

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

CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2020
TOGETHER WITH REPORT ON REVIEW OF CONDENSED
INTERIM FINANCIAL STATEMENTS



Crowe

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

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

CONDENSED INTERIM FINANCIAL STATEMENTS
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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 30 September 2020, and the related condensed interim statement of comprehensive income for the three and nine month periods ended 30 September 2020, and the related condensed interim statements of changes in shareholders' equity and cash flows for the nine-months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard (34) "Interim Financial Reporting" endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review:

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

Conclusion:

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

Emphasis of matter:

We draw attention to note (2-b) to the accompanying condensed interim financial statements, which indicates that the current liabilities of the Company exceeded its current assets amounting to SAR 696,469 as at 30 September 2020. These conditions or events to indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.



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



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

| | <i>Note</i> | <i>30 September 2020 (Unaudited)</i> | <i>31 December 2019 (Audited)</i> |
|---|-------------|--|---------------------------------------|
| ASSETS | | | |
| NON CURRENT ASSETS | | | |
| Property, plants and equipment's, net | | 97,384,016 | 102,474,709 |
| Right of used Assets, net | | 2,846,248 | 2,892,570 |
| Intangible Assets, net | | 939,880 | 1,076,314 |
| Real-estate investments, net | | 10,119,456 | 10,119,456 |
| Investments at fair value through other comprehensive income | | 618,992 | 589,466 |
| TOTAL NON CURRENT ASSETS | | 111,908,592 | 117,152,515 |
| CURRENT ASSETS | | | |
| Accounts receivable, net | | 25,849,056 | 18,459,848 |
| Inventory, net | | 26,653,274 | 17,006,659 |
| Prepayments and other debit balances, net | | 9,068,314 | 8,942,822 |
| Due from related party | | 816,136 | 760,638 |
| Cash and cash equivalents | | 2,635,340 | 1,723,876 |
| TOTAL CURRENT ASSETS | | 65,022,120 | 46,893,843 |
| TOTAL ASSETS | | 176,930,712 | 164,046,358 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | |
| SHAREHOLDERS' EQUITY | | | |
| Capital | 1 | 77,170,350 | 200,000,000 |
| Fair value reserve for investment | | (636,707) | (666,233) |
| Accumulated losses | | (2,083,084) | (122,829,659) |
| TOTAL SHAREHOLDERS' EQUITY | | 74,450,559 | 76,504,108 |
| LIABILITIES | | | |
| NON CURRENT LIABILITIES | | | |
| Non-current portion of the loan guarantee provision - related party | 6 | 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' benefits obligations | | 7,573,323 | 7,257,245 |
| TOTAL NON CURRENT LIABILITIES | | 36,761,564 | 40,637,966 |
| CURRENT LIABILITIES | | | |
| Current portion of the loan guarantee provision - related party | 6 | 1,800,150 | 2,212,913 |
| Trading accounts payables | | 36,773,405 | 24,719,065 |
| Current portion of lease obligations | | 110,867 | 351,023 |
| Oversubscribed payables | | 3,258,720 | 3,258,720 |
| Accrued expenses and other credit balances | | 8,495,310 | 4,853,776 |
| Current portion of long term government loan | 5 | 7,000,000 | 3,000,000 |
| Accrued dividend distribution | 7 | 1,194,937 | 1,198,305 |
| Sales provisions | 8 | 2,598,478 | 3,264,181 |
| Zakat estimated provision | | 4,486,722 | 4,046,301 |
| TOTAL CURRENT LIABILITIES | | 65,718,589 | 46,904,284 |
| TOTAL LIABILITIES | | 102,480,153 | 87,542,250 |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | | 176,930,712 | 164,046,358 |

Finance Manager

CEO

Authorized Member

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

WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY

(A Saudi Joint Stock Company)

