WAFRAH FOR INDUSTRY AND DEVELOPMENT CO.
(A Saudi Joint Stock Company)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

Crowe

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

WAFRAH FOR INDUSTRY AND DEVELOPMENT CO.
(A Saudi Joint Stock Company)

THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019
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INDEPENDENT AUDITOR'S REPORT

TO: THE SHAREHOLDERS OF
WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

Report on the Audit of the Financial Statements

Opinion:

We have audited the financial statements of **WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY - A Saudi Joint Stock Company - (the "Company")**, which comprise the statement of financial position as at 31 December 2019, the statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion:

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

Material Uncertainty Related to Going Concern:

We draw attention to note 3 to the financial statements, which indicates that the company incurred a loss of approximately 24.5 and 26.5 million Saudi riyals for the year ended December 31, 2019 and 2018, respectively, so that the accumulated losses of the company as of December 31, 2019 amounted to SR 122,829,659, equivalent to 61.4% of The Company's capital. Which is an indication of the company's inability to continue. These conditions or events to indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters:

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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INDEPENDENT AUDITOR'S REPORT *(Continued)*
WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)
Key Audit Matters (continued)

<table>
<tr><td colspan="2">Implementation of IFRS 16 "Leases"</td></tr>
<tr><td colspan="2">Refer to notes (4-2) for the accounting policy and note (4-3) for related disclosures.</td></tr>
<tr><td>Key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The Company adopted IFRS 16 "Leases" with effect from 1 January 2019 and this new standard supersedes the requirements of IAS 17 "Leases".

Management performed a detailed analysis of each lease contract to identify differences between the requirements of the tow standard, identify the changes required to be made to existing accounting policies and determine the transition adjustments and consequential changes to processes and controls required particularly in connection with identification of whether an arrangement meets the definition of a lease.

IFRS 16 principally modifies the accounting treatment of operating leases at inception with the recognition of a right of use on leased asset and a corresponding liability for the discounted amount of lease payments over the term of lease contract.

The Company has chosen to apply IFRS 16 "leases" using the modified simplified conversion method as permitted under the terms of the conversion specified in the standard. Consequently, the comparative financial statements have not been modified and, accordingly, the right to use the assets of SAR 3.2 million was recognized as of January 1, 2019. The lease obligations of SAR 3.1 million as of that date.

Management also assessed the disclosure requirements of the new standard to be made in the financial statement.

We considered this as a key audit matter because the calculations of amounts underlying the right of use assets and the corresponding lease liabilities involve new processes for collecting date, complex rules and the application of significant management judgement relating to the terms in the contracts.</td><td>We performed the following procedures relation to the implementation of IFRS 16:

• Reviewed management's assessment of the impact of IFRS 16 terms of the classification and measurement of its right-of-use assets and lease liabilities and understood the approach taken towards implementation;

• Assessed the accuracy of the lease data by testing on a sample basis, the lease data captured by management through the inspection of lease documents;

• Tested lease schedules, on a sample basis, by recalculating the amounts underlying the right-of-use assets and lease liabilities, based on the terms of the lease contracts. We also tested the arithmetical accuracy of those individual lease schedules and how these accumulated into the overall adjustment totals applied in the consolidated financial statements as 1 January 2018; and

• Consulted our accounting subject matter specialists to assess the appropriateness of the discount rates used in computing of lease liability obligation.

We also reviewed the adequacy of the Company disclosures included in the accompanying financial statements in relation to the implementation of the new standard.</td></tr>
</table>

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INDEPENDENT AUDITOR'S REPORT *(Continued)*
WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

Key Audit Matters (continued)

<table>
<tr><td colspan="2">Revenue</td></tr>
<tr><td colspan="2">Refer to notes (4-16) for the accounting policy and note (23) for related disclosures.</td></tr>
<tr><td>Key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>Sales mainly consist of sales of food products of pasta and potatoes.

Management performed a detailed analysis of each type of revenue contract to identify differences between the requirements of the two standards, identify the changes required to be made to existing accounting policies and determine the transition adjustments and consequential changes to processes and controls required particularly in connection with the separation of different performance obligations that there may be within a given contract.

Management also assessed the additional disclosures required to be made by the new standard in the financial statements.

We considered this a key audit matter as revenue is a key financial statement item and performance metric and the application of IFRS 15 can require judgment by management and the use of significant assumptions.</td><td>We performed the following procedures relation to revenue:

• Reviewed management's detailed analysis of its various revenue streams and how the new accounting standard impacts the Company;

• Gained an understanding of management's approach to the implementation of any changes to accounting policy;

• Obtained an understanding of the nature of revenue contracts used by the Company for each significant revenue stream, tested a sample of representative sales contracts to confirm our understanding and assess whether or not management's application of IFRS 15 requirements was in accordance with the accounting standard;

• Tested relevant processes and controls established by management to ensure appropriate recognition of revenue;

• Consulted with our accounting technical specialists on certain judgmental positions taken by management.

We also reviewed the adequacy of the Company's disclosures included in the accompanying financial statements.</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT *(Continued)*
WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

Key Audit Matters (continued)

Financial instruments	
Refer to notes (4-8, 4-18) for the accounting policy and notes (11) for related disclosures.	
Key audit matter	**How the matter was addressed in our audit**
As at 31 December 2019 carrying value of trade receivables amounted to SAR 26.7 million (2018: SAR 26.4 million) and the provision for expected credit losses of trading account receivables amounted to SAR 8.3 million (2018: SAR 7.8 millions). The Company assesses at each reporting date whether the financial assets carried at amortized cost are credit-impaired. The Company's management has applied a simplified expected credit loss ("ECL") model to determine the allowance for impairment of account receivables. The ECL model involves the use of various assumptions, macros-economic factors and study of historical trends relating to the Company's account receivables collections experience. We considered this a key audit matter due to the judgements and estimates involved in the application of the expected credit loss model.	We performed the following procedures in relation to Financial instruments: • Compared the ECL model developed by management to that required by IFRS 9 and reviewed the reasonableness of the methodology in comparison to accepted best practice. We also account the arithmetical accuracy of the model; • Tested key assumptions such as those used to calculate the likelihood of default and the subsequent loss on default, by comparing to historical data. We also considered the incorporation of forward looking factors (predominantly economic) to reflect the impact of future events on expected credit losses; • We compared the company's provision policy and the expected credit loss methodology with the requirements set out in IFRS 9. • Understand and evaluate the design and effectiveness of the internal control controls that the company applies to the trading accounts receivables cycle. We also reviewed the adequacy of the Company's disclosures included in the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT ***(Continued)***
WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

Other Information
Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

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

When we read the annual report and conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT ***(Continued)***
WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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INDEPENDENT AUDITOR'S REPORT *(Continued)*
WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

Report on Other Legal and Regulatory Requirements

Paragraph (135) of the Companies Law requires the auditor to include in his report any violations of the Regulations for Companies and Company's By-laws. During our audit of the financial statements, we have found that the Company has been in violations of the Companies Regulations and the Company's Articles of Association, and has no material impact on the financial statements, which are as follows:

- As described in Note 1, the Commercial Register of number and value of the shares has not been adjusted in accordance with the financial statements.

العظم والسديري وال الشيخ وشركاؤهم
محاسبون ومراجعون قانونيون
License No 323/11/148
ترخيص رقم ١٤٨/١١/٣٢٣
Al Azem, Al Sudairy, Al Shaikh & Partners
Certified Public Accountant R

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

Salman B. AlSudairy
License No. 283

20 Rajab 1441H (March 15, 2020)
Riyadh, Saudi Arabia

WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2019
(Saudi Riyals)

	Note	31 December 2019	31 December 2018
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment's, net	6	102,474,709	109,177,425
Right of used Assets, net	4-3	2,892,570	-
Intangible Assets, net	7	1,076,314	-
Investments at fair value through profit or loss	8	-	2,741,763
Real estate investments, net	9	10,119,456	11,127,708
Investments at fair value through other comprehensive income	10	589,466	672,771
TOTAL NON CURRENT ASSETS		**117,152,515**	**123,719,667**
CURRENT ASSETS			
Accounts receivable, net	11	18,459,848	18,567,849
Inventory, net	12	17,006,659	17,264,582
Prepayments and other debit balances, net	13	8,942,822	9,626,718
Due From Related Parties	14	760,638	329,237
Cash and cash equivalents	15	1,723,876	4,014,122
TOTAL CURRENT ASSETS		**46,893,843**	**49,802,508**
TOTAL ASSETS		**164,046,358**	**173,522,175**
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Capital	1	200,000,000	200,000,000
Fair value reserve	10	(666,233)	(582,928)
Accumulated losses		(122,829,659)	(97,895,643)
TOTAL SHAREHOLDERS' EQUITY		**76,504,108**	**101,521,429**
LIABILITIES			
NON CURRENT LIABILITES			
Non-current portion of the loan guarantee provision - related party	8-E	5,850,477	-
Non-current portion of long term government loan	17	25,000,000	11,000,000
Non-current portion of lease obligations	4-3	2,530,244	-
Employees' defined benefits liabilities	18	7,257,245	6,427,240
TOTAL NON CURRENT LIABILITIES		**40,637,966**	**17,427,240**
CURRENT LIABILITIES			
Current portion of the loan guarantee provision - related party	8-E	2,212,913	-
Trading accounts payable		24,719,065	22,042,903
Current portion of lease obligations	3-4	351,023	-
Oversubscribed payable		3,258,720	3,258,720
Accrued expenses and other credit balances	19	4,853,776	4,008,796
Accrued dividend distribution	21	1,198,305	1,199,150
Current portion of long term government loan	17	3,000,000	17,000,000
Sales provisions	20	3,264,181	2,092,529
Zakat estimated provision	22	4,046,301	4,971,408
TOTAL CURRENT LIABILITIES		**46,904,284**	**54,573,506**
TOTAL LIABILITIES		**87,542,250**	**72,000,746**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**164,046,358**	**173,522,175**

Finance Manager **CEO** **Authorized Member**

The accompany notes are integrated part of these financial statements.

