

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

**THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2019
TOGETHER WITH REPORT ON REVIEW OF CONDENSED
INTERIM FINANCIAL STATEMENTS**

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

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FINANCIAL STATEMENTS**

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**REPORT ON REVIEW OF
CONDENSED 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 2019, 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 3 to the accompanying condensed interim financial statements, which indicates that the current liabilities of the Company exceeded its current assets amounting to SAR 3,764,120 as at 31 March 2019, in addition to the Company's non-compliance with payment of the portion due from the Saudi Industrial Development Fund loan during 2018 amounting to SAR 7 million, additionally, the accumulated losses reached 48.6% of the Company's capital as at 31 March 2019. 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.



**AlAzem & AlSudairy
Certified Public Accountants**



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

2 Ramadan 1440H (May 07, 2019)
Riyadh, Kingdom of Saudi Arabia

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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As of 31 March 2019

(Saudi Riyals)

	Note	31 March 2019 (Unaudited)	31 December 2018 (Audited)
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipments, net		108,755,831	109,177,425
Right-of-Use-Assets	4-2	3,157,770	-
Investments determined by fair value through profit or loss, net		2,741,763	2,741,763
Real estate investments		11,127,708	11,127,708
Investments determined by fair value through other comprehensive income		783,494	672,771
TOTAL NON CURRENT ASSETS		126,566,566	123,719,667
CURRENT ASSETS			
Accounts receivable, net		26,780,389	18,567,849
Inventory, net		17,491,032	17,264,582
Prepayments and other debit balances, net		9,037,774	9,955,955
Cash and cash equivalents		3,469,724	4,014,122
TOTAL CURRENT ASSETS		56,778,919	49,802,508
TOTAL ASSETS		183,345,485	173,522,175
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Capital	1	200,000,000	200,000,000
Fair value reserve		(472,205)	(582,928)
Accumulated losses		(97,366,392)	(97,895,643)
TOTAL SHAREHOLDERS' EQUITY		102,161,403	101,521,429
LIABILITIES			
NON CURRENT LIABILITIES			
Non - current portion of long term government loan	6	11,000,000	11,000,000
Lease liabilities	4-2	2,824,316	-
Employees' end of service indemnities		6,816,727	6,427,240
TOTAL NON CURRENT LIABILITIES		20,641,043	17,427,240
CURRENT LIABILITIES			
Accounts payable		26,954,321	22,042,903
Current portion of lease liabilities	4-2	280,728	-
Oversubscribed payable		3,258,720	3,258,720
Accrued expenses and other credit balances		3,960,741	4,008,796
Accrued dividends distribution	7	1,198,980	1,199,150
Current portion of long term government loan	6	17,000,000	17,000,000
Sales provisions	8	2,668,141	2,092,529
Zakat estimated provision		5,221,408	4,971,408
TOTAL CURRENT LIABILITIES		60,543,039	54,573,506
TOTAL LIABILITIES		81,184,082	72,000,746
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		183,345,485	173,522,175

Finance Manager

CEO

Authorized Member

The accompany from (1) to (17) are integrated 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 MONTH PERIOD ENDED 31 MARCH 2019
(Saudi Riyals)

	<i>Note</i>	<i>31 March 2019 (Unaudited)</i>	<i>31 March 2018 (Unaudited)</i>
Sales, net	9	26,240,732	24,012,715
Cost of sales		(18,762,681)	(17,181,196)
Gross operating income		7,478,051	6,831,519
General and administrative expenses		(2,645,417)	(2,476,112)
Selling and distributing expenses		(4,012,335)	(4,643,376)
Net profit(loss) from the main operations		820,299	(287,969)
Provision for expected credit losses		-	(500,000)
Finance cost		(47,505)	-
Other revenue		6,457	16,525
Net profit(loss) for the period before Zakat estimated		779,251	(771,444)
Zakat estimate		(250,000)	(250,000)
Net profit(loss) for the period		529,251	(1,021,444)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD:			
Other comprehensive income cannot be reclassified to profit or loss in subsequent periods:			
Net change in fair value reserve		110,723	149,844
Total other comprehensive income for the period		110,723	149,844
Net comprehensive income(loss) for the period		639,974	(871,600)
Profit (loss) per share:	10		
From net profit (loss) from the main operation		0,04	(0,01)
From netprofit (loss) for the period		0,03	(0,05)