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME**FOR THE THREE AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2020****(Saudi Riyal)**

| | Note | For the three period ended 30 September | | For the Nine period ended 30 September | |
|--|------|--|---------------------|---|---------------------|
| | | 2020 (Unaudited) | 2019 (Unaudited) | 2020 (Unaudited) | 2019 (Unaudited) |
| Sales, net | 9 | 22,957,821 | 21,269,031 | 62,148,620 | 71,550,877 |
| Cost of sales | | (18,699,622) | (16,807,274) | (44,349,144) | (52,233,334) |
| Gross operation income | | 4,258,199 | 4,461,757 | 17,799,476 | 19,317,543 |
| General and administrative expenses | | (2,206,593) | (2,545,424) | (6,462,916) | (8,067,092) |
| Selling and marketing expenses | | (4,803,950) | (3,704,725) | (12,814,390) | (11,642,817) |
| Net loss from the main operation | | (2,752,344) | (1,788,392) | (1,477,830) | (392,366) |
| Provision for expected credit losses | | (190,115) | - | (779,610) | - |
| Finance cost | | (47,124) | (47,505) | (141,373) | (142,515) |
| Other income | | 555,955 | 280,999 | 1,215,738 | 303,619 |
| Net loss of the period before estimated zakat | | (2,433,628) | (1,554,898) | (1,183,075) | (231,262) |
| Estimated zakat | | (300,000) | (250,000) | (900,000) | (750,000) |
| Net loss of the period | | (2,733,628) | (1,804,898) | (2,083,075) | (981,262) |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | | |
| FOR THE PERIOD: | | | | | |
| Other comprehensive income cannot be reclassified to profit or loss in subsequent periods: | | | | | |
| Net change in fair value reserve for investments | | 79,088 | (107,559) | 29,526 | (108,613) |
| Total other comprehensive income (loss) the period | | 79,088 | (107,559) | 29,526 | (108,613) |
| Total comprehensive loss of the period | | (2,654,540) | (1,912,457) | (2,053,549) | (1,089,875) |
| Loss per share: | 10 | | | | |
| From net loss from the main operation of the period | | (0.36) | (0.23) | (0.19) | (0.05) |
| From net loss for the period | | (0.35) | (0.23) | (0.27) | (0.13) |

Finance Manager

CEO

Authorized Member

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


WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY

(A Saudi Joint Stock Company)

CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020****(Saudi Riyal)**

| | <i>Capital</i> | <i>Fair value reserve for investment</i> | <i>Accumulated losses</i> | <i>Total</i> |
|---|--------------------|--|-------------------------------|--------------------|
| Balance at 1 January 2019 | 200,000,000 | (582,928) | (97,895,643) | 101,521,429 |
| Net loss of the period | - | - | (981,262) | (981,262) |
| Other comprehensive loss for the period | - | (108,613) | - | (108,613) |
| Balance at 30 September 2019 (Unaudited) | 200,000,000 | (691,541) | (98,876,905) | 100,431,554 |
| Balance at 1 January 2020 | 200,000,000 | (666,233) | (122,829,659) | 76,504,108 |
| Net loss of the period | - | - | (2,083,075) | (2,083,075) |
| Other comprehensive income for the period | - | 29,526 | - | 29,526 |
| Capital reduction by amortizing accumulated losses (Note 15b) | (122,829,650) | - | 122,829,650 | - |
| Balance at 30 September 2020 (Unaudited) | 77,170,350 | (636,707) | (2,083,084) | 74,450,559 |