	Note	2019	2018
Sales, net	23	82,816,966	80,131,972
Cost of sales		(66,058,166)	(66,952,488)
Gross profit of operating income		**16,758,800**	**13,179,484**
General and administrative expenses	24	(9,951,177)	(9,227,860)
Selling and distributing expenses	25	(16,481,558)	(17,480,541)
Net loss from the main operation		**(9,673,935)**	**(13,528,917)**
Provision For Loan Guarantee in an associate	8-E	(8,063,390)	-
Fair value losses from investments at fair value through profit or loss	8-D	(4,354,480)	(6,499,675)
Real estate investments impairment provision	9	(1,008,252)	-
Provision for expected credit losses	11 , 13	(1,175,915)	(1,959,481)
Provision for slow moving items	12	(927,060)	(307,254)
Finance charges	17-1	(300,000)	(315,350)
Finance Cost	4-3	(190,020)	-
Other revenue	26	2,420,198	80,923
Net loss for the year before Zakat estimated		**(23,272,854)**	**(22,529,754)**
Zakat estimate	22	(1,288,762)	(3,971,408)
Net loss for the year		**(24,561,616)**	**(26,501,162)**
<u>OTHER COMPREHENSIVE INCOME</u>:			
Items that cannot be reclassified to profit or loss in subsequent periods:			
Net change in fair value investments	10	(83,305)	67,592
Actuarial losses defined benefits liabilities	18	(372,400)	(701,543)
Total other comprehensive loss for the year		**(455,705)**	**(633,951)**
Net comprehensive loss for the year		**(25,017,321)**	**(27,135,113)**
Loss per share:	27		
From net loss from the main operation		(0,48)	(0,68)
From net loss for the year		(1,23)	(1,33)

Finance Manager **CEO** **Authorized Member**

The accompany notes are integrated part of these financial statements.

WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)
STATEMENTOF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019
(Saudi Riyals)

	Capital	*Statutory reserve*	*Fair value reserve*	*Accumulated losses*	*Total*
Balance at 1 January 2018	**200,000,000**	**7,202,424**	**(650,520)**	**(75,395,362)**	**131,156,542**
Impact of adoption of IFRS 9	-	-	-	(2,500,000)	**(2,500,000)**
Net loss for the year	-	-	-	(26,501,162)	**(26,501,162)**
Other comprehensive income	-	-	67,592	(701,543)	**(633,951)**
Amortization of accumulated losses	-	(7,202,424)	-	7,202,424	-
Balance at 31 December 2018	**200,000,000**	-	**(582,928)**	**(97,895,643)**	**101,521,429**
Balance at 1 January 2019	**200,000,000**	-	**(582,928)**	**(97,895,643)**	**101,521,429**
Net loss for the year	-	-	-	(24,561,616)	**(24,561,616)**
Other comprehensive income	-	-	(83,305)	(372,400)	**(455,705)**
Balance at 31 December 2019	**200,000,000**	-	**(666,233)**	**(122,829,659)**	**76,504,108**

Finance Manager **CEO** **Authorized Member**

The accompany notes are integrated part of these financial statements

WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019
(Saudi Riyals)

	2019	*2018*
Cash Flows from operating Activities:		
Net loss for the year	(24,561,616)	(26,501,162)
Adjustments to:		
Depreciation	9,392,614	9,449,724
Amortizations	136,434	-
Zakat estimated provisionduring the year	1,288,762	949,982
Zakat during the year for previous years	-	3,021,426
Provision for employees' defined benefits liabilities	891,019	791,952
Provision for expected credit losses	1,175,915	1,959,481
Sales provisions	1,171,652	2,092,529
Loan guarantee provision - related party	8,063,390	-
Bad debts during the year	(67,425)	(1,648)
Provision for slow moving items	927,060	307,254
Investments impairment provision	4,354,480	6,499,675
Real estate investments impairment provision	1,008,252	-
Gains from owning investments	(1,612,717)	-
Profit on sale of property, plant and equipment	(70,711)	(18,648)
	2,097,109	**(1,449,435)**
Changes in:		
Accounts receivable	(359,973)	1,409,121
Inventory	(669,137)	8,613,019
Prepayments and other debit balances	(97,746)	(1,540,517)
Trading accounts payable	2,676,162	(2,919,257)
Accrued expenses and other credit balances	844,980	2,109,113
Cash from operations	**4,491,395**	**6,222,044**
Zakat paid during the year	(2,213,869)	(1,254,527)
Employees'defined benefits liabilities paid	(433,414)	(731,337)
Net cash provided by operating activities	**1,844,112**	**4,236,180**
Cash Flows from Investing Activities:		
Paid in purchase property, plant and equipment's	(2,403,591)	(2,194,013)
Paid in purchase Intangible assets	(1,212,748)	-
Proceeds from sale of property, plant and equipment's	138,004	18,650
Net cash used in investing activities	**(3,478,335)**	**(2,175,363)**
Cash Flows from Financing Activities:		
Due from related parties	(431,401)	(35,062)
lease obligations paid	(223,777)	-
Net change in long term government loan	-	(3,500,000)
Accrued dividend distribution	(845)	(1,375)
Net cash used in financing activities	**(656,023)**	**(3,536,437)**
Net change in cash and cash equivalents	**(2,290,246)**	**(1,475,620)**
Cash and cash equivalents at beginning of the year	4,014,122	5,489,742
Cash and cash equivalents at end of the year	**1,723,876**	**4,014,122**
Non-cash item:		
Net change fair value investments	(83,305)	67,592
Amortization of accumulated losses in statutory reserve	-	7,202,424

Finance Manager **CEO** **Authorized Member**

The accompany notes are integrated part of these financial statements

1. ACTIVITES

Wafrah For Industry And Development Company is a Saudi Joint Stock Company founded according to the commercial registration No. 1010076996 issued in Riyadh dated 24/10/1410H (corresponding to 18/05/1990). The paid up capital of the Company is 200 Millions Saudi Riyals comprising of 20 million shares at a par value of Saudi Riyals 10 per share.

The principal activities of the Company are manufacturing, canning, preserving, processing and development and marketing of food products for the local and foreign markets and taking advantage of seasonal surplus from agricultural crops, especially those which are perishable in nature, which are presented to the consumers after treatment and are subjected to varying degrees of agro-processing services.

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

Branch Name	Commercial registration No.	Activity
Wafrah for Industry and Development CO. – Jeddah	4030108227	Marketing of the company's products
Wafrah for Industry and Development CO. – Dammam	2050028895	Marketing of the food products
Wafrah for Industry and Development CO. – Khamis Mushait	5855339110	Marketing of the company's products

The Commercial Register of number and value of the shares has not been adjusted in accordance with the above disclosure.

2. BASIS OF PREPARATION

(a) Applicable accounting standards :
These Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA")

(b) basis of prepare financial statements:
The financial statements have been prepared on the historical cost basis except for certain financial assets that are measured at fair value through OCI and certain financial assets at fair value measured through OCI at fair value and financial assets and liabilities accounted at amortized cost.

(c) Functional and presentation currency:
The financial statements are presented in Saudi Riyal, which is the Company's functional currency.

3. ACCUMULATED LOSSES AND THE PRINCIPLE OF GOING CONCERN

The company incurred a loss of approximately 24.5 and 26.5 million Saudi riyals for the year ended December 31, 2019 and 2018, respectively, so that the accumulated losses of the company as of December 31, 2019 amounted to SR 122,829,659, equivalent to 61.4% of The Company's capital. Which is an indication of the company's inability to continue.

During the fourth quarter of 2019, the Board of Directors decided in its meeting held on 22/04/1441H corresponding to 19/12/2019 to reduce the company's capital in exchange for amortizing the accumulated losses of the company, which was then worth 98.9 million Saudi riyals, and accordingly these financial statements were prepared on the basis of Continuity.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 0219. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4-1 New standards, interpretations, and amendments adopted by the Company

The Company applies, for the first time, IFRS 16 Lease Contracts . As required in accordance with IAS 34 The nature and impact of these changes are explained below (4-2)

4-1-1 Annual improvements to IFRSs (2015-2017 sessions)

- IFRS (3) Business Grouping.
- IFRS 11 Standard Joint Arrangements.
- International Accounting Standard (23) borrowing costs.

