

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

**INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2017**  
**TOGETHER WITH AUDITORS' REVIEW OF INTERIM CONDENSED**  
**FINANCIAL INFORMATION REPORT**

**Crowe Horwath**<sup>TM</sup>

**Al Azem & Al Sudairy**

**CPA's & Consultants**

Member Crowe Horwath International

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

**INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2017**  
**TOGETHER WITH AUDITORS' REVIEW OF INTERIM CONDENSED**  
**FINANCIAL INFORMATION REPORT**

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**REPORT ON REVIEW OF**  
**INTREM CONDENSED FINANCIAL INFORMATION**

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

**Introduction:**

We have reviewed the accompanying interim condensed statement of financial position of **Wafrah For Industry And Development Company (A Saudi Joint Stock Company)** as at 30 June 2017 as well as the related interim condensed statement of comprehensive income for the three and six month period then ended and interim condensed statements of changes in shareholders' equity and cash flows for the six month period ended in 30 June 2017, and the notes from (1) to (11) which are an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

**Scope Of Review**

We conducted our limited review in accordance with the International Standards on Review Engagement - 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", as endorsed in Kingdom of Saudi Arabia. A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as endorsed in 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 opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial information does not present fairly, in all material respects the company's interim condensed financial position as at 30 June 2017 and its interim condensed result of its operation for the three and six month period then ended and its interim condensed cash flows for the six months ended at 30 June 2017, in accordance with IAS 34 "Interim Financial Reporting", as endorsed in Kingdom of Saudi Arabia. In accordance with the International Financial Reporting Standards adopted in the Kingdom of Saudi Arabia and other regulations adopted by the Saudi Organization for Certified Public Accountants.



**AlAzem & AlSudairy**  
**Certified Public Accountants**

**Salman B. AlSudairy**  
**License No. 283**

16 Dhul-Qa'dah 1438H (August 08, 2017)  
Riyadh, Saudi Arabia

**WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM CONDENSED FINANCIAL POSITION**  
**AS OF JUNE 30, 2017**  
**(SAUDI RIYAL)**

	<u>Note</u> <u>No.</u>	<u>(Unaudited)</u> <u>30 June</u> <u>2017</u>	<u>(Audited)</u> <u>31 December</u> <u>2016</u>	<u>(Audited)</u> <u>1 January</u> <u>2016</u>
<b>ASSETS</b>				
<b>NON CURRENT ASSETS</b>				
Property, plant and equipments, net	(3d)	122,287,780	129,277,489	128,510,414
Investments in companies	(3c)	13,762,438	13,762,438	17,050,000
Projects under progress	(3g)	--	--	12,408,535
Real estate investments	(3f)	11,127,708	11,127,708	11,127,708
Investments determined by fair value		588,307	569,853	341,764
<b>TOTAL NON CURRENT ASSETS</b>		<b>147,766,233</b>	<b>154,737,488</b>	<b>169,438,421</b>
<b>CURRENT ASSETS</b>				
Accounts receivable, net	(3e)	39,140,222	38,695,218	46,198,688
Inventory	(3h)	48,277,924	40,285,134	36,701,915
Prepayments and other assets		8,439,151	7,932,150	5,595,413
Cash and cash equivalents	(3i)	2,211,726	4,268,368	9,185,976
<b>TOTAL CURRENT ASSETS</b>		<b>98,069,023</b>	<b>91,180,870</b>	<b>97,681,992</b>
<b>TOTAL ASSETS</b>		<b>245,835,256</b>	<b>245,918,358</b>	<b>267,120,413</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<b>SHAREHOLDERS' EQUITY</b>				
Capital		200,000,000	200,000,000	200,000,000
Statutory reserve		7,202,424	7,202,424	7,202,424
Fair value reserve		(667,392)	(685,846)	(913,935)
Accumulated losses		(30,841,298)	(25,393,932)	(5,103,127)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>175,693,734</b>	<b>181,122,646</b>	<b>201,185,362</b>
<b>LIABILITIES</b>				
<b>NON CURRENT LIABILITIES</b>				
Long term loan	(3a , 4)	29,000,000	31,500,000	30,000,000
Employees' end of service indemnities	(3m)	5,782,747	6,041,535	5,365,397
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>34,782,747</b>	<b>37,541,535</b>	<b>35,365,397</b>
<b>CURRENT LIABILITIES</b>				
Accounts payable	(3j)	24,791,923	17,486,885	18,984,463
Oversubscribed payable		3,278,700	3,282,200	3,282,200
Accrued expenses and other liabilities		2,112,462	2,142,770	1,823,725
Accrued dividend distribution		1,200,690	1,201,025	1,204,728
Current portion of long term loan	(3a , 4)	2,500,000	--	3,000,000
Estimated zakat provision	(3l)	1,475,000	3,141,297	2,274,538
<b>TOTAL CURRENT LIABILITIES</b>		<b>35,358,775</b>	<b>27,254,177</b>	<b>30,569,654</b>
<b>TOTAL LIABILITIES</b>		<b>70,141,522</b>	<b>64,795,712</b>	<b>65,935,051</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>245,835,256</b>	<b>245,918,358</b>	<b>267,120,413</b>

Finance Manager

CEO

Authorized Member

The accompanying notes from (1) to (11) are an integral part of these interim condensed financial statements

**WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE THREE AND SIX MONTH PERIOD ENDED JUNE 30, 2017**  
**(SAUDI RIYAL)**

	<u>Note</u>	<u>(Unaudited)</u> <u>From 1/4/2017</u> <u>To 30/6/2017</u>	<u>(Unaudited)</u> <u>From 1/4/2016</u> <u>To 30/6/2016</u>	<u>(Unaudited)</u> <u>From 1/1/2017</u> <u>To 30/6/2017</u>	<u>(Unaudited)</u> <u>From 1/1/2016</u> <u>To 30/6/2016</u>
Sales, net	(3n)	21,285,835	22,230,120	36,955,099	50,298,839
Cost of sales	(3o)	(13,021,958)	(11,629,708)	(24,423,742)	(29,006,264)
Depreciations	(3d)	(2,770,173)	(2,775,985)	(5,810,822)	(5,614,764)
<b>Gross operation income</b>		<u>5,493,704</u>	<u>7,824,427</u>	<u>6,720,535</u>	<u>15,677,811</u>
General and administrative expenses	(3o)	(2,198,313)	(2,178,027)	(4,664,149)	(4,508,447)
Selling and distributing expenses	(3o)	(3,838,861)	(4,601,671)	(7,346,664)	(9,702,926)
<b>Net (loss) income from the main operation</b>		<u>(543,470)</u>	<u>1,044,729</u>	<u>(5,290,278)</u>	<u>1,466,438</u>
Other income	(3n)	297,123	31,670	317,912	103,033
<b>Net (loss) income for the period before estimated zakat</b>		<u>(246,347)</u>	<u>1,076,399</u>	<u>(4,972,366)</u>	<u>1,569,471</u>
Estimated zakat	(3l)	(250,000)	(380,000)	(475,000)	(730,000)
<b>Net (loss) income for the period</b>		<u>(496,347)</u>	<u>696,399</u>	<u>(5,447,366)</u>	<u>839,471</u>
<b><u>OTHER COMPREHENSIVE INCOME:</u></b>					
Net change in investments fair value		(15,290)	30,792	18,454	100,178
<b>Total comprehensive (loss) income for the period</b>		<u>(511,637)</u>	<u>727,191</u>	<u>(5,428,912)</u>	<u>939,649</u>
<b>(Losses) earnings per share</b>					
From net (loss) income from the main operation for the period		<u>(0.027)</u>	<u>0.052</u>	<u>(0.26)</u>	<u>0.73</u>
From net (loss) income for the period		<u>(0.025)</u>	<u>0.035</u>	<u>(0.27)</u>	<u>0.042</u>

**Finance Manager**

**CEO**

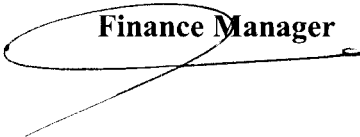
**Authorized Member**

The accompanying notes from (1) to (11) are an integral part of these interim condensed financial statements

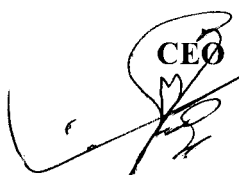
**WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2017**  
**(SAUDI RIYAL)**

	<b><u>(Unaudited)</u></b> <b><u>30 June</u></b> <b><u>2017</u></b>	<b><u>(Unaudited)</u></b> <b><u>30 June</u></b> <b><u>2016</u></b>
<b>Capital</b>	<b><u>200,000,000</u></b>	<b><u>200,000,000</u></b>
<b>Statutory reserve</b>	<b><u>7,202,424</u></b>	<b><u>7,202,424</u></b>
<b>Fair value reserve:</b>		
Beginning of the period	<b><u>(685,846)</u></b>	<b><u>(913,935)</u></b>
Other comprehensive income	<b><u>18,454</u></b>	<b><u>100,178</u></b>
End of the period	<b><u>(667,392)</u></b>	<b><u>(813,757)</u></b>
<b>Accumulated losses:</b>		
Beginning of the period	<b><u>(25,393,932)</u></b>	<b><u>(4,899,117)</u></b>
Effect of changes in accounting policies (note 9)	<b><u>--</u></b>	<b><u>(204,010)</u></b>
Net (loss) income for the period	<b><u>(5,447,366)</u></b>	<b><u>839,471</u></b>
End of the period	<b><u>(30,841,298)</u></b>	<b><u>(4,263,656)</u></b>
<b>Total Shareholders' Equity</b>	<b><u>175,693,734</u></b>	<b><u>202,125,011</u></b>

**Finance Manager**



**CEO**



**Authorized Member**



The accompanying notes from (1) to (11) are an integral part of these interim condensed financial statements

**WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM CONDENSED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2017**  
**(SAUDI RIYAL)**