Finance Manager

CEO

Authorized Member

The accompany from (1) to (17) are integrated 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 THREE MONTH PERIOD ENDED 31 MARCH 2019****(Saudi Riyals)**

	<i>Capital</i>	<i>Statutory reserve</i>	<i>Fair value reserve</i>	<i>Accumulated losses</i>	<i>Total</i>
Balance at 1 January 2018	200,000,000	7,202,424	(650,520)	(75,395,362)	131,156,542
Impact of adoption of IFRS 9	-	-	-	(2,500,000)	(2,500,000)
Net loss for the period	-	-	-	(1,021,444)	(1,021,444)
Other comprehensive income	-	-	149,844	-	149,844
Balance at 31 March 2018 (Unaudited)	200,000,000	7,202,424	(500,676)	(78,916,806)	127,784,942
Balance at 1 January 2019	200,000,000	-	(582,928)	(97,895,643)	101,521,429
Net profit for the period	-	-	-	529,251	529,251
Other comprehensive income	-	-	110,723	-	110,723
Balance at 31 March 2019 (Unaudited)	200,000,000	-	(472,205)	(97,366,392)	102,161,403

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

The accompany from (1) to (17) are integrated 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 THREE MONTH PERIOD ENDED 31 MARCH 2019
(Saudi Riyals)

	31 March 2019 (Unaudited)	31 March 2018 (Unaudited)
Cash Flows from operating Activities:		
Net profit(loss) for the period	529,251	(1,021,444)
Adjustments to:		
Depreciation for the period	2,450,240	2,464,233
Provision for expected credit losses	-	500,000
Bad debts during the period	(33,514)	-
Sales provisions	575,612	5,458,934
Zakat estimated for the period	250,000	250,000
Employees' end of service indemnities	419,511	179,449
Losses on disposal of property, plant and equipments	75	-
	4,191,175	7,831,172
Changes in:		
Accounts receivable	(8,179,026)	(13,130,757)
Inventory	(226,450)	(336,229)
Prepayments and other debit balances	777,055	(1,096,007)
Accounts payable	4,911,418	5,426,007
Accrued expenses and other credit balances	(48,055)	1,898,405
Cash from operation activities	1,426,117	592,591
Employees' end-of-service indemnities paid	(30,024)	(177,253)
Net cash provided by operating activities	1,396,093	415,338
Cash Flows from Investing Activities:		
Paid in purchase in property, plant and equipments	(1,940,321)	(387,605)
Net cash used in investing activities	(1,940,321)	(387,605)
Cash Flows from Financing Activities:		
Long term government loan	-	(1,750,000)
Accrued dividends distribution	(170)	(135)
Net cash used in financing activities	(170)	(1,750,135)
Net change in cash and cash equivalent during the period	(544,398)	(1,722,402)
Cash and cash equivalents at beginning of the period	4,014,122	5,489,742
Cash and cash equivalents at end of the period	3,469,724	3,767,340
Non-cash transactions:		
Impact of adoption of IFRS 9	-	2,500,000
Net change fair value investments	110,723	149,844

Finance Manager

CEO

Authorized Member

The accompany from (1) to (17) are integrated part of these interim condensed 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 2019
(Saudi Riyals)

1. ACTIVITIES

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

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

The accompanying financial statements represents Company's interim condensed financial statements and 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	Marketing of the food products
Wafrah for Industry and Development CO. – Khamis Mushait	5855339110	Marketing of the company's products

2. BASIS OF PREPARATION

(a) Applicable accounting principles:

These interim condensed 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 of Certified Public 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 2018 ("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.

This is the first set of interim condensed financial statements where IFRS 16 have been applied. Changes to significant accounting policies are described in Note 4-2.