4-1-2 Other modifications

The new standards and amendments to the standards below have not yet been applied and are not expected to have a material impact on the financial statements of the company:

- Characteristics of advance payments with negative compensation (amendments to IFRS 9).
- Modifications to plans, abbreviation, or settlement (amendments to IAS 19).

4-2 Changes in accounting policies

International Standard No. (16): Lease Contracts

IFRS (16) replaces existing guidelines for lease contracts, including International Accounting Standard No. (17) 'lease contracts', and the interpretation of IFRIC (4)' Determination of whether an arrangement involves a contract Rent ', and the interpretation of the Standards Interpretation Committee No. (15)' Operating Leases - Incentives', and the Interpretation of Standards Interpretation Committee No. (27) 'Evaluation of the substance of transactions that take the legal form of the lease contract.

IFRS 16 provides tenants with a single model for accounting for lease contracts. The lessee recognizes the asset related to the right to use, which represents its right to use the related asset in addition to the lease obligation, which represents its commitment to pay the lease payments. There are optional exemptions for short-term lease contracts and lease contracts for low-value assets. The accounting method used by the lessor remains similar to the current standard - that is, the lessors continue to classify leases into finance or operating leases.

A) The recognized amendment to the application of IFRS 16

In the current period, the company has implemented the IFRS 16 as of the mandatory application date of 1 January 2019 by applying the modified simplified transformation method as permitted under the transitional terms defined in the standard. As a result, the comparison figures for the 2018 fiscal year will not be modified.

The company has chosen to use the available operational exception when converting to IFRS 16. Therefore, it will not be re-evaluated whether or not the contract contains a lease contract, allowing the standard to be applied to previously recognized contracts as lease contracts only by applying IAS 17 and the interpretation of the Reporting Standards Committee No. 4 in the history of the primary application.

The company has also applied the practical exception to lease contracts which, at the date of commencement, contain a lease term of 12 months or less and do not contain a purchase option ('short-term lease contracts'), and lease contracts that contain a low-value asset ('low-value asset' ').

(Saudi Riyals)

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4-2 Changes in accounting policies (Continued)

Impact of the application of IFRS 16 on the statement of financial position as at 31 December 2019:

	Balances without adoption of IFRS 16	Adjustments	As reported
ASSETS			
NON CURRENT ASSETS			
Property, plants and equipment, net	102,474,709	-	102,474,709
Right of used Assets, net	-	2,892,570	2,892,570
Intangible Assets, net	1,076,314	-	1,076,314
Investments determined by fair value through profit or loss	-	-	-
Real estate investments, net	10,119,456	-	10,119,456
Investments determined by fair value through other comprehensive income	589,466	-	589,466
TOTAL NON CURRENT ASSETS	**114,259,945**	**2,892,570**	**117,152,515**
CURRENT ASSETS			
Accounts receivable, net	18,459,848	-	18,459,848
Inventory, net	17,006,659	-	17,006,659
Prepayments and other debit balances, net	9,212,299	(269,477)	8,942,822
Due From Related Parties	760,638	-	760,638
Cash and cash equivalents	1,947,653	(223,777)	1,723,876
TOTAL CURRENT ASSETS	**47,387,097**	**(493,254)**	**46,893,843**
TOTAL ASSETS	**161,647,042**	**2,399,316**	**164,046,358**
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Capital	200,000,000	-	200,000,000
Fair value reserve	(666,233)	-	(666,233)
Accumulated losses	(122,157,688)	(671,971)	(122,829,659)
TOTAL SHAREHOLDERS' EQUITY	**77,176,079**	**(671,971)**	**76,504,108**
LIABILITIES			
NON CURRENT LIABILITES			
Non-Current portion of loan guarantee provision - related party	5,580,477	-	5,580,477
Non-current portion of long term government loan	25,000,000	-	25,000,000
Non - current portion of lease obligations	-	2,530,244	2,530,244
Employees' defined benefits liabilities	7,257,245	-	7,257,245
TOTAL NON CURRENT LIABILITIES	**38,107,722**	**2,530,244**	**40,637,966**

(Saudi Riyals)

5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4-2 Changes in accounting policies (Continued)

Impact of the application of IFRS 16 on the statement of financial position as at 31 December 2019: (Continued)

CURRENT LIABILITIES			
Current portion of loan guarantee provision - related party	2,212,913	-	2,212,913
Trading accounts payable	24,719,065	-	24,719,065
current portion of lease obligations	-	351,023	351,023
Oversubscribed payable	3,258,720	-	3,258,720
Accrued expenses and other credit balances	4,663,756	190,020	4,853,776
Accrued dividends distribution	1,198,305	-	1,198,305
Current portion of long term government loan	3,000,000	-	3,000,000
Sales provisions	3,264,181	-	3,264,181
Zakat estimated provision	4,046,301	-	4,046,301
TOTAL CURRENT LIABILITIES	**45,824,479**	**541,043**	**46,365,522**
TOTAL LIABILITIES	**84,470,96**	**3,071,287**	**87,542,250**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**161,647,042**	**2,399,316**	**164,046,358**

(Saudi Riyals)

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4-2 Changes in accounting policies (Continued)

Impact of the application of IFRS 16 on the Statement of comprehensive income for the year ended 31 December 2019:

	Balances without adoption of IFRS 16	Adjustments	As reported
Sales, net	82,816,966	-	82,816,966
Cost of sales	(66,058,166)	-	(66,058,166)
Gross operating income	**16,758,800**	-	**16,758,800**
General and administrative expenses	(9,469,226)	(481,951)	(9,951,177)
Selling and distributing expenses	(16,481,558)	-	(16,481,558)
Net profit (loss) from the main operation	**(9,191,984)**	**(481,951)**	**(9,673,935)**
Provision For Loan Guarantee in an associate	(8,063,390)	-	(8,063,390)
Fair value losses from investments at fair value through profit or loss	(4,354,480)	-	(4,354,480)
Real estate investments impairment provision	(1,008,252)	-	(1,008,252)
Provision for expected credit losses	(1,175,915)	-	(1,175,915)
Provision for slow moving goods	(927,060)	-	(927,060)
Finance charges	(300,000)	-	(300,000)
Finance cost	-	(190,020)	(190,020)
Other revenue	2,420,198	-	2,420,198
Net loss for the year before Zakat estimated	**(22,600,883)**	**(671,971)**	**(23,272,854)**
Zakat estimate	(1,288,762)	-	(1,288,762)
Net loss for the year	**(23,889,645)**	**(671,971)**	**(24,561,616)**
OTHER COMPREHENSIVE INCOME:			
Items that cannot be reclassified to profit or loss in subsequent periods::			
Net change in fair value reserve	(83,305)	-	(83,305)
Actuarial losses defined benefits liabilities	(372,400)	-	(372,400)
Total other comprehensive loss for the year	**(455,705)**	-	**(455,705)**
Net comprehensive loss for the year	**(24,345,350)**	**(671,971)**	**(25,017,321)**

B) Accounting policies

The company has recognized new assets and liabilities for its operating lease contracts for various types of contracts, including warehouses, warehouse facilities, housing, office rentals, buildings, and others. Each lease payment is distributed between the liabilities and the cost of the financing. The financing cost is charged to the profit or loss over the lease period so that a periodic commission rate is achieved on the remaining balance of the obligation for each period. The right to use the asset is depreciated over the useful life of the asset and the lease term, whichever is shorter, on a straight-line basis.

(Saudi Riyals)

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4-2 Changes in accounting policies (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis.

A- Right-of-use assets are measured at cost comprising the following:
- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs, and
- Restoration costs.

B- Lease liabilities include the net present value of the following lease payments:
- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees –
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in Condensed Statement of Profit or Loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items relating to office equipment.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

4-3 Clarification

The following table shows the balance of the right to use the assets in addition to the depreciation charged as follows:

	Lands and buildings	Total
Cost		
Beginning balance for the year	3,246,170	3,246,170
Additions During the year	-	-
Ending balance for the year	**3,246,170**	**3,246,170**
Deprecations		
Beginning balance for the year	-	-
Additions During the year	353,600	353,600
Ending balance for the year	**353,600**	**353,600**
Net Book Value	**2,892,570**	**2,892,570**

There are no additions to the right to use the assets during the year ended December 31, 2019.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4-3 Clarification (Continued)

The lease obligations as at the end of the year are as follows:

	lease obligations
Non-current lease obligations	3,105,044
Paid during 2019	(223,777)
Total rental liabilities	**2,881,267**
Non-current lease obligations	2,530,244
current lease obligations	351,023

The total commission expense of recognized rental obligations during the year ended December 31, 2019 is SAR 190,020.

4-4 Current versus Non-Current Classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:
- Expected to be realized or intended to sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in the normal operating cycle.
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

Deferred tax assets and liabilities are classified as non-current assets and liabilities. All other liabilities are classified as non-current.