	<u>(Unaudited)</u> <u>30 June</u> <u>2017</u>	<u>(Unaudited)</u> <u>30 June</u> <u>2016</u>
<b><u>Cash flows from operating activities</u></b>		
Net (loss) income for the period	(5,447,366)	839,471
<b><u>Adjustments to reconcile net (loss) income to net cash used in operating activities</u></b>		
Depreciation for the period	6,972,513	6,780,816
Estimated zakat for the period	475,000	730,000
End of service benefits provision for the period	327,910	430,590
Capital gains	(103,972)	--
<b>Operating income before changes in working capital</b>	<b>2,224,085</b>	<b>8,780,877</b>
<b><u>Changes in working capital</u></b>		
Accounts receivable	(445,004)	(6,278,989)
Inventory	(7,992,790)	(7,436,658)
Prepayments and other assets	(507,001)	(1,369,177)
Accounts payable	7,305,038	1,223,316
Oversubscribed payable	(3,500)	--
Accrued expenses and other liabilities	(30,308)	67,584
<b>Cash flows provided from (used in) operating activities</b>	<b>550,520</b>	<b>(5,013,047)</b>
Paid from estimated zakat	(2,141,297)	(1,274,539)
End of service benefits paid during the period	(586,698)	(330,054)
<b>Net cash flows used in operating activities</b>	<b>(2,177,475)</b>	<b>(6,617,640)</b>
<b><u>Cash flows from investing activities</u></b>		
Purchase in property, plant and equipments	(50,235)	(532,808)
Collected cash from sold property, plant and equipments	171,403	--
Projects under construction	--	--
<b>Net cash flows provided from (used in) investing activities</b>	<b>121,168</b>	<b>(532,808)</b>
<b><u>Cash flows from financing activities</u></b>		
Dividend distribution	(335)	(3,703)
<b>Net cash used in financing activities</b>	<b>(335)</b>	<b>(3,703)</b>
<b>Net changes in cash and cash equivalents balances during the period</b>	<b>(2,056,642)</b>	<b>(7,154,151)</b>
<b>Cash and cash equivalents balances at the beginning of the period</b>	<b>4,268,368</b>	<b>9,185,976</b>
<b>Cash and cash equivalents balances at the end of the period</b>	<b>2,211,726</b>	<b>2,031,825</b>
<b>Non-cash transactions:</b>		
Unrealized losses from financial assets fair value through other comprehensive income	18,454	100,178

**Finance Manager**

**CEO**

**Authorized Member**

The accompanying notes from (1) to (11) are an integral part of these interim condensed financial statements

**WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2017**  
**(Saudi Riyals)**

**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 company is engaged in taking advantage of seasonal agricultural surplus especially for those of a perishable nature, and are marketed to the consumers after subjecting them to varying degree of agricultural treatment, production processes and manufacturing services. They are also involved in marketing of food products, investment on land property as well as in creation, maintenance, operation and ownership of industrial projects.

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

<b><u>Branch Name</u></b>	<b><u>Commercial registration No.</u></b>	<b><u>Activity</u></b>
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

**2. BASIS OF PREPARATION**

**(a) Statement of compliance**

The interim condensed financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as approved by the Saudi Organization for Certified Public Accountants, which became effective in Saudi Arabia on January 1, 2017. These statements are the first financial statements to be prepared in accordance with international financial reporting standards ("IFRS"). IFRS 1, "Adoption of International Financial Reporting Standards for the First Time", has been applied in the preparation of these condensed interim financial statements and date of the Company's transition to international financial reporting standards ("IFRS"). on 1 January 2016.

The last annual financial statements for the year ended 31 December 2016 have been prepared for the Company in accordance with the generally accepted accounting standards issued by the Saudi Organization for Certified Public Accountants. Due to the preparation of the first concise interim financial statements in accordance with IAS 34, the Company has included additional disclosures to enable the users of the financial statements to understand the impact of the transition to IFRSs on previously reported annual figures as well as interim condensed figures.

The Capital Market Authority issued the decision of the Board of Commissioners on 15 Muharram 1438H (corresponding 16 October 2016) to require listed companies to apply the cost model when measuring the assets of property and equipment, investment properties and intangible assets when adopting the international financial reporting standards ("IFRS"). for a period of 3 years begin from the date of adoption of the International Financial Reporting Standards And continue to comply with the requirements for disclosure of IFRS adopted in the Kingdom of Saudi Arabia, which require disclosure of fair value.

**(b) Basis of measurement:**

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.



## **2. BASIS OF PREPARATION (continue)**

### **(d) Use of estimates and judgments**

The preparation of financial statements in conformity with international financial reporting standards ("IFRS"). requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The applied estimates and judgments are reviewed in continuous manner , and the in accounting estimates that recognize in the year which the changes of estimates and next years which effects with these changes.

In particular, information about significant areas of estimation uncertainties and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is summarized as follows:

- Management periodically reassesses the economic useful lives of tangible assets and intangible assets based on the general condition of these assets and the expectation for their useful economic lives in the future.
- Management frequently reviews the lawsuits raised against the company based on a legal study prepared by the company's legal advisors. This study highlights potential risks that the company may incurred in the future.
- A provision for doubtful debts is taken on the basis and estimates for collect these debts approved by management in conformity with International Financial Reporting Standards international financial reporting standards ("IFRS").
- Management estimates the provision to decrease inventory to net realizable value if the cost of inventory may not be recoverable, damaged, wholly or partially obsolete, and it selling price to fall below cost or any other factors that causes the recoverable amount to be lower than its carrying amount.
- Management estimates the zakat expenses according to instructions and active law.