(b) Preparation of the interim condensed financial statements:

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

(d) Use of Judgments and Estimates

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

The significant 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 Consolidated Financial Statements, except for new significant judgments and key sources of estimation uncertainty related to the application of IFRS 16, which are described in Note 4.2.

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 2019

(Saudi Riyals)

3. **ACCUMULATED LOSSES AND THE PRINCIPLE OF GOING CONCERN**

The current liabilities of the Company exceeded its current assets amounting to SAR 3,764,120 as of 31 March 2019, in addition to the Company's non-compliance with payment of the portion due from the Saudi Industrial Development Fund loan during 2018 amounting to SAR 7 million, in addition, the accumulated losses amounted to 48.6% of the Company's capital as of 31 March 2019. This is an indicator of the company's inability to continue, and based on the company's strategic plan for the next five years and the direction of management to improve the company's financial situation to enhance and increase sales and increase the market share and liquidity support of the Company. These financial statements have been prepared on a going concern basis.

4. **SIGNIFICANT ACCOUNTING POLICIES**

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

The Company applies, for the first time, IFRS 16 Leases. As required by IAS 34, the nature and effect of these changes are disclosed below (4-2).

4-1-1 **Annual Amendments to IFRS (2015–2017 Cycle)**

- IFRS 3 Business combinations.
- IFRS 11 Joint arrangements.
- IAS 23 Borrowing costs.

4-1-2 **Other Amendments**

The following amendment to standards are not yet effective and neither expected to have a significant impact on the Company's interim condensed Financial Statements:

- Prepayment Features with Negative Compensation (Amendments to IFRS 9).
- Plan Amendments, Curtailment or Settlement (Amendments to IAS 19).

4-2 **Changes in accounting policy**

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 16 Leases

IFRS 16 replaces IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

IFRS 16 'Leases' introduces a single, on-balance sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

(a) Adjustment recognised on adoption of IFRS 16

In the current period, the Company has adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019.

The Company elected to use the practical expedient available on transition to IFRS 16 not to reassess whether a contract contains a lease or not, allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

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 2019
 (Saudi Riyals)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4-2 Changes in accounting policy (continued)

Impact of applying IFRS 16 on the interim condensed financial statements

Interim condensed statement of financial position as at 31 March 2019:

	Balances without adoption of IFRS 16	Adjustments	As reported
ASSETS			
NON CURRENT ASSETS			
Property, plants and equipments, net	108,755,831	-	108,755,831
Right-of-Use Assets	-	3,157,770	3,157,770
Investments determined by fair value through profit or loss, net	2,741,763	-	2,741,763
Real estate investments	11,127,708	-	11,127,708
Investments determined by fair value through other comprehensive income	783,494	-	783,494
TOTAL NON CURRENT ASSETS	123,408,796	3,157,770	126,566,566
CURRENT ASSETS			
Accounts receivable, net	26,780,389	-	26,780,389
Inventory, net	17,491,032	-	17,491,032
Prepayments and other debit balances, net	9,307,251	(269,477)	9,037,774
Cash and cash equivalents	3,469,724	-	3,469,724
TOTAL CURRENT ASSETS	57,048,396	(269,477)	56,778,919
TOTAL ASSETS	180,457,192	2,888,293	183,345,485
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Capital	200,000,000	-	200,000,000
Fair value reserve	(472,205)	-	(472,205)
Accumulated losses	(97,102,136)	(264,256)	(97,366,392)
TOTAL SHAREHOLDERS' EQUITY	102,425,659	(264,256)	102,161,403
LIABILITIES			
NON CURRENT LIABILITIES			
Non-current portion of long term government loan	11,000,000	-	11,000,000
Lease liabilities	-	2,824,316	2,824,316
Employees' end of service indemnities	6,816,727	-	6,816,727
TOTAL NON CURRENT LIABILITIES	17,816,727	2,824,316	20,641,043
CURRENT LIABILITIES			
Accounts payable	26,954,321	-	26,954,321
Current portion of lease liabilities	-	280,728	280,728
Oversubscribed payable	3,258,720	-	3,258,720
Accrued expenses and other credit balances	3,913,236	47,505	3,960,741
Accrued dividends distribution	1,198,980	-	1,198,980
Current portion of long term government loan	17,000,000	-	17,000,000
Sales provisions	2,668,141	-	2,668,141
Zakat estimated provision	5,221,408	-	5,221,408
TOTAL CURRENT LIABILITIES	60,214,806	328,233	60,543,039
TOTAL LIABILITIES	78,031,533	3,152,549	81,184,082
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	180,457,192	2,888,293	183,345,485