4-5 Property, plant and equipment's

- **Recognition and measurement**

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

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

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized net within in the statement of profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4-5 Property, plant and equipment's (continued)

- **Subsequent costs**

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

- **Depreciation**

Items of property and equipment are depreciated on a straight-line basis in statement of income over the estimated useful lives of each component. Leased assets are depreciated over the lease term or on the shorter useful lives of the assets

The estimated annual depreciation rates for property, plant and equipment during the current year are the same as for the previous year and details as follows:

Machinery and equipment's	2.5 -5 %
Buildings	3 – 15 %
Tools	5 – 15 %
Artesian wells	5 %
Furniture and fixture	2.5 – 15 %
Air conditions	15 %
Motor vehicles	25 %
Fitting and equipment's	10 %

4-6 Real estate investments

Real estate investment is a property acquired either to earn rental income or to increase in value or both, but not for the purpose of selling it through the normal activities of the Company. It is not used for production or supply of goods or services or for administrative purposes. Investment properties are stated at cost and their fair values are disclosed in the notes to the financial statements, which are estimated annually by an independent real estate expert based on the market prices of those properties within an active real estate market.

4-7 Intangible assets

Intangible assets other than goodwill are measured at cost less accumulated amortization and accumulated losses of impairment, if any.
The intangible assets are amortized on a straight-line basis over the economic life of 7 years.
Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the company, and the costs can be measured reliably.
The residual values of the intangible assets, their useful lives and indicators of impairment are reviewed at the end of each financial year and adjusted for a future effect, if necessary.

4-8 Accounts receivable

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. For impairment of financial assets refer to Note 4.8

4-9 Inventory

Iinventories are measured at the lower of cost and net realisable value. Cost is determined using the weighted average method. Cost includes all direct manufacturing expenditure based on the normal level of activity and transportation and handling costs. Net realisable value comprises estimated selling price less further production costs to completion and appropriate selling and distribution costs. Allowance is made, where necessary for slow moving inventories. Cost of inventories is recognised as an expense.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4-10 Cash and cash equivalents

Cash and cash equivalents consists of cash and banks balances amounts and demand deposits, which can be converted into cash within a period of three months or less (If any).

4-11 Employees Benefits

Short Term Obligations

Liabilities for wages and salaries and any other short term benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

Post-Employment Obligations

Defined Contribution Plans

Contributions to defined contribution superannuation plans are expensed when the employees have rendered service entitling them to the contributions.

Retirement benefit in the form of General Organization of Social Insurance (GOSI) is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the GOSI. The Company recognizes contribution payable to the GOSI as an expense, when an employee renders the related service.

Defined Benefits Plans

The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

The discount rate for discounting the estimated future cash outflows is required to be based on the yield on corporate bonds of duration and currency consistent with the liabilities. Where there is no deep market in corporate bonds in the currency under consideration, the yields on government bonds are used.

Past service costs are recognized in the statement of profit or loss on the earlier of the date of the plan amendment or curtailment and the date on which the Company recognizes related restructuring costs. Net interest is calculated by applying the discount rate to the net defined benefit liability. The Company recognizes the changes in the net defined benefit obligation under 'cost of revenue, 'general and administrative expenses' and 'selling and distribution expenses' in the statement of profit or loss.

4-12 Accounts payable

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

4-13 Provisions

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

4-14 Estimated Zakat

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

Zakat is calculated on an accrual basis and is calculated on the basis of net income adjusted for zakat during the year or on the basis of zakat calculated according to the laws. Any differences in the provision previously recognized are settled when the final approval is received by the General Authority for Zakat and Income.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4-15 Related parties transactions

Related party

A related party is a person or entity that is related to the entity that is preparing its financial statements.

(a) A person or a close member of that person's family is related to a reporting entity if that person:
- (i) has control or joint control of the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

4-16 Revenue recognition

Revenue is measured based on the consideration specified in a contract with customer and excludes amount collected on behalf of third parties.
The Company recognizes revenue when it transfers control over a product or service to a customer. The principles in IFRS 15 are applied using the following five steps:

Step 1: The Company accounts for a contract with a customer when:

- The contract has been approved and the parties are committed;
- Each party's rights are identified;
- Payment terms are defined;
- The contract has commercial substance; and
- Collection is probable.

Step 2: The Company identifies all promised goods or services in a contract and determines whether to account for each promised good or service as a separate performance obligation. A good or service is distinct and is separated from other obligations in the contract if both:

- The customer can benefit from the good or service separately or together with other resources that are readily available to the customer; and
- The good or service is separately identifiable from the other goods or services in the contract.

Step 3: The Company determines the transaction price, which is the amount of consideration it expects to be entitled to in exchange for transferring promised goods or services to a customer.

Step 4: The transaction price in an arrangement is allocated to each separate performance obligation based on the relative standalone selling price of the good or service being provided to the customer.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4-16 Revenue accounting policy (continued)

Step 5: Revenue is recognized when control of the goods or services is transferred to the customer. The Company transfers a good or service when the customer obtains control of that good or service. A customer obtains control of a good or service if it has the ability to direct the use of and receive the benefit from the good or service.

In comparative period, revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is received.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company has concluded that it is the principal in all of its revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks.

Significant accounting judgments and estimates

The following is a description of the accounting policies and important provisions of the main activities that the company generates its revenues:

(A) Selling products
Revenue is recognized when control over those products or services is transferred, and it is when the products or services are delivered to the customer. Delivery occurs when products are shipped to the specified location, and the risk of depreciation and loss has been transferred to the customer.

In these contracts, the company is primarily responsible for fulfilling the obligation to provide food and other specific products. The company assumes inventory risk before the food products are transported to customers. In addition, the company has discretion in setting prices for specific food products. The company also bears credit risk on these transactions as it is obligated to pay the supplier even if the customer fails to pay.

(B) Discounts on sales volume
Revenue is often recognized with sales volume discounts over 12 months. Revenue from these sales is recognized based on the price specified in the contract, after deduction of the estimated discounts.

The contracted discount rate and accumulated experience are used to determine the size of those discounts, and revenue is recognized only to the extent that it is highly probable that the opposite will not occur. The contractual obligation of expected discounts is recognized in the amount of amounts payable to customers in respect of sales made until the end of the reporting period.

(C) Sales returns
Revenue is recognized minus sales returns.

The accumulated experience is used to estimate the amount of sales returns using the projected value method, and revenue is recognized only to the extent that it is highly probable that the opposite will not occur. Expected sales returns are recognized in the amount of amounts payable to customers in respect of sales made up to the end of the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4-16 Revenue accounting policy (continued)

Revenue is the fair value of the consideration received or receivable against the goods sold, net of returns, trade discount and rebates. The company recognizes revenue when the customer obtains the goods or acknowledges their acceptance.

Products are mainly sold on a sales or return basis, and a return sales allowance is calculated on the basis of the expected return from expired or damaged products. The expected sales returns are offset against revenue with the associated effect of the sales allowance.

Goods are sold at significant discounts retroactively on the basis of total sales over a 12-month period. Revenue from these sales is recognized based on the price specified in the contract minus the estimated discounts. Accumulated experience is used to estimate and provide discounts and revenue is recognized to the most likely extent that there will be no material reversal.

There is no component of an existing financing component as sales are made in either cash or term debt in line with market practice.

4-17 Expenses

Expenses incurred by the Company consist of selling and marketing expenses, general and administrative expenses and operating expenses. Production costs are charged at full cost of materials, direct labor and indirect industrial costs. The expenses resulting from the Company's efforts related to the marketing, sale and distribution of finished products are classified as a separate item under the heading of selling and marketing expenses. Other direct and indirect expenses relating to management that are not related to the production function or the sales and marketing function are classified as general and administrative expenses. The joint expenses are distributed, if necessary, between general and administrative expenses, selling and marketing expenses and operating expenses on a consistent basis. The accrual principle is applied in charging the financial period with general and administrative expenses and selling and marketing expenses.

4-18 Financial Instruments

IFRS 9 introduces new classification and measurement requirements for financial assets. IFRS 9 requires all financial assets to be classified and subsequently measured at either amortized cost or fair value. The classification depends on the business model for managing the financial asset and the contractual cash flow characteristics of financial asset, determined at the time of initial recognition.

Financial assets are classified into the following specified categories under IFRS 9:

- Debt instruments at amortized cost;
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition;
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition; and
- Financial assets at fair value through profit and loss (FVPL).

(a) Financial assets classified as amortized cost

Debt instruments that meet the following conditions are subsequently measured at amortized cost less impairment loss (except for debt investments that are designated as at fair value through profit or loss on initial recognition):

1- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
2- The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4-18 Financial instruments (continued)

(a) financial assets classified as amortized cost (continued)

If a financial asset does not meet both of these conditions, it is measured at fair value.

