

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

CONDENCED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2021
TOGETHER WITH REPORT ON REVIEW OF CONDENCED INTERIM
FINANCIAL STATEMENTS



Crowe

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

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

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

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

Introduction:

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

Scope of Review:

We conducted our review in accordance with International Standard on Review Engagements - 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard (34) "Interim Financial Reporting" endorsed in the Kingdom of Saudi Arabia.

Emphasis of matter:

We draw attention to note (2-e) to the accompanying condensed interim financial statements, which indicates that the current liabilities of the Company exceeded its current assets amounting to SAR 12,470,986 as at 31 March 2021. 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.



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



**Abdullah M. Al Azem
License No. 335**

11 Shawal 1442H (May 23, 2021)
Riyadh, Kingdom of Saudi Arabia

WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021
(Saudi Riyals)

	<i>Note</i>	31 March 2021 (Unaudited)	31 December 2020 (Audited)
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment, net		93,784,308	95,540,216
Right of used Assets, net		2,654,783	2,744,955
Intangible Assets, net		848,924	894,402
Real estate investments, net		10,452,824	10,452,824
Investments at fair value through other comprehensive income		729,715	673,826
TOTAL NON CURRENT ASSETS		108,470,554	110,306,223
CURRENT ASSETS			
Accounts receivable, net		21,377,124	20,630,795
Inventory, net		20,485,540	21,248,791
Prepayments and other debit balances, net		6,394,493	6,019,977
Due From Related Party	5	725,576	725,576
Cash and cash equivalents		5,695,862	2,391,880
TOTAL CURRENT ASSETS		54,678,595	51,017,019
TOTAL ASSETS		163,149,149	161,323,242
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Capital	1	77,170,350	77,170,350
Other reserves		(994,562)	(581,873)
Accumulated losses		(13,973,541)	(14,243,531)
TOTAL SHAREHOLDERS' EQUITY		62,202,247	62,344,946
LIABILITIES			
NON CURRENT LIABILITES			
Non-current portion of the loan guarantee provision - related party		4,950,407	4,950,407
Non-current portion of long term government loan	6	17,500,000	16,000,000
Non-current portion of lease obligations		2,416,127	2,416,127
Employees' defined benefits liabilities		8,930,787	8,758,013
TOTAL NON CURRENT LIABILITIES		33,797,321	32,124,547
CURRENT LIABILITIES			
Current portion of the loan guarantee provision - related party		2,250,183	2,250,183
Trade accounts payable		36,859,362	34,726,057
Due to related parties	5	270,736	-
Current portion of lease obligations		419,348	419,348
Oversubscribed payable		3,258,720	3,258,720
Accrued expenses and other credit balances		5,332,189	4,927,639
Accrued dividend distribution	7	1,194,622	1,194,822
Current portion of long term government loan	6	10,500,000	12,000,000
Sales provisions	8	1,906,833	1,684,706
Zakat estimated provision		5,157,588	6,392,274
TOTAL CURRENT LIABILITIES		67,149,581	66,853,749
TOTAL LIABILITIES		100,946,902	98,978,296
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		163,149,149	161,323,242

Finance Manager

CEO

Authorized Member

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

WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021
(Saudi Riyals)

	<i>Note</i>	<i>31 March 2021 (Unaudited)</i>	<i>31 March 2020 (Unaudited)</i>
Sales, net	9	21,570,430	22,066,464
Cost of sales		(15,469,581)	(13,813,268)
Gross operating profit		6,100,849	8,253,196
General and administrative expenses		(2,002,371)	(2,364,717)
Selling and marketing expenses		(3,598,904)	(4,166,513)
Net profit from the main operations		499,574	1,721,966
Provision for expected credit losses		(387,689)	(262,255)
Finance cost		(42,225)	(47,124)
Other revenue		400,330	203,695
Net profit for the period before Zakat estimated		469,990	1,616,282
Zakat estimate		(200,000)	(300,000)
Net profit for the period		269,990	1,316,282
OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD:			
Other comprehensive income (loss) will not be reclassified to profit or loss in subsequent periods:			
Net change in fair value reserve		55,889	(150,794)
Impairment of property, plant and equipment		(468,578)	-
Total other comprehensive loss for the period		(412,689)	(150,794)
Total comprehensive (loss) income for the period		(142,699)	1,165,488
Profit per share:	10		
From net profit from the main operation		0.06	0.22
From net profit for the period		0.03	0.17

