------------------------|
| Rakhaa for Agricultural Investment and Development | Associate |
| Ahmed Hussein Al-Omari | Non-controlling equity individual |
| Ahmed Hussein Al-Omari Establishment | Related party |

- b) Transactions with related parties are summarized below:

Due from related parties

| Related party | Nature of transaction | 30 September 2022 – Unaudited | 31 December 2021 – Audited |
|---|------------------------------|--------------------------------------|-----------------------------------|
| Rekha for Agricultural Investment and Development | Finance | 5,223,134 | 5,223,134 |
| Ahmed Hussein Al-Omari Establishment | Finance | 6,122,425 | 9,063,191 |
| | | 11,345,559 | 14,286,325 |

Due to a related party

| Related party | Nature of transaction | 30 September 2022 – Unaudited | 31 December 2021 – Audited |
|------------------------|------------------------------|--------------------------------------|-----------------------------------|
| Ahmed Hussein Al-Omari | Bear losses | 25,297,539 | 27,185,013 |
| | | 25,297,539 | 27,185,013 |

10- Statutory reserve

According to the Company's bylaws, 10% of the net income is required to be transferred to the statutory reserve and the Ordinary General Assembly may resolve to discontinue such transfer when the reserve reaches 30% of the capital. The Ordinary General Assembly decided, in its meeting on 6 May 2020, to resolve to discontinue the transfer of 10% of the net income to the statutory reserve.

11- Loans and credit facilities

| | Notes | 30 September 2022 – Unaudited | 31 December 2021 - Audited |
|-----------------------------------|--------------|--------------------------------------|-----------------------------------|
| Saudi Industrial Development Fund | 11/1 | 5,500,000 | 7,169,613 |
| Agricultural Development Fund | 11/2 | 1,819,301 | 1,819,301 |
| Non – current portion | | 1,800,000 | 1,800,000 |
| Current portion | | 5,519,301 | 7,188,914 |
| | | 7,319,301 | 8,988,914 |

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11- Loans and credit facilities (Continued)

11/1 The group obtained a loan from the Saudi Industrial Development Fund during year 2013 in the amount of SR 15.3 million to finance the establishment of a factory for the production of animal feed with an annual production capacity of 81,600 tons, provided that the installments are paid in annual installments of equal value starting from 2018 and ending in 2022. During 2020, as part of the government’s measures to mitigate the impact of the Covid-19 epidemic on the economy, the fund’s management has restructured the installments that are due during the crisis of this epidemic, and the installments have been modified so that the last installment will be paid in 2023. The loan is secured by a mortgage guarantee on the property and equipment of the project.

11/2 The group obtained two loans, the first on 17 October 2010 and the second on 31 October 2011, the value of the first loan amounted to SAR 18,401,404, and the second loan was SAR 1,598,594 to purchase cooling warehouses, to be repaid in equal annual installments that expire on 22 June 2023, the loan is guaranteed by the guarantee of the assets of the cooling warehouse owned by the Group (note 5).

12. Basic loss per share from net loss for the period

Basis losses per share:

The calculation of basic earnings per share has been based on the distributable earnings attributable to shareholders of ordinary shares and the weighted average number of ordinary shares outstanding at the date of the financial statements amounting to 39,176,700 shares.

| | Three-month period ended 30 September | | Nine-month period ended 30 September | |
|--|--|---------------------|---|---------------------|
| | 2022 - Unaudited | 2021 - Unaudited | 2022 - Unaudited | 2021 - Unaudited |
| Net loss for the period | 5,162,663 | (13,280,345) | (23,339,383) | (39,222,021) |
| Weighted average number of ordinary shares | 39,176,700 | 32,418,458 | 39,176,700 | 32,418,458 |
| | 0.13 | (0.41) | (0.60) | (1.21) |

13- 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 | Activities |
|---------------------------|---|
| Feeds | Manufacturing Feed |
| Vegetables | Planting Vegetables |
| Fruit | Planting seasonal fruits |
| Grains | Grain trading |
| Other products | Production of olive oil, honey and other products |
| Meat | Selling frozen meat |

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13- Segment reporting (Continued)

| 30 September 2022 | Feeds | Fruits | Grain | Other products | Meat | Total |
|--------------------------|--------------|---------------|--------------|-----------------------|-------------|--------------|
| Revenue | 5,789,072 | 13,439,500 | 24,009,706 | 4,976,929 | 51,003,317 | 99,218,524 |
| Net loss before zakat | (6,547,200) | (5,753,534) | (10,278,706) | (1,877,339) | 7,547,382 | (16,909,397) |
| Total assets | 69,363,009 | 96,986,048 | 173,265,864 | 35,915,975 | 97,388,330 | 472,919,226 |
| Total liabilities | 58,299,026 | 29,592,353 | 52,866,827 | 10,958,669 | 5,997,979 | 157,714,854 |

| 30 September 2021 | Feeds | Fruits | Grain | Other products | Meat | Total |
|--------------------------|--------------|---------------|--------------|-----------------------|-------------|--------------|
| Revenue | 16,475,939 | 15,170,920 | 16,897,356 | 3,768,438 | 36,578,564 | 88,891,217 |
| Net loss before zakat | (11,173,957) | (11,513,814) | (12,824,074) | (8,797,694) | 6,519,515 | (37,790,024) |
| 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 |

14- Zakat status

- The Group have finalized all assessments till 2012 and for years 2017, 2019, 2020 and all due has been settled.
- The Group received final declaration for the years from (2014-2018), amounting to zakat difference of SAR 2,6 million and it has been escalated to the General Secretariat of the Tax Committees.

| Item | 2014 | 2015 | 2016 | 2018 |
|---------------------------|-------------|-------------|-------------|-------------|
| Value of final assessment | 439,550 | 1,020,191 | 670,772 | 479,560 |

- The Group have submitted zakat return for the year ended 31 December 2021 by SAR 1,050,219 and settled accordingly during the period.
- The estimate calculation for zakat amounting till the period ended 30 September 2022 SAR 2,536,823
- The balance for provisions in the financial statement in 30 September 2022 amounting to SAR 5,380,047 and based on the advice from zakat expert it's enough.