The Company makes an assessment of a business model at portfolio level as this best reflects the way the business is managed and information is provided to management. In making an assessment of whether an asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the Company considers:

- Management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How management evaluates the performance of the portfolio;
- Whether the management's strategy focus on earning contractual commission income;
- The degree of frequency of any expected asset sales;
- The reason for any asset sales; and
- Whether assets that are sold are held for an extended period of time relative to their contractual maturity or are sold shortly after acquisition or an extended time before maturity.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Income is recognized on an effective interest basis for debt instruments measured subsequently at amortized cost. Interest is recognized in the statement of profit or loss.

Debt instruments that are subsequently measured at amortized cost are subject to impairment.

(b) Financial assets designated as FVOCI with recycling

Debt instruments that meet the following conditions are subsequently measured at FVOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt financial instruments measured at FVOCI, commission income and impairment losses or reversals are recognized in the statement of income and computed in the same manner as for financial assets measured at amortized cost.

All other changes in the carrying amount of these instruments are recognized in other comprehensive income and accumulated under the investment revaluation reserve. When these instruments are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to the statement of profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4-18 Financial instruments (continued)

(c) Financial assets classified as FVPL

Investments in equity instruments are classified as at FVPL, unless the Company designates an investment that is not held for trading as at FVOCI on initial recognition.

Debt instruments that do not meet the amortized cost of FVOCI criteria are measured at FVPL. In addition, debt instruments that meet the amortized cost criteria but are designated as at FVPL to avoid accounting mismatch are measured at fair value through income statement. A debt instrument may be designated as at FVPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Company has not designated any debt instrument as FVPL since the date of initial application of IFRS 9 (i.e. 1 January 2018).

Debt instruments are reclassified from amortized cost to FVPL when the business model is changed such that the amortized cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVPL on initial recognition is not allowed.

Financial assets at FVPL are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognized in statement of profit or loss.

Commission income on debt instruments as at FVPL is included in the statement of profit or loss.

Dividend income on investments in equity instruments at FVPL is recognized in the statement of profit or loss when the Company's right to receive the dividends is established in accordance with IFRS 15 Revenue from Contracts with Customers.

(d) Investment in equity instruments designated as FVOCI

On initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI. Designation as at FVOCI is not permitted if the equity investment is held for trading.

(d) Investment in equity instruments designated as FVOCI

A financial asset or financial liability is held for trading if:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other reserves. Gain and losses on such equity instruments are never reclassified to the statement of profit or loss and no impairment is recognized in the statement of profit or loss. Investment in unquoted equity instruments which were previously accounted for at cost in accordance with IAS 39, are now measured at fair value. The cumulative gain or loss will not be reclassified to the statement of profit or loss on disposal of the investments.

Dividends on these investments are recognized in the statement of profit or loss when the Company's right to receive the dividends is established in accordance with IAS 18 Revenue, unless the dividends clearly represent a recovery of part of the cost of the investment.

Fair value reserve includes the cumulative net change in fair value of equity investment measured at FVOCI. When such equity instruments are derecognized, the related cumulative amount in the fair value reserve is transferred to accumulated losses.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4-18 Financial instruments (continued)

Impairment of financial assets
The Company recognizes a loss allowance for expected credit losses (ECL) on debt instruments that are measured at amortized cost or at FVOCI, lease receivables, trade receivables, as well as on loan commitments and financial guarantee contracts. No impairment loss is recognized for investments in equity instruments. The amount of expected credit losses reflects changes in credit risk since initial recognition of the respective financial instrument.

The Company applies the simplified approach to calculate impairment on trade receivables and this always recognizes lifetime ECL on such exposures. ECL on these financial assets are estimated using a flow rare based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company applies the general approach to calculate impairment. Lifetime ECL is recognized when there has been a significant increase in credit risk since initial recognition and 12 months ECL is recognized the credit risk on the financial instrument has not increased significantly since initial recognition. The assessment of whether credit risk of the financial instrument has increased significantly since initial recognition is made through considering the change in risk of default occurring over the remaining life of the financial instrument.

Measurement and recognition of expected credit losses
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date. Exposure at default for of balance sheet items is arrived at by applying a credit conversion factor to the undrawn portion of the exposure.
Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Company's trade and other receivables), are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, and size industry of debtors; and
- External credit ratings where available.

The Company recognizes an impairment gain or loss in the statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognized in profit or losses satement and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the interim condensed statement of financial position.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4-18 Financial instruments (continued)

Derecognize of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the assets expires; or it transfers the financial asset or substantially all the risk and rewards of ownership to another entity. If the Company neither transfer nor retains substantially all the risks and reward of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial liabilities

Financial liabilities carried at amortized cost have been classified and measured at amortized cost using the effective yield method.

For financial liabilities that are designated as at FVPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized interim condensed other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in interim condensed other comprehensive income would create or enlarge an accounting mismatch in interim condensed comprehensive income. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to interim condensed comprehensive income.

The liability credit reserve includes the cumulative changes in the fair value of the financial liabilities designated as at fair value through profit or loss that are attributable to changes in the credit risk of these liabilities and which would not create or enlarge accounting mismatch in interim condensed comprehensive income. Amount presented in liability credit reserve are not subsequently transferred to interim condensed comprehensive income. When such investments are derecognized, the related cumulative amount in the liability credit reserve is transferred to retained earnings. Since the date of initial application of IFRS 9 (i.e. 1 January 2018), the Company has also not designated any financial liability as at FVPL.

Derecognize of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expired.

4-19 Foreign currency transactions

Transactions in foreign currencies are translated into Saudi Riyals during the period at the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Saudi Riyals at the date of the financial statements at the exchange rates prevailing on that date. Differences arising from the translation of foreign currencies into Saudi Riyals are recognized in the income statement, profits or losses.

4-20 Clearing

A clearing is made between financial assets and financial liabilities and the net amount is reported in the statement of financial position only when binding legal rights are available and also when they are settled on a clearing basis or the verification of the assets and the settlement of liabilities at the same time.

5. SIGNIFICANT JUDGEMENTS, ASSUMPTIONS AND ESTIMATES

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are addressed below;

5. SIGNIFICANT JUDGEMENTS, ASSUMPTIONS AND ESTIMATES (continued)

5.1 Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Operating leases

Management established on the basis of an evaluation of the terms and conditions for the operating lease arrangements that not all the significant risks and rewards of ownership of land and buildings leased for warehousing and distribution will been transferred to the Company. Consequently, the land and warehouse buildings are recognized as operating leases.

5.2 Assumptions and estimates

(1) Impairment reviews

IFRS requires management to undertake an annual test for impairment of indefinite lived assets and, for finite lived assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Impairment testing is an area involving management judgement, requiring inter alia an assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

a) growth in earnings before interest, tax, depreciation and amortization (EBITDA), calculated as adjusted operating profit before depreciation and amortization.
b) timing and quantum of future capital expenditure.
c) long-term growth rates; and
d) selection of discount rates to reflect the risks involved.
e) The amount of mining reserves expected to be extracted during the relevant year.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Company's impairment evaluation and hence results.

(2) Impairment losses on trade and other receivables

Trade and other receivables are stated at their amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts. Estimated irrecoverable amounts are based on the ageing of the receivable balances and historical experience adjusted appropriately for the future expectations. Individual trade receivables are written off when management deems them not to be collectible.

(3) Measurement of defined benefit obligations

The Company's net obligation in respect of defined benefit schemes is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted.

The present value of the obligation is determined based on actuarial valuation at the statement of financial position date by an independent actuary using the Projected Unit Credit Method, which recognises each period of service as giving rise to an additional unit of employee benefit entitlement and measures. The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan, are determined by reference to US bond yields, (as the Saudi Riyal is pegged to the US dollar), adjusted for an additional risk premium reflecting the possibility of the linkage being broken.

(4) Estimate of zakat

Management estimates the zakat expenses according to instructions and active law.

(5) Determining whether the Company or a company part of it is acting as an agent or principal

Principles of IFRS 15 are applied by identifying each specified (i.e. distinct) good or service promised to the customer in the contract and evaluating whether the entity under consideration obtains control of the specified good or service before it is transferred to the customer. This assessment requires significant judgement based on specific facts and circumstances.