Finance Manager

CEO

Authorized Member

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WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY

(A Saudi Joint Stock Company)

**CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021**

(Saudi Riyals)

	<i>Capital</i>	<i>Fair value reserve</i>	<i>Accumulated losses</i>	<i>Total</i>
Balance at 1 January 2020	200,000,000	(666,233)	(122,829,659)	76,504,108
Net profit for the period	-	-	1,316,282	1,316,282
Other comprehensive loss for the period	-	(150,794)	-	(150,794)
Balance at 31 March 2020 (Unaudited)	200,000,000	(817,027)	(121,513,377)	77,669,596
Balance at 1 January 2021	77,170,350	(581,873)	(14,243,531)	62,344,946
Net profit for the period	-	-	269,990	269,990
Other comprehensive loss for the period	-	(412,689)	-	(412,689)
Balance at 31 March 2021 (Unaudited)	77,170,350	(994,562)	(13,973,541)	62,202,247

Finance Manager

CEO

Authorized Member

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

WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021
(Saudi Riyals)

	<u>31 March 2021</u> (Unaudited)	<u>31 March 2020</u> (Unaudited)
<u>Cash Flows from operating Activities</u>		
Net profit for the period	269,990	1,316,282
Adjustments to:		
Depreciation for the period	2,124,585	2,267,946
Amortization for the period	45,162	45,478
Provision for expected credit losses	387,689	262,255
Sales provisions	222,127	(719,931)
Zakat estimated for the period	200,000	300,000
Employees' end of service indemnities	233,747	185,068
Profit on disposal of property, plant and equipment's	(113,038)	-
	<u>3,370,262</u>	<u>3,657,098</u>
<u>Changes in:</u>		
Accounts receivable	(1,134,018)	(1,274,163)
Inventory	763,251	(6,459,403)
Prepayments and other debit balances	(374,516)	(566,996)
Trading accounts payable	2,133,305	8,107,590
Due to related parties	270,736	-
Accrued expenses and other credit balances	404,550	(1,260,634)
Cash from operation activities	<u>5,433,570</u>	<u>2,203,492</u>
Zakat estimated paid	(1,434,686)	(459,579)
Employees' defined benefits paid	(60,973)	(21,827)
Net cash provided by operating activities	<u>3,937,911</u>	<u>1,722,086</u>
<u>Cash Flows from Investing Activities</u>		
Purchase of property, plant and equipment's	(751,929)	(69,600)
Proceed from disposal of property, plant and equipment's	118,200	-
Net cash used in investing activities	<u>(633,729)</u>	<u>(69,600)</u>
<u>Cash Flows from Financing Activities</u>		
lease obligations paid	-	(46,325)
loan guarantee provision - related party paid	-	(862,800)
Accrued dividends distribution	(200)	(125)
Net cash used in financing activities	<u>(200)</u>	<u>(909,250)</u>
Net change in cash and cash equivalent during the period	<u>3,303,982</u>	<u>743,236</u>
Cash and cash equivalents at beginning of the period	2,391,880	1,723,876
Cash and cash equivalents at end of the period	<u>5,695,862</u>	<u>2,467,112</u>
<u>Non-cash transactions</u>		
Net change fair value investments	55,889	(150,794)
Impairment of property, plant and equipment	(468,578)	-p

Finance Manager

CEO

Authorized Member

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

WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021
(Saudi Riyals)

1. ACTIVITIES

Wafrah For Industry And Development Company is a Saudi Joint Stock Company registered 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 SR 77,170,350 from 7,717,035 shares, each valued at SR 10.

The principal activities of the Company are the production of chilled and frozen meats, the manufacture of food products manufactured from potatoes, including (potato chips), the manufacture of cereal breakfast foods in the form of chips, and includes (corn flakes, chips ... etc.) and the manufacture of pasta of all kinds.