15- Financial instrument and risk management

Financial instruments included in the group interim condensed statement of financial position consist mainly of cash and cash equivalents, trade receivables, other current assets, loans, trade payables, accrued expenses, and other current liabilities.

15/1 Currency risk management

Currency risk arises from changes and fluctuations in the value of financial instruments as a result of changes in foreign exchange rates.

The Company did not carry out any operations of relative importance in currencies other than the Saudi riyal and the US dollar. Since the Saudi Riyal exchange rate is fixed against the US dollar, the Company's management believes that it is not fundamentally exposed to currency risk.

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15- Financial instrument and risk management (Continued)

15/2 Credit Risk

Credit risk is the risk that one party will not be able to fulfill its obligations and cause the other party to incur a financial loss. The Company's financial instruments that are subject to credit risk include mainly cash and cash equivalents and trade receivables. The Company deposits its funds in banks with high reliability and creditworthiness. The Company has a policy regarding the size of funds deposited in each bank, and the management does not expect the existence of significant credit risks resulting from this. The management also does not expect to be exposed to significant credit risk from clients' accounts, given that it has a broad base of clients operating in different activities and multiple locations. It also monitors the outstanding trade receivables periodically to cover any expected unrecoverable debts.

A major review and restructuring of key interest rate indicators are currently underway at the world level, and in line with the Saudi Central Bank's goal of maintaining monetary and financial stability, the Saudi Central Bank decided in July 2022 to raise the rate of repurchase agreements “RIBOR” by 0.75 percent from 2.25 to 3 percent. The Company's management is closely following these changes to determine the possible financial impact on the results of its business during the coming periods.

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

| | 30 September 2022 – Unaudited | 31 December 2021 – Audited |
|--------------------------|--|---------------------------------------|
| Financial assets | | |
| Cash and cash equivalent | 15,276,880 | 57,207,732 |
| Accounts receivable, net | 14,200,574 | 7,880,195 |
| Due from related parties | 11,345,559 | 14,286,325 |
| | 40,823,013 | 79,374,252 |

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15- Financial instrument and risk management (Continued)

15/2 Credit Risk (Continued)

The aging of accounts receivables as at the reporting date are as follows:

| | 30 September 2022 – Unaudited | 31 December 2021 – Audited |
|---|--|---------------------------------------|
| Less than 3 months | 11,309,124 | 3,644,531 |
| More than 3 month and less than 6 months | 1,312,178 | 1,772,567 |
| More than 6 months and less than a year | 1,304,052 | 2,006,473 |
| More than a year | 9,453,760 | 9,940,348 |
| Total receivables before provision | 23,379,114 | 17,363,919 |
| Deduct: | | |
| Provision for expected credit losses | (9,178,540) | (9,483,724) |
| | 14,200,574 | 7,880,195 |

15/3 liquidity risk management

Liquidity risk is the inability of the Company 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 Company's financial liabilities consist of loans, commercial 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.

15/4 Commission rate risk

Commission risk arises from possible changes and fluctuations in commission rates that affect future profit or fair values of financial instruments. The Company monitors commission rate fluctuations and believes that the impact of commission rate risk is not material.

15/5 Fair value

The fair value is the price that is received to sell an asset or paid to transfer any of the liabilities in a transaction under regular conditions 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 market-based measurement and assumptions used by market participants.

Fair values are classified into different levels in the fair value hierarchy based on the inputs used in the valuation methods as follows:

- Level 1 - Quoted market prices in active markets for the same financial instrument.
- Level 2 - Valuation techniques that depend on inputs that affect the fair value and can be directly or indirectly observable in the market.
- Level 3 - Valuation techniques that rely on inputs that affect the fair value and are not directly or indirectly observable in the market.

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15- Financial instrument and risk management (Continued)

15/5 Fair value (Continued)

All financial assets and liabilities of the Company are stated at amortized cost except biological assets – Non-current (Herd of sheep), investment at fair value through OCI, Employee benefit obligation and dismantling provision.

16- Comparative figures

Some of the comparative figures have been reclassified to conform with the current period presentation of the interim condensed consolidated financial statements.

17- Subsequent events

On October 30, 2022, the Ministry of Justice ratified the title deed of the land of the Tabuk Agricultural Development Company with an area of 21,475 hectares.

No event has occurred subsequent to the interim condensed consolidated financial position date which requires the adjustment to, or disclosures, in these condensed interim consolidated financial statements.

18- Approval of the interim condensed consolidated financial statements

These interim condensed consolidated financial statements are approved by the Board of Directors on 14 Rabi-Al-Thani 1444H corresponding to 8 November 2022.