

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

CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2020
TOGETHER WITH REPORT ON REVIEW OF CONDENCED INTERIM
FINANCIAL STATEMENTS



Crowe

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

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

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**REPORT ON REVIEW OF
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 30 June 2020, and the related condensed interim statement of comprehensive income for the three and six month periods ended 30 June 2020, and the related condensed interim statements of changes in shareholders' equity and cash flows for the six-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:

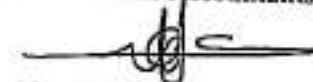
We conducted our review in accordance with International Standard on Review Engagements - 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of condensed interim financial statements consists of making inquiries, 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.



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


Abdullah M. Al Azem
License No. 335


1 Muharram 1442H (August 20, 2020)
Riyadh, Kingdom of Saudi Arabia

WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020
(Saudi Riyals)

	Note	30 June 2020 (Unaudited)	31 December 2019 (Audited)
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment's, net		98,758,019	102,474,709
Right of used Assets, net		2,947,541	2,892,570
Intangible Assets, net		985,358	1,076,314
Real estate investments, net		10,119,456	10,119,456
Investments at fair value through other comprehensive income		539,904	589,466
TOTAL NON CURRENT ASSETS		113,350,278	117,152,515
CURRENT ASSETS			
Accounts receivable, net		22,256,408	18,459,848
Inventory, net		29,978,980	17,006,659
Prepayments and other debit balances, net		8,323,950	8,942,822
Due From Related Party		760,638	760,638
Cash and cash equivalents		3,099,582	1,723,876
TOTAL CURRENT ASSETS		64,419,558	46,893,843
TOTAL ASSETS		177,769,836	164,046,358
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Capital	1	77,170,350	200,000,000
Fair value reserve		(715,795)	(666,233)
Retained earnings (Accumulated losses)		650,544	(122,829,659)
TOTAL SHAREHOLDERS' EQUITY		77,105,099	76,504,108
LIABILITIES			
NON CURRENT LIABILITIES			
Non-current portion of the loan guarantee provision - related party		5,400,440	5,850,477
Non-current portion of long term government loan	5	21,000,000	25,000,000
Non-current portion of lease obligations		2,787,801	2,530,244
Employees' defined benefits liabilities		7,352,408	7,257,245
TOTAL NON CURRENT LIABILITIES		36,540,649	40,637,966
CURRENT LIABILITIES			
Current portion of the loan guarantee provision - related party		1,800,150	2,212,913
Trading accounts payable		36,703,102	24,719,065
Current portion of lease obligations		304,699	351,023
Oversubscribed payable		3,258,720	3,258,720
Accrued expenses and other credit balances		5,845,847	4,853,776
Accrued dividend distribution	6	1,198,022	1,198,305
Current portion of long term government loan	5	7,000,000	3,000,000
Sales provisions	7	3,826,826	3,264,181
Zakat estimated provision		4,186,722	4,046,301
TOTAL CURRENT LIABILITIES		64,124,088	46,904,284
TOTAL LIABILITIES		100,664,737	87,542,250
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		177,769,836	164,046,358


Finance Manager


CEO


Authorized Member


The accompany from (1) to (16) are integrated part of these condensed interim financial statements

WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2020
(Saudi Riyals)

	Note	For the three period ended 30 June		For the six period ended 30 June	
		2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
Sales, net	8	17,124,335	24,041,114	39,190,799	50,281,846
Cost of sales		(11,836,254)	(16,663,379)	(25,649,522)	(35,426,060)
Gross operation income		5,288,081	7,377,735	13,541,277	14,855,786
General and administrative expenses		(1,891,606)	(2,876,251)	(4,256,323)	(5,521,668)
Selling and marketing expenses		(3,843,927)	(3,925,757)	(8,010,440)	(7,938,092)
Net (loss) income from the main operation		(447,452)	575,727	1,274,514	1,396,026
Provision for expected credit losses		(327,240)	-	(589,495)	-
Finance cost		(47,125)	(47,505)	(94,249)	(95,010)
Other income		456,088	16,163	659,783	22,620
Net (loss) income for the period before estimated zakat		(365,729)	544,385	1,250,553	1,323,636
Estimated zakat		(300,000)	(250,000)	(600,000)	(500,000)
Net (loss) income for the period		(665,729)	294,385	650,553	823,636
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 investments		101,232	(111,777)	(49,562)	(1,054)
Total other comprehensive (loss) income for the period		101,232	(111,777)	(49,562)	(1,054)
Total comprehensive (loss) income for the period		(564,497)	182,608	600,991	822,582
(Loss) Income per share:	9				
From net (loss) income from the main operation for the period		(0.06)	0.07	0.17	0.18
From net (loss) income for the period		(0.09)	0.04	0.08	0.11