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

<u>Branch Name</u>	<u>Commercial registration No.</u>	<u>Activity</u>
Wafrah for Industry and Development CO. – Jeddah	4030108227	Marketing of the company's products
Wafrah for Industry and Development CO. – Dammam	2050028895	wholesale of food and beverages
Wafrah for Industry and Development CO. – Khamis Mushait	5855339110	Marketing of the company's products
Wafrah factory for pasta and noodles	1010320947	Macaroni industry of all kinds
Branch of Wafrah for Industry and Development	1011016029	Feed production
Wafrah food factory	1010320946	Foods industry from the grain
Wafrah factory for grain products	1010320952	Foods industry from the grain
Wafrah food factory	1010320955	Chilled and frozen meat production
Wafrah factory for freezing vegetables	1010320956	Pickles and industry
Branch of Wafrah for Industry and Development	1011016028	Dates drying and packing and manufacture of their products

2. BASIS OF PREPARATION

(a) Applicable accounting principles:

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

(b) Preparation of the interim condensed financial statements:

These condensed interim Financial Statements have been prepared on the historical cost basis except for the following material items in the interim condensed Statement of Financial Position.

- Equity investments is measured at fair value at FVOCI.
- The defined benefit obligation is recognized at the present value of future obligations using Projected Unit Credit Method.

(c) Functional and presentation currency:

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

WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021
(Saudi Riyals)

2. BASIS OF PREPARATION (continued)

(d) Use of Judgments and Estimates

In preparing these condensed interim financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual Financial Statements.

(e) Going concern:

The company's current liabilities as on 31 March 2021 exceeding its current assets by SAR 12,470,986, which indicates Due to the existence of fundamental uncertainty, it may cast great doubt about the company's ability to survive as a going concern and the company may not be able to realize its assets and fulfil its obligations in the normal course of activity. The management conducted an assessment of the company's ability to continue as an existing entity, and concluded that the company has the necessary resources to continue operating in the foreseeable future for a period of not less than 12 months from the date of approval of these financial statements. The company's management seeks to improve the financial conditions by increasing sales and reducing expenses in order to reduce the cost of production to enhance the competitiveness of the company's products and the management intends to benefit from the initiatives launched by the Saudi Industrial Development Fund through a request to reschedule the balance of the existing loan, which will affect the balance of current liabilities, and accordingly, these financial statements were prepared on the basis of going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied to these condensed interim financial statements are the same as those applied to the last year's financial statements as in the year ended December 31, 2020.

New standards and amendments to standards and interpretations

No new standards have been issued. However, a number of amendments to the standards are in effect as of January 1, 2021 and are shown below, but they have no material impact on the Company's condensed interim financial statements.

The following is a statement of the new standards and amendments to the standards applied for the years beginning on or after January 1, 2020:

Amendments to IAS 1, "Presentation of Financial Statements" on the classification of liabilities

These narrow-scope amendments to IAS 1, "Presentation of Financial Statements" clarify that liabilities are classified as current or non-current, depending on the rights existing at the end of the reporting period. The rating is not affected by the entity's expectations or by events after the reporting date (for example, the receipt of a waiver or a breach of an undertaking). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of an obligation.

Amendments to IFRS 3 and IAS 16 and 37

- IFRS 3 "Business Combinations" is an update of a reference in IFRS 3 for the conceptual framework for financial reporting without changing the accounting requirements for business combinations.
- International Accounting Standard No. 16, "Property, Plant and Equipment" prohibits the company from deducting from the cost of property, plant and equipment the amounts received from the sale of the items produced while the company prepares the asset for its intended use. Instead, the company will recognize these sales revenue and related costs in its profit or loss statement.
- International Accounting Standard No. 37, "Provisions, Liabilities and Contingent Assets" specifies the costs that a company includes when assessing whether the contract will cause a loss.

Annual amendments to IFRSs (2018-2020 cycle)

These amendments are effective on or after January 1, 2021.

- IFRS 9, "Financial Instruments" clarifies the fees that the company includes when performing a "10% test" in order to assess whether the recognition of a financial liability will be cancelled.
- IFRS 16, "Leases", eliminates the possibility of confusion regarding rental incentives by amending Illustration 13 accompanying IFRS 16.

WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY

(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021**

(Saudi Riyals)

4. STATUTORY RESERVE

In accordance with the Saudi Arabian Companies Regulations and the Company's statute 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.

5. RELATED PARTIES TRANSACTION

The related parties are represented in the dealings with the sister company, non-executive members of the board of directors, managing director and senior management employees of the company, where the employees of the higher management are the persons who exercise authority and responsibility in planning, managing and monitoring the company's activities, directly or indirectly, including the managers.