(Saudi Riyals)

6. PROPERTY, PLANT AND EQUIPMENT'S, NET

	Machinery And equipment's	Buildings	Tools	Artesian Wells	Furniture And Fixture	Air conditions	Motor Vehicles	Fitting and equipment's	Total
Cost									
Beginning of the year	198,736,945	79,765,129	18,696,224	220,816	4,177,144	5,915,251	11,538,579	4,844,661	**323,894,749**
Additions during the year	541,827	86,514	1,476,479	-	172,728	102,133	-	23,910	**2,403,591**
Disposal during the year	-	-	-	-	(124,347)	-	(398,400)	-	**(522,747)**
End of the year	**199,278,772**	**79,851,643**	**20,172,703**	**220,816**	**4,225,525**	**6,017,384**	**11,140,179**	**4,868,571**	**325,775,593**
Deprecation									
Beginning of the year	142,486,995	37,033,867	13,501,154	116,955	3,611,569	5,530,362	9,300,564	3,135,858	**214,717,324**
Additions during the year	3,643,893	2,312,361	1,331,842	5,770	164,403	138,402	1,021,826	420,517	**9,039,014**
Disposal during the year	-	-	-	-	(124,032)	-	(331,422)	-	**(455,454)**
End of the year	**146,130,888**	**39,346,228**	**14,832,996**	**122,725**	**3,651,940**	**5,668,764**	**9,990,968**	**3,556,375**	**223,300,884**
Net Book Value									
December 31, 2019	**53,147,884**	**40,505,415**	**5,339,707**	**98,091**	**573,585**	**348,620**	**1,149,211**	**1,312,196**	**102,474,709**
December 31, 2018	**56,249,950**	**42,731,262**	**5,195,070**	**103,861**	**565,575**	**384,889**	**2,238,015**	**1,708,803**	**109,177,425**

- Depreciation amounted to SAR 9,039,014 and SAR 9,449,724 the years ended December 31, 2019 and 2018 respectively.
- There are mortgaged property included within the item of property, plant and equipment's (used) with a value of 71 million Saudi Riyals; which was used as collateral in exchange for a loan from the Saudi Industrial Development Fund (Note 17).

(Saudi Riyals)

7. INTANGIBLE ASSETS, NET

	Accounting progran	Total
Cost		
Beginning of the year	-	-
Additions during the year	1,212,748	1,212,748
End of the year	**1,212,748**	**1,212,748**
Deprecation		
Beginning of the year	-	-
Additions during the year	136,434	136,434
End of the year	**136,434**	**136,434**
Net Book Value		
December 31, 2019	**1,076,314**	**1,076,314**
December 31, 2018	-	-

8. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	%	31 December 2019	31 December 2018
East Asia Company for Development and Agricultural Investment (Note 8a)	14.285%	10,000,000	10,000,000
Jannat for Agricultural Investment - under liquidation (Note 8b)	11.1%	7,050,000	7,050,000
Rakhaa for Agricultural Investment (Note 8c)	8.628%	1,612,717	-
		18,662,717	**17,050,000**
Fair value losses from investments at fair value through profit or loss (Note 8d)		(18,662,717)	(14,308,237)
		-	**2,741,763**

a) Investment in East Asia Company for Development and Agricultural Investment (Closed Joint Stock Company) represent an investment of 14.285 % from the company's paid up capital amounting to SAR 70 million.

b) Investment in Jannat for Agricultural Investment (A Saudi Limited Liabilities Company) represent an investment of 11.1 % in the company's capital which amounts to SAR 63 million and the remaining balance of SAR 50,000 represents the company's shares in pre-operating expenses.

c) Investment in Rakhaa for Agricultural Investment (an Egyptian joint stock company) represents an investment of 8.628% of the paid-up capital of 80 million Egyptian pounds (equivalent to 18,692,753 Saudi riyals), as on March 6, 2018, the partners of Jannat Agricultural Investment Company decided (A company under liquidation (assignment of investment in Rakhaa for Agricultural Investment (an Egyptian joint stock company) by transferring the ownership of the shares and shares owned by the company in Rakhaa for Agricultural Investment (an Egyptian joint stock company) which is 62,184 shares to the partners of Jannat Agricultural Investment Company (a company under liquidation) Directly, each according to his share in the company. Accordingly, on December 31, 2019, the ownership of 6,902 shares (equivalent to SAR 1,612,717) was transferred from the shares of Rakhaa Agricultural Investment Company (an Egyptian joint stock company) from Jannat Agricultural Investment Company (a company under liquidation) in favour of Wafra Industrial and Development Company.

(Saudi Riyals)

8. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS, NET (continued)

d) During the year 2016 fair value losses has been recorded in Jannat for Agricultural Investment Company - under liquidation amounting to SAR 3,287,562, and during the year 2017 fair value losses has been recorded in Jannat for Agricultural Investment Company - under liquidation amounting to SAR 3,762,438 With a total fair value losses of the investment value of Jannat SAR 7,050,000 representing 100% of the value of the investment, and fair value losses has been recorded in East Asia Company for Development and Agricultural investment amounting to SAR 758,562.
During the year 2018 fair value losses has been recorded in East Asia Company for Development and Agricultural investment amounting to SAR 6,499,675, During the year 2019 fair value losses has been recorded in East Asia Company for Development and Agricultural investment amounting to SAR 2,741,763 with a total fair value losses of the investment value of East Asia Company for Development representing 100% of the value of the investment, and fair value losses has been recorded in Rakhaa for Agricultural Investment amounting to SAR 1,612,717 which constitutes 100% of the value of the investment.

e) The company has guarantee obligations represented in the company's share of 8,063,390 Saudi riyals, or 8,628% of the loan guarantee amount granted to others (Rakhaa Agricultural Investment Company - Egyptian Joint Stock Company) by the Saudi Fund for Development at an amount of 93.5 million Saudi riyals. A full-value allocation has been created to meet this obligation.

9. REAL ESTATE INVESTMENTS, NET

	31 December 2019	31 December 2018
Lands investments – Jizan	11,127,708	11,127,708
Real estate investments impairment provision	(1,008,252)	-
	10,119,456	**11,127,708**

Investment represent land purchased by the Company based on the Boards decision at its meeting dated 04/12/2014 and consists of 18 plots in mohammedia, Jizan with a total area of 10,803.60 square meters purchased from Tanmiyat Commercial Investment Company.

The fair value of investment properties as at 31 December 2019 amounted to SR 10,119,456. According to the evaluation process carried out by the real estate evaluator, Manassat Real Estate Office, holder of license number 1210000163 (Independent evaluator accredited by the Saudi Council for Accredited Residents).

10. INVESTMENTS DETERMINED BY FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2019	31 December 2018
Cost		
Beginning balance for the year	1,255,699	1,255,699
Ending balance for the year	**1,255,699**	**1,255,699**
Evaluation adjustment		
Beginning balance for the year	(582,928)	(650,520)
Unrealizable gain during the year	(83,305)	67,592
Ending balance for the year	**(666,233)**	**(582,928)**
Net book value	**589,466**	**672,771**

This account represent the invested shares in National Petrochemical Company (Yansab) by 0.001875% as at 31 December 2019 and 2018, respectively.

(Saudi Riyals)

11. ACCOUNTS RECEIVABLE, NET

	31 December 2019	31 December 2018
Account receivable	26,717,290	26,357,317
Provision for expected credit losses	(8,257,442)	(7,789,468)
Net	**18,459,848**	**18,567,849**

11-1 Movements in the provision for expected credit losses were as follows:

	31 December 2019	31 December 2018
Balance, beginning for the year	7,789,468	3,600,441
Effect of IFRS 9 at the beginning of the year	-	2,500,000
Provision for the year	535,399	1,690,675
Bad dibts during the year	(67,425)	(1,648)
Balance, ending for the year	**8,257,442**	**7,789,468**

12. INVENTORY, NET

	31 December 2019	31 December 2018
Raw material	9,610,406	9,808,841
Finished goods	5,778,423	4,653,884
Spare parts	3,409,075	3,666,042
	18,797,904	**18,128,767**
Deduct:		
Provision for slow moving items	(1,791,245)	(864,185)
Net	**17,006,659**	**17,264,582**

12-1 Movements in the provision for slow moving items were as follows:

	31 December 2019	31 December 2018
Balance, beginning for the year	864,185	556,931
Provision for the year	927,060	307,254
Balance, ending for the year	**1,791,245**	**864,185**

13. PREPAYMENTS AND OTHER DEBIT BALANCES, NET

	31 December 2019	31 December 2018
Advance to suppliers	6,860,923	6,241,677
Employee receivables	1,838,417	1,517,516
Letters of credit	500,000	500,000
Prepaid expenses	467,354	1,489,869
Refundable deposit	76,313	88,465
Accrued revenue	57,997	57,997
Others	51,140	-
	9,852,144	**9,895,524**
Deduct:		
Provision for expected credit losses	(909,322)	(268,806)
Net	**8,942,822**	**9,626,718**

13-1 Movements in the provision for Provision for expected credit losses were as follows:

	31 December 2019	31 December 2018
Balance, beginning for the year	268,806	-
Provision for the year	640,516	268,806
Balance, ending for the year	**909,322**	**268,806**

(Saudi Riyals)

14. DUE FROM RELATED PARTIES

During the normal course of its operations, the Company had the following significant transactions with related parties during the year ended 31 December 2019 along with their balances:

	Transaction amount		Balance at	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Finance:				
Jannat Agricultural Investment Company	431,402	35,062	760,638	329,237

The prices and terms of these transactions are carried out according to the terms of dealing with related parties. The related parties shall achieve the following:

Name	Relationship
Jannat Agricultural Investment Company	Sister company

Members of the Board of Directors do not receive any remuneration for their role in managing the Company unless approved by the General Assembly. Members of the Board of Directors receive an attendance allowance for Board and Board Committee meetings. Executive Directors receive fixed remuneration as a result of their direct duties and responsibilities. The following details of remuneration and compensation paid to non-executive board members and senior management personnel:

Non-executive board members and senior management personnel	31 December 2019	31 December 2018
Salaries and compensation	2,156,475	2,052,991
Allowances	1,041,931	893,832
Annual incentives	68,503	167,700

15. CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018
Cash in hand	25,311	19,032
Cash at banks	1,698,565	3,995,090
	1,723,876	**4,014,122**

16. STATUTORY RESERVE

In accordance with the Saudi Arabian Companies Regulations and the Company's statue of, 10% of the annual net income is required to be transferred to a statutory reserve until this reserve equals 30% of the capital, This reserve is not available for distribution to shareholders and until the date of the financial statements was not amend the statute of the company in accordance with the system of new companies.