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 2019
 (Saudi Riyals)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4-2 Changes in accounting policy (continued)

Impact of applying IFRS 16 on the interim condensed financial statements

Interim condensed statement of comprehensive income for the three months period ended 31 March 2019:

	Balances without adoption of IFRS 16	Adjustments	As reported
Sales, net	26,240,732	-	26,240,732
Cost of sales	(18,762,681)	-	(18,762,681)
Gross operating income	7,478,051	-	7,478,051
General and administrative expenses	(2,428,666)	(216,751)	(2,645,417)
Selling and distributing expenses	(4,012,335)	-	(4,012,335)
Net profit from the main operation	1,037,050	(216,751)	820,299
Finance cost	-	(47,505)	(47,505)
Other revenue	6,457	-	6,457
Net profit for the period before Zakat estimated	1,043,507	(264,256)	779,251
Zakat estimate	(250,000)	-	(250,000)
Net profit for the period	793,507	(264,256)	529,251
OTHER COMPREHENSIVE INCOME FOR THE PERIOD:			
Other comprehensive income cannot be reclassified to profit or loss in subsequent periods:			
Net change in fair value reserve	110,723	-	110,723
Total other comprehensive income for the period	110,723	-	110,723
Net comprehensive income for the period	904,230	(264,256)	639,974

b) Accounting Policies

The Company has recognised new assets and liabilities for its operating leases of various types of contracts including warehouse and depot facilities, accommodation / office rental premises, etc. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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 2019
(Saudi Riyals)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4-2 Changes in accounting policy (continued)

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

A- Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs, and
- Restoration costs.

B- Lease liabilities include the net present value of the following lease payments:

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

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

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

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

There are no additions to the right-of-use assets during the three months ended 31 March 2019.

Lease liabilities as at period end are as follows:

	31 March 2019 (Unaudited)
Non-Current portion of Lease Liabilities	2,824,316
Current portion of Lease Liabilities	280,728
Total Lease Liabilities	3,105,044

The total interest expense on lease liabilities recognized during the period ended 31 March 2019 is SAR 47,505.

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 2019
(Saudi Riyals)

5. 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. Until the date of the interim condensed financial statements the article of association has not been modified to agree with paragraph related to adjusting statutory reserve on new Regulation for Companies.

At its meeting held on 5 February 2019, the Board of Directors resolved to use the statutory reserve of SAR 7,202,424 to extinguish part of the Company's accumulated losses for the year ended December 31, 2018.

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 has been re-scheduling out of which the first installment due after rescheduling on 02/01/2018, the Company repaid SAR 1,000,000 during the year 2015, and repaid SAR 1,500,000 during the year 2016, and repaid SAR 1,000,000 during the year 2017, and repaid SAR 3,500,000 during the year 2018. The total loan amount as of December 31, 2018 was SAR 28,000,000. During 2018, the Company paid SAR 3,500,000 of the total current portion for 2017. The Company's management will pay the remaining current portion of SAR 7,000,000 in 2019 in addition to the amount due according to the repayment schedule for 2019. The loan is secured by mortgaging the entire food factory for the production of meat and the entire food plant to freeze vegetables as a collateral for the loan. The Loan Agreement contains commitments include, among other things, limit the future to maintain certain financial ratios capital expenditure. The long term loan movement represents as follow:

	(Unaudited) 31 March 2019	(Audited) 31 December 2018
Balance at beginning of the period / year	28,000,000	31,500,000
Paid during the period / year	-	(3,500,000)
Total long-term government loan	28,000,000	28,000,000
Current portion of long term government loan	(17,000,000)	(17,000,000)
Non-current portion of long term government loan	11,000,000	11,000,000

7. ACCRUED DIVIDEND DISTRIBUTION

The balance which appears in the accompanying 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 2019.