During the normal course of its operations, the Company had the following significant transactions with related parties during the year ended 31 March 2021 and 2020 along with their balances:

Due from related party represents as follow:

Name	Transaction natural	Transaction amount		Balance as of	
		31 March 2021	31 March 2020	31 March 2021	31 December 2020
Rakhaa Agricultural Investment and development Company	Finance	-	725,576	725,576	725,576
				<u>725,576</u>	<u>725,576</u>

Due to related parties represents as follow:

Name	Transaction natural	Transaction amount		Balance as of	
		31 March 2021	31 March 2020	31 March 2021	31 December 2020
Food world company	Sales	375,373	-		
	Purchases	642,314	-	266,941	-
Premium meat company	Purchases	3,795	-	3,795	-
				<u>270,736</u>	<u>-</u>

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
Rakhaa Agricultural Investment and development Company	Sister company
Food world company	Related party to a board member
Premium meat company	Related party to a board member

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 March 2021	31 March 2020
Salaries and compensation	354,867	508,402
Allowances	146,324	227,905
Annual incentives	17,475	37,224
	<u>518,666</u>	<u>773,531</u>

WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued) FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021 (Saudi Riyals)

6. 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 2/1/2019. 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, 2020 the amount of SR 28,000,000. During 2019, the loan was rescheduled, with the first installment due after the rescheduling on 1/12/2020, and has not been repaid. On 3 March 2021, the loan restructuring by the Saudi Industrial Development Fund, with the first payment due after restructuring on 28/1/2021, and has not been repaid. 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 March 2021 (Unaudited)	31 December 2020 (Audited)
Balance at beginning of the period / year	28,000,000	28,000,000
Paid during the period / year	-	-
Total long-term government loan	28,000,000	28,000,000
Current portion of long term government loan	(10,500,000)	(12,000,000)
Non-current portion of long term government loan	<u>17,500,000</u>	<u>16,000,000</u>

7. ACCRUED DIVIDEND DISTRIBUTION

The balance which appears in the accompanying condensed interim financial statements represents the remaining amounts decided in the common general assembly meeting, and dividends distribution for the previous years which are not received by the shareholders up to 31 March 2021.

8. SALES PROVISIONS

	31 March 2021 (Unaudited)	31 December 2020 (Audited)
<u>Sales discount:</u>		
Balance at beginning of the period / year	784,627	2,176,375
Additions during the period / year	2,117,727	13,134,547
Used during the period / year	(1,566,103)	(14,526,295)
Balance at end of the period / year	1,336,251	784,627
<u>Sales return:</u>		
Balance at beginning of the period / year	900,079	1,087,806
Additions during the period / year	782,801	1,902,301
Used during the period / year	(1,112,298)	(2,090,028)
Balance at end of the period / year	570,582	900,079
Total	1,906,833	1,684,706

WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued) FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021 (Saudi Riyals)

9. SALES, NET

	31 March 2021 (Unaudited)	31 March 2020 (Unaudited)
Sales of pastry factory	11,652,257	14,086,609
Sales of vegetables factory	8,759,793	8,433,003
Sales of food and meat factory	3,352,112	2,361,938
Sales of Breakfast cereals factory	706,796	845,273
Total	24,470,958	25,726,823
Deduct: Sales discount	(2,117,727)	(3,134,272)
Deduct: Sales return	(782,801)	(526,087)
Net	21,570,430	22,066,464

10. PROFIT PER SHARE

Profit per share is calculated from the net profit of major operations by dividing the net profit of major operations for the year by the weighted average number of shares during the year. Profit per share is calculated from the net profit for the year by dividing the net profit for the year by the weighted average number of shares during the year.

Diluted profit per share for the period ended 31 March 2021 and ended 31 March 2020 was calculated by dividing the net profit from main operations and net profit for the year by the weighted average number of shares outstanding during the year adjusted for the potential reduction in ordinary shares. As there is no contingent liability for equity instruments, the diluted profit per share are not different from basic profit per share.

The weighted average number of shares for the two periods ended 31 March 2021 and 31 March 2020 was reached by taking the effect of the capital decrease from the beginning of the nearest offered period (January 1, 2020) to comply with the requirements of IAS 33.