### **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.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Company has adopted the International Financial Reporting Standards in the preparation of the financial statements as of 31 March 2017 in accordance with the instructions of the Saudi Organization for Certified Public Accountants. The mandatory implementation of International Financial Reporting Standards is effective from 1 January 2017.

The accounting policies used in the preparation of interim condensed financial statements for the period ended June 30, 2017 is the International Accounting Standard 34 "Interim Financial Reporting" as approved by the Saudi Organization for Certified Public Accountants, which came into force in Saudi Arabia on January 1, 2017. was applied international standard requirements for the preparation of IFRS 1 "adoption of international standards for the preparation of financial reports for the first time" when preparing these interim condensed financial statements and is the date of the Company's transition to international standards for financial reporting international financial reporting standards ("IFRS"). on 1 January 2016. and The following is a statement of significant accounting policies adopted:

#### **(a) Financial instruments**

##### **Non-derivative financial assets**

The Company initially recognizes loans and receivables on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the interim condensed statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

##### **Loans and receivables**

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in active markets. Such assets are recognized initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

##### **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date.

##### **Non-derivative financial liabilities**

Financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: Trade and other payables, , accruals expenses and provisions.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

##### **Share capital – ordinary shares**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continue)**

#### **(b) Impairment**

##### **Financial assets**

Impairments of financial assets is evaluations as end of every year for expected any objective guide for impairments in it's value. A financial asset is impaired if objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event had an impact on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against loans and receivable. interest on the impaired asset continues to be recognized . when an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

##### **Non-financial assets**

The carrying amounts of the Company's non-financial assets, reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

If the carrying value exceed of recoverable amount for these assets , the loss of impairments recognize in these assets.

Recoverable amount of an assets it's fair value less cost to sell , or value of use it which on is bigger.

#### **(c) Investments**

Investments in subsidiaries: Investments in subsidiaries companies represent shares in companies owned by the company in different percentages; when the percentage does not exceeds 20% investments are shown at cost. When the percentage ranges between 20% to 50% investments are accounted for, using the equity methods, whereas investment accounted for using the consolidation methods, when the percentage exceeds 50% if any.

#### **(d) Property, plant and equipments**

##### **I. 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, and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

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 "other expense" in the statement of comprehensive income.

##### **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 comprehensive income as incurred.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continue)

#### (d) Property, plant and equipments (continue)

##### **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. Land is not depreciated.

Items of property and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

Leasehold improvements are amortized over the shorter of the estimated useful life or term of the lease.

The depreciations rate of property and equipment for the current and previous year are as follows:

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

##### (e) **Accounts receivable**

Accounts receivable are stated at original invoice amount less appropriate allowance for any doubtful trade accounts receivable, An estimate for allowance for doubtful trade accounts receivable is made when collection of the full amount is doubtful, Bad debts are written off as incurred.

##### (f) **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 group. 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.

##### (g) **Projects under construction**

Projects under construction are carried at cost, and when the project is ready for use, it is transferred to its own item of property and equipment.

##### (h) **Inventory**

Inventories comprise of finished goods, work in process raw materials, accessories and spare parts which are stated at the lower of cost or estimated net realizable value. The cost of inventories is determined based on the weighted average principle, and includes include raw materials direct labor and manufacturing overheads appropriate provisions are made for slow moving and redundant inventories, if any.

##### (i) **Cash and cash equivalents**

Cash and cash equivalents consists of all amounts and demand deposits, which can be converted into cash within a period of three months or less .

##### (j) **Trade payable**

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

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continue)**

#### **(k) Provisions**

A provision is recognized if, as a result of a past event, the Group 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.

#### **(l) 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 income, Any differences resulting from the final assessments are recorded in the year of their finalization.

#### **(m) Employees' end of service indemnities**

Provision for employees' end of service benefits is deducted from their periods of service at the interim condensed financial position date. Provision for employees' end of service benefits is made according to the expected unit method in accordance with IAS 19 Employee Benefits, taking into account Saudi Labor Law. The provision is recognized based on the present value of the defined benefit obligation.

The present value of the defined benefit obligation is calculated using assumptions for the average annual salary increase ratio, the average work period of employees and an appropriate discount rate. The probabilities used are calculated on a constant basis for each period and reflect the best management estimates. The discount rate is determined based on the best available market returns estimates available at the reporting date.

#### **Changes in accounting policies due to revision of IAS 19**

The amendments to IAS 19 resulted in changes in accounting for defined benefit plans and end of service benefits. The material changes are related to the accounting changes in the defined plan's commitments and assets. The amendments require recognition of changes in the specific liability for fair value and recognition and recognition of all accounting gains and losses directly through comprehensive income in order to reflect the net recognized asset or liability of the company in the statement of financial position. Accordingly, the provision for end of service indemnity has been adjusted retroactively to SR 113,951.

The actuarial valuation was performed by Al Khwarizmi for Actuarial Services and was carried out using the expected credit module.

The main assumptions used for actuarial valuation were as follows:

Employee turn over	Slow
Increase salary	4%
Discount rate of cash flow	4%

#### **(n) Revenue recognition**

Revenue from sales is recognized when the goods are delivered and the services rendered to the customers. Revenue from the sale of the goods is recognized when all of the following conditions are met:

- The significant risks and rewards of ownership have been transferred to the customer.
- The Company no longer retains the ownership of the goods as an ongoing administrative intervention There is no continuing management involvement with the goods.
- The economic benefits associated with the sale are likely to flow.
- The associated costs and possible return of goods can be estimated reliably.