Finance Manager


CEO


Authorized Member

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WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY

(A Saudi Joint Stock Company)

**CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020**

(Saudi Riyals)

	<i>Capital</i>	<i>Fair value reserve</i>	<i>(Accumulated losses) Retained earnings</i>	<i>Total</i>
Balance at 1 January 2019	200,000,000	(582,928)	(97,895,643)	101,521,429
Net profit for the period	-	-	823,636	823,636
Other comprehensive loss for the period	-	(1,054)	-	(1,054)
Balance at 30 June 2019 (Unaudited)	<u>200,000,000</u>	<u>(583,982)</u>	<u>(97,072,007)</u>	<u>102,344,011</u>
Balance at 1 January 2020	200,000,000	(666,233)	(122,829,659)	76,504,108
Net profit for the period	-	-	650,553	650,553
Other comprehensive loss for the period	-	(49,562)	-	(49,562)
Capital reduction by amortizing accumulated losses (Note 14b)	(122,829,650)	-	122,829,650	-
Balance at 30 June 2020 (Unaudited)	<u>77,170,350</u>	<u>(715,795)</u>	<u>650,544</u>	<u>77,105,099</u>


Finance Manager

CEO

Authorized Member

The accompanying from (1) to (16) are integrated part of these condensed interim financial statements

WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020
(Saudi Riyals)

	<i>30 June 2020</i> <i>(Unaudited)</i>	<i>30 June 2019</i> <i>(Unaudited)</i>
Cash Flows from operating Activities:		
Net profit for the period	650,553	823,636
Adjustments to:		
Depreciation for the period	4,540,418	4,801,954
Amortization for the period	90,956	-
Provision for expected credit losses	589,495	79,447
Bad debts during the period	(29,016)	(67,425)
Finance charges	94,249	95,010
Sales provisions	562,645	496,688
Zakat estimated for the period	600,000	500,000
Employees' end of service indemnities	414,076	666,084
Losses on disposal of property, plant and equipment	-	75
	7,513,376	7,395,469
Changes in:		
Accounts receivable	(4,357,039)	(5,927,280)
Inventory	(12,972,321)	(4,146,435)
Prepayments and other debit balances	618,872	(600,875)
Trading accounts payable	11,984,037	10,195,339
Accrued expenses and other credit balances	897,822	313,644
Cash from operation activities	3,684,747	7,229,862
Zakat estimated paid	(459,579)	(949,983)
Employees' defined benefits paid	(318,913)	(45,544)
Net cash provided by operating activities	2,906,255	6,234,335
Cash Flows from Investing Activities:		
Paid in purchase in property, plant and equipment	(621,141)	(2,083,886)
Net cash used in investing activities	(621,141)	(2,083,886)
Cash Flows from Financing Activities:		
lease obligations paid	(46,325)	-
loan guarantee provision - related party paid	(862,800)	-
Accrued dividends distribution	(283)	(780)
Net cash used in financing activities	(909,408)	(780)
Net change in cash and cash equivalent during the period	1,375,706	4,149,669
Cash and cash equivalents at beginning of the period	1,723,876	4,014,122
Cash and cash equivalents at end of the period	3,099,582	8,163,791
Non-cash transactions		
Capital reduction by amortizing accumulated losses	122,829,650	-
Net change fair value investments	(49,562)	(1,054)

Finance Manager

CEO

Authorized Member

The accompany from (1) to (16) are integrated part of these condensed interim financial statements

WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020
(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 SR 200 Millions comprising of 20 million shares at a par value of SR 10 per share. During the year 2020, the Company's capital was reduced by amortizing the accumulated losses to SR 77,170,350 from 7,717,035 shares, each valued at SR 10.

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

The accompanying condensed interim financial statements represents Company's accounts and 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 condensed interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization 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 2019 ("last annual financial statements"). They do not include all of the information required for a complete set of IFRS financial statements, however; accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

(b) Preparation of the condensed interim financial statements:

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

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

(c) Functional and presentation currency:

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

(d) Use of Judgments and Estimates

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied to these condensed interim financial statements are the same as those applied to the last year's financial statements as in the year ended December 31, 2019.