The following table reflects the loss and share data used in the basic and diluted loss per share computations:

	31 March 2021 (Unaudited)	31 March 2020 (Unaudited)
Net profit for the period	269,990	1,316,282
Profit per share - basic and diluted	0.03	0.17
Net profit from the main operation	499,574	1,721,966
Profit per share - basic and diluted	0.06	0.22
Weighted average number of shares outstanding for basic & diluted EPS	7,717,035	7,717,035

11. 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 assets or liabilities, 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.

WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021
(Saudi Riyals)

11. FINANCIAL INSTRUMENTS (continued)

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.

Fair value levels

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

31 March 2021	Amount	Level 1	Level 2	Level 3
Investments determined by fair value through other comprehensive income	729,715	729,715	-	-
31 December 2020				
Investments determined by fair value through other comprehensive income	673,826	673,826	-	-

Transfers between Levels 1 & 2

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

Risk management

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

- Credit risk.
- Liquidity risk.
- Market risk.
- Currency risk.

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 designed to identify and analyse risks faced by the Company and to establish appropriate limits and limits on exposure to those risks and then monitor them to ensure that the limits are not exceeded.

Risk management policies and systems are reviewed periodically to reflect changes in market conditions and the Company's activities. The management of the company through the training, standards and procedures developed by the management aims to develop a constructive and organized regulatory environment so that each employee understands his role and the duties entrusted to him.

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 interim condensed financial position include mainly cash and cash equivalents, receivables, Due from related party, other assets, investments, creditors, accrued liabilities, government loan and other non-current liabilities.

WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued) FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021 (Saudi Riyals)

11. FINANCIAL INSTRUMENTS (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 the 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 the financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the interim condensed financial position date was as follows:

	<u>Requested value as of</u>	
	<u>31 March 2021</u> (Unaudited)	<u>31 December 2020</u> (Audited)
Accounts receivable, net	21,377,124	20,630,795
Cash at banks	5,689,449	2,342,669
Accrued revenue	65,906	65,906
Other assets	5,152,656	5,816,567
	<u>32,285,135</u>	<u>28,855,937</u>

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.

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.

Market risk

Market risk is the risk that arises from changes in market prices such as foreign exchange 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 Company's exposure to market risk within acceptable limits and to maximize returns.

Currency risk

Most of the Company's financial assets and liabilities are denominated in Saudi Riyals and most of the Company's transactions are denominated in Saudi Riyals and US Dollars. Since the exchange rate of the dollar against the riyal is stable, the management of the company believes that it is not exposed to the risk of exchange rate fluctuations substantially.

Capital Management:

The company's policy regarding capital management is to maintain a strong capital base to maintain shareholders, creditors and market confidence as well as the continued development of the company's activity in the future. The capital consists of ordinary shares, unpaid redeemable shares, retained earnings and the non-controlling interests of the company.

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.

WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued) FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021 (Saudi Riyals)

12. ADJUSTED LIABILITIES TO CAPITAL RATIO

	31 March 2021 (Unaudited)	31 December 2020 (Audited)
Liabilities at the end of the period / year	67,149,581	66,853,749
Less: Cash and cash equivalents	(5,695,862)	(2,391,880)
Net liabilities	61,453,719	64,461,869
Adjusted capital	62,670,825	62,344,946
	98.06%	103.40%

13. 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.

14. INTERIM RESULTS

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

15. COVID-19 IMPACT

In response to the spread of the Covid-19 virus around the world and the resulting disruption of social and economic activities in those markets, the company's management has proactively assessed its impact on its operations and has taken a series of preventive measures, including forming teams and ongoing crisis management processes, to ensure the health and safety of its employees. And its customers, consumers and society as a wider range as well as ensuring the continuity of supplying its products in all its markets. Whereas, the food industry in general has been exempt from the various bans and restrictions imposed by the various regulatory authorities including the exemption from curfew hours. Based on these factors, the company's management believes that the Covid-19 epidemic did not have a significant impact on the company's financial statement results that were reported for the period ended 31 March 2021.

In view of the continuation of the pandemic, the company is monitoring the situation closely, especially in the next few months, and the company expects the situation to gradually improve and hopes that the outbreak of Covid-19 will end this year.

16. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

The management believes that there are no significant subsequent events since the end of the period that may affect the financial position of the company.

17. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

The condensed interim financial statements were approved by The Board of Directors on 10 Shawal 1442H (May 22, 2021).