Other income is recorded when earned.

#### **(o) Expenses**

Expenses incurred by the Company consist of administrative and general expenses, operating expenses and selling and marketing expenses. Sales costs are charged at full cost of materials, direct labor and indirect costs. Other direct and indirect expenses relating to management that are not related to the production function are classified as administrative and general expenses. Joint expenses are distributed, if necessary, between administrative and general expenses and operating expenses on a consistent basis. The accrual principle is applied in charging the financial period with administrative and general expenses. Sales and marketing expenses consist mainly of costs incurred in marketing the Company's products and services.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continue)**

#### **(p) Foreign currency transactions**

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions, At financial position date, monetary assets and liabilities denominated in foreign currencies are translated to Saudi Riyals at the exchange rates prevailing on that date, Gains and losses arising on settlement and translation of foreign currency transactions are recognized in the statement of comprehensive income.

#### **(q) Impairment**

##### **Financial assets**

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event had an impact on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against loans and receivable. interest on the impaired asset continues to be recognized . when an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

##### **Non-financial assets**

The carrying amounts of the Company's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### **(r) Offsetting**

Financial liabilities are set off against financial assets, and the net amount is shown in the consolidated financial position only when the obliging legal rights are available and when settled on net basis or the realization of assets or settlement of liabilities is done at the same time.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continue)**

#### **(s) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED**

A number of new standards, amendments and improvements to standards and interpretations are effective for annual periods beginning on or after January 1, 2016, and have not been applied in preparing these financial statements. Management is still in the process of assessing the potential impacts of the application of the new standards. As set out below.

##### **New standards**

- IFRS 9 Financial Instruments (effective from 1 January 2018).
- IFRS 15 Revenue from Contracts with Customers (effective from 1 January 2018).
- IFRS 16 Leases (effective from 1 January 2019).

##### **Amendments**

- IFRS 2 Classification and Measurement of Share-Based Payments (effective from 1 January 2018 with early application permitted).
- IAS 40, "Interpretation of Transfers of Assets to and from Consumer Property" (effective from 1 January 2018).

##### **Improvements**

- Annual Improvements to IFRS 2014–2016 cycle, And amendments in (IFRS 1) (effective 1 January 2018).

The Company expects to apply the above standards and interpretations (improvements) in the financial statements by the date stated in the Standard with no significant impact on the Company's financial statements.

#### 4. LONG TERM 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, as of December 31, 2016, an amount of SAR 31,500,000 out of the total of the approved facilitate loan SR 34,000,000 remains unpaid. The loan is repayable in a period of six-years and the semi-annual installments started on August 1, 2015. During the fourth quarter from the year ended December 31,2016, the Company repaid SAR 1,500,000, and SAR 1,000,000 During the fourth quarter from the year ended December 31,2015 to become the total loan as of June 30, 2017 amounted SAR 31,500,000 which SAR 2,500,000 represents current portion and SAR 29,000,000 represents non-current portion of the loan.

The loan is secured by mortgaging the entire meat product factory and the entire freeze vegetables as collateral for the loan. The loan agreement contains commitments which include, among other things, commitment maintain certain financial ratios capital expenditure, the long term loan movement represents as follow:

	<u>Unaudited</u> <u>30 June</u> <u>2017</u>	<u>Audited</u> <u>31 December</u> <u>2016</u>	<u>Audited</u> <u>1 January</u> <u>2016</u>
Balance at the beginning period / year	31,500,000	33,000,000	34,000,000
Paid during the period / year	--	(1,500,000)	(1,000,000)
Additions during the period / year	--	--	--
Total long term loan	31,500,000	31,500,000	33,000,000
Current portion of long term loan	(2,500,000)	--	(3,000,000)
Long term loan balance	29,000,000	31,500,000	30,000,000

#### 5. 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.



## 5. FINANCIAL RISK MANAGEMENT (continue)

### Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Company's policy is that all customers who wish to trade on credit terms are subject to credit worthiness evaluation process. Financial instruments that expose the Company to concentrations of credit risk consist primarily of accounts receivable. The Company places its bank balances with a number of financial institutions with sound credit ratings and has a policy of limiting its balances deposited with each institution. The Company does not believe that there is a significant risk of non-performance by these financial institutions. The Company does not consider itself exposed to a concentration of credit risk with respect to accounts receivable due to its diverse customer base operating in various industries and located in many regions.

The carrying amount of the financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the financial position date was as follows:

	<u>Requested value as of</u>	
	<u>Unaudited</u>	<u>Audited</u>
	<u>30 June</u>	<u>31 December</u>
	<u>2017</u>	<u>2016</u>
Accounts receivable, net	39,140,222	38,695,218
Cash and cash equivalents	2,211,726	4,268,368
Accrued revenue	31,635	15,817
Other assets	6,163,844	6,266,649
	<u>47,547,427</u>	<u>49,246,052</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.