At its meeting held on 5 February 2019, the Board of Directors resolved to use the statutory reserve of SAR 7,202,424 to extinguish part of the Company's accumulated losses.

(Saudi Riyals)

17. LONG TERM GOVERNMENT LOAN

The company obtained a long-term loan from the Saudi Industrial Development Fund on 09/05/2012 in order to finance the establishment and expansion of frozen vegetables and potatoes production plant, the total of the approved facilitate loan SR 34,000,000. The loan is repayable in a period of six-years and the semi-annual installments start from August 1, 2015. During 2016, the loan was rescheduled, with the first installment due after the rescheduling on 2/1/2018. This amount was paid in SAR 1,000,000 during 2015, SAR 1,500,000 in 2016, and 3,500,000 Saudi riyals during 2018, bringing the total value of the loan as of December 31, 2019 the amount of 28,000,000 Saudi riyals. During 2019, the loan was rescheduled, with the first installment due after the rescheduling on 1/12/2020. The loan is secured by mortgaging the entire food plant to fully produce the meat and the food plant to completely freeze the vegetables in favor of the fund as collateral for the loan. The loan agreement contains pledges that include, among other things, to reduce future capital expenditures to maintain certain financial ratios.

The long term loan movement represents as follow:

	31 December 2019	31 December 2018
Beginning of the year	28,000,000	31,500,000
Paid during the year		(3,500,000)
Total long-term government loan	**28,000,000**	**28,000,000**
Current portion of long term government loan	(3,000,000)	(17,000,000)
Non-current portion of long term government loan	**25,000,000**	**11,000,000**

17-1 Finance charges

Finance charges as a result of the government loan for the year ended December 31, 2019 amounted to SAR 300,000 (2018: 315,350 SAR)

18. EMPLOYEES' DEFINED BENEFITS LIABILITIES

18-1 General description

The Company has employee benefit liabilities represented by end of service benefits and payments due upon leaving the service under the Saudi Labor Law.

18-2 Defined benefits liabilities expense

	31 December 2019	31 December 2018
Salaries growth rate	4.50%	4.50%
Discount rate	2.90%	3.80%
Current service cost	655,564	579,238
Interest cost on benefit obligation	235,455	212,714
Cost charged to statement of profit or loss	**891,019**	**791,952**
Experience adjustments	372,400	701,543
Cost included in Other Comprehensive Income	**372,400**	**701,543**
Total benefit expense	**1,263,419**	**1,493,495**

(Saudi Riyals)

18. EMPLOYEES' DEFINED BENEFITS LIABILITIES (continued)

18-3 Movement in present value of defined benefit obligation

	31 December 2019	31 December 2018
Balance at beginning of the year	6,427,240	5,665,082
Current service cost	655,564	579,238
Interest cost	235,455	212,714
Benefit paid	(433,414)	(731,337)
Actuarial loss on end of service	372,400	701,543
Ending balance of the year	**7,257,245**	**6,427,240**

19. ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	31 December 2019	31 December 2018
Advance payment from customers	2,339,580	436,019
Accrued expenses salaries and vacation	1,467,097	2,877,445
Other accrued expenses	1,047,099	695,332
	4,853,776	**4,008,796**

20. SALES PROVISIONS

Discount permitted	31 December 2019	31 December 2018
Balance at beginning of the year	1,826,865	-
Additions during the year	13,008,379	14,670,590
Paid / Adjustments during the year	(12,658,869)	(12,843,725)
Balance at Endning of the year	**2,176,375**	**1,826,865**
Sales returns		
Balance at beginning of the year	265,664	-
Additions during the year	2,046,004	2,539,721
Paid / Adjustments during the year	(1,223,862)	(2,274,057)
Balance at Endning of the year	**1,087,806**	**265,664**
Total	**3,264,181**	**2,092,529**

21. ACCRUED DIVIDEND DISTRIBUTION

Accrued dividend distribution balance which appears in the accompanying statement of financial position represents the unpaid balance for amounts decided in the common general assembly meeting, and dividend distribution for the previous years which are not received by the shareholders up to December 31, 2019.

22. ESTIMATED ZAKAT PROVISION

a) Status of assessments

The Company has filed zakat returns with the GAZT for all years up to 31 December 2018 and obtained the temporary Zakat Certificate for the year ended 31 December 2018.

The General Authority for Zakat and Income has issued preliminary stipulations for the years 2008 to 2011, and based on these stipulations, the company objected to it and received a stipulations which resulted in zakat differences of SAR 4,021,425, Zakat differences have been established within the estimated Zakat provision for the year ended 31 December 2018.

The years from 2012 to 2019 are subject to review by the General Authority for Zakat and Income.

(Saudi Riyals)

22. ESTIMATED ZAKAT PROVISION (continued)

b) Provision movement

	31 December 2019	31 December 2018
Balance, beginning for the year	4,971,408	2,254,527
Provision for current year	1,288,762	949,982
Zakat during the year for previous years	-	3,021,426
Zakat paid during the year	(2,213,869)	(1,254,527)
Balance, end of the year	**4,046,301**	**4,971,408**

c) Zakat base

The provision for zakat charge is based on the following:

	31 December 2019	31 December 2018
Shareholders' equity - as per GAZT	200,000,000	200,000,000
Beginning provisions and other adjustments	57,724,289	55,098,997
Book value of long term assets - as per GAZT	(115,486,735)	(109,177,425)
Adjusted losses	(97,895,643)	(68,192,938)
Other deducts	(2,332,013)	(28,850,479)
Adjusted net profit (loss) for the year	8,235,242	(10,878,863)
Zakat base	**50,245,140**	**37,999,292**
Zakat calculated	**1,288,762**	**949,982**

Zakat is payable for the year 2018 at 2.5% of zakat base and adjusted net income attributable to the shareholders, whichever is greater. Zakat is due for the year 2019 at 2.5% of the adjusted net profit and 2.57768% of the Zakat base.

d) Adjusted net profit (loss) for the year

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

	31 December 2019	31 December 2018
Net loss for the year	(23,272,854)	(22,529,754)
Adjustments	31,508,096	11,650,891
Adjusted net profit (loss) for the year	**8,235,242**	**(10,878,863)**

23. SALES, Net

	31 December 2019	31 December 2018
Sales of vegetables factory	53,247,738	49,978,760
Sales of pastry factory	38,178,633	40,726,752
Sales of food and meet factory	5,904,552	6,372,642
Sales of Breakfast cereals factory	540,426	264,129
Total	**97,871,349**	**97,342,283**
Sales discount	(13,008,379)	(14,670,590)
Sales returns	(2,046,004)	(2,539,721)
Net	**82,816,966**	**80,131,972**

(Saudi Riyals)

24. GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2019	31 December 2018
Employees' salaries & benefits	6,608,760	6,313,404
Fees and subscription	864,462	906,880
Insurance	528,087	482,368
Right of used assets depreciations	353,600	-
Depreciations	226,121	255,973
Rents	140,373	319,811
Amortization of intangible assets	136,434	-
Allowances for presence in board of director meeting	136,000	110,000
Advertisement	119,701	51,948
Bonuses	115,814	178,500
Repair and maintenance	105,367	130,199
Hospitality and cleaning	92,082	56,225
Stationery and printing	38,720	37,903
Telephone and postage	35,777	60,470
Electricity, water and oils	32,584	50,095
Bank commission	22,907	19,202
Others	394,388	254,882
	9,951,177	**9,227,860**

25. SELLING AND DISTRIBUTION EXPENSES

	31 December 2019	31 December 2018
Employees' salaries and benefits	6,560,814	6,198,908
Transport and shipment	1,898,563	1,760,276
Depreciation	1,399,439	1,348,621
Rents	1,083,155	1,251,652
Electricity, water and oils	854,443	884,820
Temporary labor	635,756	404,181
Damage	627,823	1,757,135
Subscription	611,397	982,546
Insurance	560,505	523,123
Repair and maintenance	486,645	451,637
Commission	357,663	313,594
Sales promotion	335,768	474,978
Advertisement	294,419	351,776
Telephone and postage	94,569	100,153
Stationery and printing	56,571	65,110
Others	624,028	612,031
	16,481,558	**17,480,541**

26. OTHER REVENUE

	31 December 2019	31 December 2018
Gains from owning investments (Note 8c)	1,612,717	-
Rental income	636,000	-
Sales of property, plant and equipment	70,711	18,648
Sales of scrap	27,089	1,938
Other revenue	73,681	60,337
Net	**2,420,198**	**80,923**

(Saudi Riyals)

27. LOSS PER SHARE

Loss per share from net main operating loss is calculated by dividing net main operating loss for the year by the weighted average number of shares during the year.
Loss per share on net loss is calculated by dividing the net loss for the year by the weighted average number of shares during the year.
The following table reflects the loss and share data used in the basic and diluted loss per share computations:

	31 December 2019	31 December 2018
Net loss for the year	(24,561,616)	(26,501,162)
Loss per share - basic and diluted	**(1,23)**	**(1,33)**
Net loss from the main operation	(9,673,935)	(13,528,917)
Loss per share - basic and diluted	**(0,48)**	**(0,68)**
Weighted average number of shares outstanding for basic & diluted EPS	**20,000,000**	**20,000,000**

28. FINANCIAL INSTRUMENTS

Fair value measurement

Fair value represents the amount may be collected from the asset sale or a boost to convert commitment between knowledgeable parties on the same terms and dealing with others and depends on the fair value measurement of the following conditions:

1. In the principal market for the asset or liability, or
2. the most advantageous market for the asset or liability in the absence of a principal market the company should be able to handle through the most advantageous market.