New standards and amendments to standards and interpretations

No new standards have been issued. However, a number of amendments to the standards are in effect as of January 1, 2020 and are shown below, but they have no material impact on the Company's condensed interim financial statements.

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

Amendments to IFRS 3 – definition of a business

This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

Amendments to IAS 1 and IAS 8 on the definition of material

These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:

- i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
- ii) clarify the explanation of the definition of material;
- iii) incorporate some of the guidance in IAS 1 about immaterial information.

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform

These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally, cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the condensed interim statement of Profit or Loss.

Amendments to IFRS 16: COVID-19-Related Rent Concessions

Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

- (a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) The reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) There is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

4. STATUTORY RESERVE

In accordance with the Saudi Arabian Companies Regulations and the Company's statute of, 10% of the annual net income is required to be transferred to a statutory reserve until this reserve equals 30% of the capital, this reserve is not available for distribution to shareholders.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020
(Saudi Riyals)

5. 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 amounted to SR 34,000,000. The loan is to be paid over a period of six-years and the semi-annual installments start from August 1, 2015, and during 2016, the loan was rescheduled, with the first installment due after the rescheduling on 2/1/2018. This amount was paid in SAR 1,000,000 during 2015, SAR 1,500,000 in 2016, and 3,500,000 Saudi riyals during 2018, bringing the total value of the loan as of December 31, 2019 the amount of 28,000,000 Saudi riyals. During 2019, the loan was rescheduled, with the first installment due after the rescheduling on 1/12/2020. The loan is secured by mortgaging the entire food plant to fully produce the meat and the food plant to completely freeze the vegetables in favor of the fund as collateral for the loan. The loan agreement contains pledges that include, among other things, to reduce future capital expenditures to maintain certain financial ratios. The long term loan movement represents as follow:

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Balance at beginning of the period / year	28,000,000	28,000,000
Paid during the period / year	-	-
Total long-term government loan	28,000,000	28,000,000
Current portion of long term government loan	(7,000,000)	(3,000,000)
Non-current portion of long term government loan	21,000,000	25,000,000

6. ACCRUED DIVIDEND DISTRIBUTION

The balance which appears in the accompanying condensed interim financial statements represents the remaining amounts decided in the common general assembly meeting, and dividends distribution for the previous years which are not received by the shareholders up to 30 June 2020.

7. SALES PROVISIONS

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
<u>Sales discount:</u>		
Balance at beginning of the period / year	2,176,375	1,826,865
Additions during the period / year	6,978,380	13,008,379
Used during the period / year	(6,062,437)	(12,658,869)
Balance at end of the period / year	3,092,298	2,176,375
<u>Sales return:</u>		
Balance at beginning of the period / year	1,087,806	265,664
Additions during the period / year	1,052,174	2,046,004
Used during the period / year	(1,405,452)	(1,223,862)
Balance at end of the period / year	734,528	1,087,806
Total	3,826,826	3,264,181

WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020****(Saudi Riyals)****8. SALES, NET**

	30 June 2020 (Unaudited)	30 June 2019 (Unaudited)
Sales of pastry factory	26,006,302	25,487,550
Sales of vegetables factory	13,209,910	29,318,237
Sales of food and meet factory	6,583,172	2,767,105
Sales of Breakfast cereals factory	1,421,969	49,422
Total	47,221,353	57,622,314
Deduct: Sales discount	(6,978,380)	(6,278,571)
Deduct: Sales return	(1,052,174)	(1,061,897)
Net	39,190,799	50,281,846

9. (LOSS) PROFIT PER SHARE

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

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

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

	For the three period ended As at		For the six period ended As at	
	30 June 2020 (Unaudited)	30 June 2019 (Unaudited)	30 June 2020 (Unaudited)	30 June 2019 (Unaudited)
Net income for the period	(665,729)	294,385	650,553	823,636
Income per share - basic and diluted	(0.09)	0.04	0.08	0.11
Net income from the main operation	(447,452)	575,727	1,274,514	1,396,026
Income per share - basic and diluted	(0.06)	0.07	0.17	0.18
Weighted average number of shares outstanding for basic & diluted EPS	7,717,035	7,717,035	7,717,035	7,717,035

The weighted average number of shares was reached by taking the effect of the capital decrease from the beginning of the earliest period offered to comply with the requirements of IAS 33.

10. 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.

WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020
(Saudi Riyals)**10. FINANCIAL INSTRUMENTS (continued)****Fair value levels**

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

30 June 2020

	<u>Amount</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments determined by fair value through other comprehensive income	<u>539,904</u>	<u>539,904</u>	<u>-</u>	<u>-</u>

31 December 2019

Investments determined by fair value through other comprehensive income	<u>589,466</u>	<u>589,466</u>	<u>-</u>	<u>-</u>
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Transfers between Levels 1 & 2

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

Risk management

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

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

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

Risk management framework

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

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

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

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

Financial instruments included in the statement of interim condensed financial position include mainly cash and cash equivalents, receivables, Due from related party, other assets, investments, creditors, accrued liabilities, government loan and other non-current liabilities.

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.

WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY**(A Saudi Joint Stock Company)****NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)****FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020****(Saudi Riyals)****10. FINANCIAL INSTRUMENTS (continued)****Credit risk (continued)**

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

	<u>Requested value as of</u>	
	<u>30 June 2020</u> <u>(Unaudited)</u>	<u>31 December 2019</u> <u>(Audited)</u>
Accounts receivable, net	22,256,408	18,459,848
Cash at banks	3,085,212	1,698,565
Accrued revenue	71,179	57,997
Other assets	7,264,921	8,417,471
	<u>32,677,720</u>	<u>28,633,881</u>

Liquidity risk

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

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

Market risk

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

The objective of market risk management is to control the Company's exposure to market risk within acceptable limits and to maximize returns.

Currency risk

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

Capital Management

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

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

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

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020
(Saudi Riyals)

11. ADJUSTED LIABILITIES TO CAPITAL RATIO

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Liabilities at the end of the period / year	64,124,088	46,904,284
Less: Cash and cash equivalents	(3,099,582)	(1,723,876)
Net liabilities	61,024,506	45,180,408
Adjusted capital	77,105,099	76,504,108
	79.14%	59.06%

12. 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.

13. INTERIM RESULTS

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

14. IMPORTANT EVENTS

a) In response to the spread of the Covid-19 virus around the world and the resulting disruption of social and economic activities in those markets, the company's management has proactively assessed its impact on its operations and has taken a series of preventive measures, including forming teams and ongoing crisis management processes, to ensure the health and safety of its employees. And its customers, consumers and society as a wider range as well as ensuring the continuity of supplying its products in all its markets. Whereas, the food industry in general has been exempt from the various bans and restrictions imposed by the various regulatory authorities including the exemption from curfew hours. Based on these factors, the company's management believes that the Covid-19 epidemic affected the company's sales that were reported for the period ending on 30 June 2020, with a decrease in net sales for the first half of the year 2020 by about 22% and a value of 11,091,047 SAR compared with the sales of the same period of the previous year, and the biggest impact on the sales of frozen potatoes, as the decrease in vegetables factory sales amounted to about 55% with a value of 16,108,327 SAR compared to the same period with the previous year, as a result of the significant slowdown in restaurant activity and so on. In its ruling and the suspension of the Umrah and Ziyarah seasons, as well as limiting the Hajj to a small number of domestic pilgrims due to the application of precautionary measures and preventive measures to limit the spread of the Covid 19 virus. On the other hand, sales of the rest of the other factories increased relatively, especially the products of meat and breakfast cereals manufacturers as a result of the expansion of private production. However, it did not compensate for the losses of the company's main product - frozen potatoes). As for the increase in the stock of frozen potatoes due to the lack of medicine during the first half of 2020, the management believes that there is no There are no concerns or negative impacts expected since the shelf life of frozen potato final product is up to 18 months under adequate storage conditions.

Whereas the effects of the pandemic began to partially recede starting from July 2020, after easing the precautionary measures and measures, the company expects a gradual improvement in sales during the third quarter of the year 2020, with hopes for a greater improvement during the fourth quarter of this year, and the return of normal conditions remains dependent on the end of the effects of the pandemic Krona, and then the return of the Umrah and the visit to its previous state.

b) The Extraordinary General Assembly in its meeting held on 15 Sha'ban 1441H corresponding to April 8, 2020 approved the recommendation of the Board of Directors to reduce the company's capital in exchange for amortizing the accumulated losses amounting to SAR 122,829,650 to become the capital after the reduction of SAR 77,170,350 with a percentage of 61.4% of the capital by cancelling 12,282,965 shares of the company.

15. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

In the opinion of the management, there have been no significant subsequent events since the period-end that require disclosure or adjustment in these Condensed Interim Financial Statements, except for what was mentioned in note No. (14-a) important events.

16. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

The condensed interim financial statements were approved by The Board of Directors on 1 Muharram 1442H (August 20, 2020).