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

	<u>Carrying Amount</u>	<u>Contractual Cash Flows</u>	<u>Less than a year</u>	<u>More than a year</u>
<b>June 30, 2017</b>				
Loans	31,500,000	31,500,000	--	31,500,000
Accounts payable	24,791,923	24,791,923	24,791,923	--
Oversubscribed payable	3,278,700	3,278,700	3,278,700	--
Accrued dividend distribution	1,200,690	1,200,690	1,200,690	--
Accrued expenses and other liabilities	2,112,462	2,112,462	2,112,462	--
Zakat estimated provision	1,475,000	1,475,000	1,475,000	--
End of service benefits	5,782,747	5,782,747	--	5,782,747
	<u>70,141,522</u>	<u>70,141,522</u>	<u>32,858,775</u>	<u>37,282,747</u>
<b>December 31, 2016</b>				
Loans	31,500,000	31,500,000	--	31,500,000
Accounts payable	17,486,885	17,486,885	17,486,885	--
Oversubscribed payable	3,282,200	3,282,200	3,282,200	--
Accrued dividend distribution	1,201,025	1,201,025	1,201,025	--
Accrued expenses and other liabilities	2,142,770	2,142,770	2,142,770	--
Zakat estimated provision	3,141,297	3,141,297	3,141,297	--
End of service benefits	6,041,535	6,041,535	--	6,041,535
	<u>64,795,712</u>	<u>64,795,712</u>	<u>27,254,177</u>	<u>37,541,535</u>

## 5. FINANCIAL RISK MANAGEMENT (continue)

### **Commission rate risk**

Commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the prevailing market commission rates, The Company is subject to commission rate risk on its commission bearing Islamic short term and long term facilities.

### **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.

## 6. ADJUSTED CAPITAL RATIO

	<u>Unaudited</u> <u>30 June</u> <u>2017</u>	<u>Audited</u> <u>31 December</u> <u>2016</u>	<u>Audited</u> <u>1 January</u> <u>2016</u>
Liabilities at the end of period / year	35,358,775	27,254,177	30,569,654
Less: Cash and cash equivalents	(2,211,726)	(4,268,368)	(9,185,976)
Net liabilities	33,147,049	22,985,809	21,383,678
Adjusted capital	175,693,734	181,122,646	201,185,362
	<u>18.87%</u>	<u>12.69%</u>	<u>10.63%</u>

## 7. FAIR VALUE

The fair values of financial assets and liabilities are not significantly different from their carrying values in the financial statements as of June 30, 2017.

## 8. FAIR VALUE LEVELS

**Fair value of financial assets and financial liabilities of the Company Fair value is not determined on an ongoing basis:**

Except as described in the table below, we believe that the carrying amounts of the financial assets and financial liabilities denominated in the Company's financial statements approximate their fair value because management believes that the carrying amount of the items below is approximately fair value due either to short term maturity or to interest rates Re-priced during the year. The financial assets at amortized cost are as follows:

## 8. FAIR VALUE LEVELS (continue)

	<u>Book Value</u> <u>(Saudi Riyal)</u> <u>30/6/2017</u>	<u>Fair Value</u> <u>(Saudi Riyal)</u> <u>30/6/2017</u>	<u>Fair Value</u> <u>Level</u>
<b><u>Financial assets</u></b>			
Account Receivable, net	39,140,222	39,140,222	Third Level
Other debt balances	8,439,151	8,439,151	Third Level
Cash and cash equivalents	2,211,726	2,211,726	Second Level
	<u>49,791,099</u>	<u>49,791,099</u>	
<b><u>Financial liabilities</u></b>			
Loans	31,500,000	31,500,000	Third Level
Accounts payable	24,791,923	24,791,923	Third Level
Oversubscribed payable	3,278,700	3,278,700	Third Level
Other credit balances	2,112,462	2,112,462	Third Level
Accrued dividend distribution	1,200,690	1,200,690	Third Level
Zakat estimated provision	1,475,000	1,475,000	Third Level
	<u>64,358,775</u>	<u>64,358,775</u>	
	<u>Book Value</u> <u>(Saudi Riyal)</u> <u>31/12/2016</u>	<u>Fair Value</u> <u>(Saudi Riyal)</u> <u>31/12/2016</u>	<u>Fair Value</u> <u>Level</u>
<b><u>Financial assets</u></b>			
Account Receivable, net	38,695,218	38,695,218	Third Level
Other debt balances	7,932,150	7,932,150	Third Level
Cash and cash equivalents	4,268,368	4,268,368	Second Level
	<u>50,895,736</u>	<u>50,895,736</u>	
<b><u>Financial liabilities</u></b>			
Loans	31,500,000	31,500,000	Third Level
Accounts payable	17,486,885	17,486,885	Third Level
Oversubscribed payable	3,282,200	3,282,200	Third Level
Other credit balances	2,142,770	2,142,770	Third Level
Accrued dividend distribution	1,201,025	1,201,025	Third Level
Zakat estimated provision	3,141,297	3,141,297	Third Level
	<u>58,754,177</u>	<u>58,754,177</u>	
	<u>Book Value</u> <u>(Saudi Riyal)</u> <u>1/1/2016</u>	<u>Fair Value</u> <u>(Saudi Riyal)</u> <u>1/1/2016</u>	<u>Fair Value</u> <u>Level</u>
<b><u>Financial assets</u></b>			
Account Receivable, net	46,198,688	46,198,688	Third Level
Other debt balances	5,595,413	5,595,413	Third Level
Cash and cash equivalents	9,185,976	9,185,976	Second Level
	<u>60,980,077</u>	<u>60,980,077</u>	
<b><u>Financial liabilities</u></b>			
Loans	33,000,000	33,000,000	Third Level
Accounts payable	18,984,463	18,984,463	Third Level
Oversubscribed payable	3,282,200	3,282,200	Third Level
Other credit balances	1,823,725	1,823,725	Third Level
Accrued dividend distribution	1,204,728	1,204,728	Third Level
Zakat estimated provision	2,274,538	2,274,538	Third Level
	<u>60,569,654</u>	<u>60,569,654</u>	