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 2019****(Saudi Riyals)****8. SALES PROVISIONS**

	31 March 2019 (Unaudited)	31 December 2018 (Audited)
Sales discount:		
Balance at beginning of the period / year	1,826,865	-
Additions during the period / year	2,499,245	14,670,590
Used during the period / year	(2,164,822)	(12,843,725)
Balance at end of the period / year	2,161,288	1,826,865
Sales return:		
Balance at beginning of the period / year	265,664	-
Additions during the period / year	530,949	2,539,721
Used during the period / year	(289,760)	(2,274,057)
Balance at end of the period / year	506,853	265,664
Total	2,668,141	2,092,529

9. SALES, NET

	31 March 2019 (Unaudited)	31 March 2018 (Unaudited)
Sales of pastry factory	13,375,062	13,361,909
Sales of vegetables factory	14,551,046	12,893,459
Sales of food and meat factory	1,320,145	1,388,428
Sales of Breakfast cereals factory	24,673	15,863
Total	29,270,926	27,659,659
Deduct: Sales discount	(2,499,245)	(3,405,286)
Deduct: Sales return	(530,949)	(241,658)
Net	26,240,732	24,012,715

10. PROFIT (LOSS) PER SHARE

Profit (loss) per share from net profit (loss) the main operating is calculated by dividing net main operating profit (loss) for the period by the weighted average number of shares during the period.

Profit (loss) per share on net profit (loss) is calculated by dividing the net profit (loss) for the period by the weighted average number of shares during the period.

	31 March 2019 (Unaudited)	31 March 2018 (Unaudited)
Net profit (loss) for the period	529,251	(1,021,444)
Profit (loss) per share - basic and diluted	0.03	(0.05)
Net profit (loss) from the main operation	820,299	(287,969)
Profit (Loss) per share - basic and diluted	0.04	(0.01)
Weighted average number of shares outstanding for basic & diluted EPS	20,000,000	20,000,000

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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.

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 2019

	Amount	Level 1	Level 2	Level 3
Investments determined by fair value through profit or loss	2,741,763	-	-	2,741,763
Investments determined by fair value through other comprehensive income	783,494	783,494	-	-

31 December 2018

Investments determined by fair value through profit or loss	2,741,763	-	-	2,741,763
Investments determined by fair value through other comprehensive income	672,771	672,771	-	-

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

Transfers between Levels 1 & 2

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

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11. FINANCIAL INSTRUMENTS (continued)

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, other assets, investments, creditors, accrued liabilities, government loan and other non-current liabilities.

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:

	Requested value as of	
	31 March 2019	31 December 2018
Accounts receivable, net	26,780,389	18,567,849
Cash at banks	3,449,359	3,995,090
Accrued revenue	21,090	57,997
Other assets	7,178,267	8,408,089
	37,429,105	31,029,025

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11. FINANCIAL INSTRUMENTS (continued)

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 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.

12. ADJUSTED LIABILITIES TO CAPITAL RATIO

	31 March 2019 (Unaudited)	31 December 2018 (Audited)
Liabilities at the end of the period / year	60,543,039	54,573,506
Less: Cash and cash equivalents	(3,469,724)	(4,014,122)
Net liabilities	57,073,315	50,559,384
Adjusted capital	102,161,403	101,521,429
	55.87%	49.80%

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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. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

There are no events after the reporting period requiring separate adjustment or disclosure in these interim condensed financial statements.

16. COMPARATIVE FIGURES

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

17. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements were approved by The Board of Directors on 2 Ramadan 1440H (May 07, 2019).