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

- **Level 1**: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2**: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- **Level 3**: inputs for the asset or liability that are not based on observable market data (unobservable inputs). If the inputs used to measure the fair value of an financial asset at fair value measures.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Management believes that its estimates and judgments are reasonable and adequate.

The fair values of financial assets and liabilities are not significantly different from their carrying values in the financial statements as of December 31, 2019.

(Saudi Riyals)

28. FINANCIAL INSTRUMENTS (continued)

Fair value levels

Details of financial instruments carried at fair value are as below:

31 December 2019	Amount	Level 1	Level 2	Level 3
Investments determined by fair value through other comprehensive income	589,466	589,466	-	-
31 December 2019				
Investments determined by fair value through profit or loss	2,741,763	-	-	2,741,763
Investments determined by fair value through other comprehensive income	672,771	672,771	-	-

There are unquoted investments amounting to SAR zero as of 31 December 2019 (31 December 2018: SAR 2,741,763) representing part of the Company's shareholders' operations, which are stated at cost because there are no active markets or other means to reliably measure their fair value .

Transfers between Levels 1 & 2

There have been no transfers between Level 1 and Level 2 during the reporting periods

29. FINANCIAL RISK MANAGEMENT

The company has exposure to the following risks from its use of financial instruments.

- Credit risk.
- Liquidity risk.
- Market risk.
- Capital management.

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk, and the company's management of capital.

Risk management framework

The management has overall responsibility for the establishment and oversight of company's risk management framework.

The company's risk management policies are established to identify and analyses the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities. The company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee monitors the management's performance in monitoring compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks facing the Company.

Financial instruments included in the statement of financial position include mainly cash and cash equivalents, receivables, other assets, investments, creditors, accrued liabilities, loans and other non-current liabilities.

(Saudi Riyals)

29. FINANCIAL RISK MANAGEMENT (continued)

Credit risk

Credit risk represents the risk that the Company will incur a financial loss as a result of a failure of the customer or counterparty to meet a financial instrument with its contractual obligations. These risks arise mainly from its bank balances, trade and other receivables.

The Company's exposure to credit risk is mainly affected by the specificity of each customer. The demographic nature of the Company's customers, including the default risk of the activity and the country in which the customer operates, has a lower impact on credit risk

The carrying amount of financial assets represents the maximum amount that financial assets may be exposed to credit risk at the statement of financial position date as follows:

	Requested value as of	
	31 December 2019	31 December 2018
Accounts receivable, net	18,459,848	18,567,849
Cash and cash equivalents	1,698,565	3,995,090
Accrued revenue	57,997	57,997
Other assets	8,417,471	8,078,852
	28,633,811	**30,699,788**

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial liabilities as they fall due to its financial liabilities that are settled through the provision of cash or other financial assets. The Company's liquidity management is to ensure, to the extent possible, that the Company always maintains sufficient liquidity to meet its obligations when it becomes payable under normal and stressful circumstances without incurring unacceptable losses or risks that may affect the Company's reputation.

Liquidity risk (continued)

The Company ensures that it has sufficient cash to cover expected operating expenses including coverage of financial liabilities but without any potential impact on difficult and unpredictable conditions such as natural disasters. In addition, the Company maintains a credit source from its banks to meet any sudden cash needs.

The contractual maturities of non-derivative financial liabilities are as follows:

Non-derivative financial liabilities	Less than a year	More than a year	No fixed maturity	Total
31 December 2019				
Government loan	3,000,000	25,000,000	-	**28,000,000**
Trade payables	-	-	24,719,065	**24,719,065**
Loan guarantee provision - related party	2,212,913	5,850,477	-	**8,063,390**
Rental obligations	351,023	2,530,244	-	**2,881,267**
Oversubscribed payable	-	-	3,258,720	**3,258,720**
Accrued dividend distribution	-	-	1,198,305	**1,198,305**
Accrued expenses and other liabilities	1,140,035	-	3,713,741	**4,853,776**
Estimated Zakat provision	4,046,301	-	-	**4,046,301**
Sales provisions	3,264,181	-	-	**3,264,181**
Employees' defined benefits liabilities	-	-	7,257,245	**7,257,245**
	14,014,453	**33,380,721**	**40,147,076**	**87,542,250**

29. FINANCIAL RISK MANAGEMENT (continued)

Non-derivative financial liabilities	**Less than a year**	**More than a year**	**No fixed maturity**	**Total**
31 December 2018				
Government loan	17,000,000	11,000,000	-	**28,000,000**
Trade payables	-	-	22,042,903	**22,042,903**
Oversubscribed payable	-	-	3,258,720	**3,258,720**
Accrued dividend distribution	-	-	1,199,150	**1,199,150**
Accrued expenses and other liabilities	2,242,273	-	1,766,523	**4,008,796**
Estimated Zakat provision	4,971,408	-	-	**4,971,408**
Sales Provisions	2,092,529	-	-	**2,092,529**
Employees' defined benefits liabilities	-	-	6,427,240	**6,427,240**
	26,306,210	**11,000,000**	**34,694,536**	**72,000,746**

Market risk

Market risk is the risk arising from changes in market prices such as foreign exchange rates, murabaha rates and equity prices that affect the Company's profits or the value of the Company's financial instruments.

The objective of market risk management is to control the extent to which the Company is exposed to market risk within acceptable limits in addition to maximizing returns.

Currency risk

It is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates, Management monitors fluctuations in foreign currency exchange rates, and believes that the Company is not exposed to significant currency risk since the Company did not undertake significant transactions in currencies other than Saudi Riyal and US Dollars, The Saudi Riyal is pegged to the US Dollar, accordingly, balances and transactions in US Dollars are not considered to represent significant currency risk.

Capital Management

The Company's capital management policy is to maintain a strong capital base to maintain shareholders, creditors and market confidence as well as the continued development of the company's future activities.

The capital consists of ordinary shares, outstanding shares outstanding, retained earnings and non-controlling interests.

The management monitors the return on equity, which is determined by dividing net operating profit on shareholders' equity.

The Company aim to maintain the balance between the highest return possible in case of borrowing as high as possible and the preference and safety of a strong capital center.

The Company did not have any change in capital management during the year and the Company is not subject to any external capital requirements.

30. ADJUSTED CAPITAL RATIO

	31 December 2019	31 December 2018
Liabilities at the end of the year	46,904,284	54,573,506
Less: Cash and cash equivalents	(1,723,876)	(4,014,122)
Net liabilities	**45,180,408**	**50,559,384**
Adjusted capital	76,504,108	101,521,429
	59.06%	**49.80%**

31. SEGMENT INFORMATION

The Company's operations are principally comprised of one operating segment, which is manufacturing, producing and marketing food products as of the date of the accompanying financial statements. Accordingly, segment information is not applicable. Furthermore, Most of the Company's operations are conducted in Saudi Arabia.

32. COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform to the presentation in the current year.

33. SUBSEQUENT EVENTS

The Board of Directors, in its meeting held on 04/22/1441 AH corresponding to 12/19/2019 AD, decided to recommend the extraordinary general assembly to reduce the company's capital.
On 01/15/2020 the company appointed "Brokerage Capital" as a financial advisor to manage the company's capital reduction process and to carry out all relevant procedures.
The management believes that there are no significant subsequent events since the end of the year that may affect the financial position of the company, except for what has been mentioned.

34. SIGNIGICANT EVENTS

In view of what the world is going through about what the World Health Organization announced that it has come to regard the emerging Corona virus, which is spreading around the world as a "global pandemic", and this epidemic has resulted in disturbances in commercial and economic activities at the global level. And given the inability to determine the expected extent of the end of this crisis and its implications, the company's management was unable to determine the impact of this on the financial statements for the upcoming periods.

35. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 20 Rajab 1441H (March 15, 2020).