## 8. FAIR VALUE LEVELS (continue)

For the above items, the fair value of financial assets and liabilities for the second and third levels has been determined in accordance with agreed pricing models that reflect the credit risk of the parties to be dealt with.

Management believes that amortized cost or cost is the most appropriate estimate of fair value as there is not sufficient and reliable information to measure the fair value.

## 9. EFFECT OF APPLYING IFRS TO PREPARE FINANCIAL STATEMENTS

The Company has adopted the International Financial Reporting Standards in the preparation of the interim condensed financial statements as at 30 June 2017 as per the instructions of the Saudi Organization for Certified Public Accountants. The mandatory application of the International Financial Reporting Standards on 1 January 2017.

The Company has amended the interim condensed financial statements as a result of changes in accounting policies. The restatement is consistent with IAS 1 Presentation of Financial Statements:

### 9-1 Effects of IFRS adoption on the opening statement of financial position as at 1 January 2016

	Amounts previously reported (SOCPA) (Saudi Riyal)	Effect of transition to IFRS (Saudi Riyal)	Opening IFRS statement of financial position (Saudi Riyal)
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipments, net	127,220,753	1,289,661	128,510,414
Unused property, plant and equipments	674,969	(674,969)	--
Investments in companies, net	17,050,000	--	17,050,000
Projects under progress	12,408,535	--	12,408,535
Real estate investments	11,127,708	--	11,127,708
Investments determined by fair value	341,764	--	341,764
Deferred expenses	14,224	(14,224)	--
<b>TOTAL NON CURRENT ASSETS</b>	<b>168,837,953</b>	<b>600,468</b>	<b>169,438,421</b>
<b>CURRENT ASSETS</b>			
Accounts receivable, net	46,198,688	--	46,198,688
Inventory	37,392,442	(690,527)	36,701,915
Prepayments and other assets	5,595,413	--	5,595,413
Cash and banks balances	9,185,976	--	9,185,976
<b>TOTAL CURRENT ASSETS</b>	<b>98,372,519</b>	<b>(690,527)</b>	<b>97,681,992</b>
<b>TOTAL ASSETS</b>	<b>267,210,472</b>	<b>(90,059)</b>	<b>267,120,413</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Paid-up capital	200,000,000	--	200,000,000
Statutory reserve	7,202,424	--	7,202,424
Fair value reserve	(913,935)	--	(913,935)
Retained earnings	(4,899,117)	(204,010)	(5,103,127)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>201,389,372</b>	<b>(204,010)</b>	<b>201,185,362</b>
<b>LIABILITIES</b>			
<b>NON CURRENT LIABILITIES</b>			
Long term loan	30,000,000	--	30,000,000
Employees' end of service indemnities	5,251,446	113,951	5,365,397
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>35,251,446</b>	<b>113,951</b>	<b>35,365,397</b>
<b>CURRENT LIABILITIES</b>			
Accounts payable	18,984,463	--	18,984,463
Oversubscribed payable	3,282,200	--	3,282,200
Accrued expenses and other liabilities	1,823,725	--	1,823,725
Accrued dividend distribution	1,204,728	--	1,204,728
Current portion of long term loan	3,000,000	--	3,000,000
Estimated zakat provision	2,274,538	--	2,274,538
<b>TOTAL CURRENT LIABILITIES</b>	<b>30,569,654</b>	<b>--</b>	<b>30,569,654</b>
<b>TOTAL LIABILITIES</b>	<b>65,821,100</b>	<b>113,951</b>	<b>65,935,051</b>
	<b>267,210,472</b>	<b>(90,059)</b>	<b>267,120,413</b>

## 9-2 Reconciliation on the statement of shareholders' equity as at 1 January 2016

	<u>Balance as of</u> <u>1 January</u> <u>2016</u>
<b>Total Equity under "SOCPA"</b>	<b>201,389,372</b>
Actuarial value of end of service benefits	(113,951)
Accumulated depreciation for transferred spare parts	(75,835)
Deferred expenses balance as of December 31, 2015	(14,224)
<b>Total Equity under "IFRS"</b>	<b>201,185,362</b>

## 9-3 Effects of IFRS adoption on the statement of financial position as at 31 December 2016

	<b>Amount previously reported (SOCPA) (Saudi Riyal)</b>	<b>Effect of transition to IFRS (Saudi Riyal)</b>	<b>As per (IFRS) statement of financial position (Saudi Riyal)</b>
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipments, net	128,290,700	986,789	129,277,489
Unused property, plant and equipments	441,149	(441,149)	--
Investments in companies, net	13,762,438	--	13,762,438
Projects under progress	--	--	--
Real estate investments	11,127,708	--	11,127,708
Investments determined by fair value	569,853	--	569,853
Deferred expenses	14,224	(14,224)	--
<b>TOTAL NON CURRENT ASSETS</b>	<b>154,206,072</b>	<b>531,416</b>	<b>154,737,488</b>
<b>CURRENT ASSETS</b>			
Accounts receivable, net	38,695,218	--	38,695,218
Inventory	40,975,661	(690,527)	40,285,134
Prepayments and other assets	7,932,150	--	7,932,150
Cash and banks balances	4,268,368	--	4,268,368
<b>TOTAL CURRENT ASSETS</b>	<b>91,871,397</b>	<b>(690,527)</b>	<b>91,180,870</b>
<b>TOTAL ASSETS</b>	<b>246,077,469</b>	<b>(159,111)</b>	<b>245,918,358</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Paid-up capital	200,000,000	--	200,000,000
Statutory reserve	7,202,424	--	7,202,424
Fair value reserve	(685,846)	--	(685,846)
Retained earnings	(25,120,870)	(273,062)	(25,393,932)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>181,395,708</b>	<b>(273,062)</b>	<b>181,122,646</b>
<b>LIABILITIES</b>			
<b>NON CURRENT LIABILITES</b>			
Long term loan	31,500,000	--	31,500,000
Employees' end of service indemnities	5,927,584	113,951	6,041,535
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>37,427,584</b>	<b>113,951</b>	<b>37,541,535</b>
<b>CURRENT LIABILITIES</b>			
Accounts payable	17,486,885	--	17,486,885
Oversubscribed payable	3,282,200	--	3,282,200
Accrued expenses and other liabilities	2,142,770	--	2,142,770
Accrued dividend distribution	1,201,025	--	1,201,025
Estimated zakat provision	3,141,297	--	3,141,297
<b>TOTAL CURRENT LIABILITIES</b>	<b>27,254,177</b>	<b>--</b>	<b>27,254,177</b>
<b>TOTAL LIABILITIES</b>	<b>64,681,761</b>	<b>113,951</b>	<b>64,795,712</b>
	<b>246,077,469</b>	<b>(159,111)</b>	<b>245,918,358</b>

**9-4 Effects of IFRS adoption on the statement of change of shareholders' equity for the year ended 31 December 2016**

	<b><u>Balance as of 31 December 2016</u></b>
<b>Total Equity under "SOCPA"</b>	<b>181,395,708</b>
Actuarial value of end of service benefits	(113,951)
Accumulated depreciation for transferred spare parts	(144,887)
Deferred expenses balance as of December 31, 2016	(14,224)
<b>Total Equity under "IFRS"</b>	<b><u>181,122,646</u></b>

**9-5 Effects of IFRS adoption on the statement of comprehensive income for the period ended 30 June 2016**

	<b>Amounts previously reported (SOCPA) (Saudi Riyal)</b>	<b>Effect of transition to IFRS (Saudi Riyal)</b>	<b>As per (IFRS) statement of comprehensive income (Saudi Riyal)</b>
Sales, net	54,655,575	(4,356,736)	50,298,839
Cost of sales	(29,006,264)	--	(29,006,264)
Depreciations	(5,580,238)	(34,526)	(5,614,764)
<b>Gross operation income</b>	<u>20,069,073</u>	<u>(4,391,262)</u>	<u>15,677,811</u>
General and administrative expenses	(4,508,447)	--	(4,508,447)
Selling and distributing expenses	(14,059,662)	4,356,736	(9,702,926)
<b>Net income from the main operation</b>	<u>1,500,964</u>	<u>(34,526)</u>	<u>1,466,438</u>
Other income	103,033	--	103,033
<b>Net income for the period before estimated zakat</b>	<u>1,603,997</u>	<u>(34,526)</u>	<u>1,569,471</u>
Estimated zakat for the period	(730,000)	--	(730,000)
<b>Net income for the period:</b>	<u>873,997</u>	<u>(34,526)</u>	<u>839,471</u>
<b>OTHER COMPREHENSIVE INCOME:</b>			
Net change in investments fair value	--	100,178	100,178
<b>Total comprehensive income</b>	<u>873,997</u>	<u>65,652</u>	<u>939,649</u>

**9-6 Notes to the reconciliation**

- Liabilities for end-of-service benefits Accounting Standard No. 19 requires staff benefits to be assessed on an actuarial basis. The effect of this change in shareholders' equity is SR 113,951 as at 31 December 2015 and 31 December 2016, respectively.
- Reconciliation related to Property, plant and equipments, The Accounting Standard No. 2 and The Accounting Standard No. 16 requires that inventory of spare parts used in production be recording as property, plant and equipments, which amounted SAR 690,527 as of December 31, 2015 and 2016, and its accumulated depreciation amounted SAR 75,835 as of December 31, 2015 and SAR 144,887 as of December 31, 2016.
- The Company has changed the name of the statement of income to become a statement of comprehensive income accordance with International Accounting Standard (IAS) 1.

#### **10. 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.

#### **11. APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS**

The interim condensed financial statements were approved by The Board Of Directors on Dhul-Qa'dah 16, 1438H (August 8, 2017).