Finance Manager

CEO

Authorized Member

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

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

| | 30 September 2020 (Unaudited) | 30 September 2019 (Unaudited) |
|---|----------------------------------|----------------------------------|
| <u>Cash Flows from operating Activities</u> | | |
| Net loss of the period | (2,083,075) | (981,262) |
| Adjustments to: | | |
| Depreciation of the period | 6,818,475 | 7,128,863 |
| Amortization of the period | 136,434 | - |
| Provision of expected credit losses | 779,610 | - |
| Refund of provision for expected credit losses | - | (201,035) |
| Bad debts during the period | (29,016) | (67,425) |
| Finance charges | 141,373 | 142,515 |
| Sales provisions | (665,703) | 110,228 |
| Zakat estimated for the period | 900,000 | 750,000 |
| Employees' benefits obligations | 765,508 | 837,844 |
| Profit on disposal of property, plants and equipment's | (192,145) | (69,322) |
| | 6,571,461 | 7,650,406 |
| <u>Changes in</u> | | |
| Accounts receivable | (8,139,802) | (4,877,832) |
| Inventory | (9,646,615) | (2,223,905) |
| Prepayments and other debit balances | (125,492) | (1,752,034) |
| Trading accounts payables | 12,054,340 | 6,904,291 |
| Accrued expenses and other credit balances | 3,500,161 | (1,616,232) |
| <u>Cash from operating activities</u> | 4,214,053 | 4,084,694 |
| Zakat estimated paid | (459,579) | (1,754,268) |
| Employees' benefits obligations paid | (449,430) | (257,520) |
| Net cash provided by operating activities | 3,305,044 | 2,072,906 |
| <u>Cash Flows from Investing Activities</u> | | |
| Paid in purchase in property, plant and equipments | (1,423,907) | (2,150,709) |
| Proceeds from sale of property, plant and equipments | 192,150 | 69,400 |
| Net cash used in investing activities | (1,231,757) | (2,081,309) |
| <u>Cash Flows from Financing Activities</u> | | |
| lease obligations paid | (240,157) | (37,611) |
| Due from related party | (55,498) | - |
| loan guarantee provision - related party paid | (862,800) | - |
| Accrued dividends distribution | (3,368) | (810) |
| Net cash used in financing activities | (1,161,823) | (38,421) |
| Net change in cash and cash equivalent during the period | 911,464 | (46,824) |
| Cash and cash equivalents at beginning of the period | 1,723,876 | 4,014,122 |
| Cash and cash equivalents at end of the period | 2,635,340 | 3,967,298 |
| <u>Non-cash transactions</u> | | |
| Capital reduction by amortizing accumulated losses | (122,829,650) | - |
| Net change fair value for investments | 29,526 | (108,613) |

Finance Manager

CEO

Authorized Member

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

WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020
(Saudi Riyal)

1. ACTIVITIES

Wafrah For Industry And Development Company is a Saudi Joint Stock Company registered according to the commercial registration No. 1010076996 issued in Riyadh dated 24/10/1410H (corresponding to 18/05/1990). The paid up capital of the Company is SR 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 products | 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 products | 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"). The condensed interim financial statements 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) Going concern

The current liabilities of the company as on 30 September 2020 exceeded its current assets by 696,469 Saudi riyal, which indicates the existence of a fundamental uncertainty, which may cast great doubt about the company's ability to remain as a going concern and the company may not be able to realize its assets and fulfil its obligations in the normal course of activity. The management conducted an assessment of the company's ability to continue as an existing entity, and concluded that the company has the necessary resources to continue operating in the foreseeable future for a period of not less than 12 months from the date of approval of the condensed interim financial statements. In addition, the management did not notice any material uncertainties that might cast doubt on the company's ability to continue as an existing entity, and accordingly, the condensed interim financial statements were prepared on the basis of going concern.

(c) 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 through OCI.
- The defined benefit obligation is recognized at the present value of future obligations using Projected Unit Credit Method.

(d) Functional and presentation currency

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

WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - (continued)
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020
(Saudi Riyal)

2. BASIS OF PREPARATION (continued)

(e) 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 "Leases" 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.

WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - (continued)**FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020****(Saudi Riyal)****4. STATUTORY RESERVE**

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

5. 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 September 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. LOAN GUARANTEE PROVISION - RELATED PARTY

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

The loan guarantee provision - related party movement represents as follow:

| | 30 September 2020 (Unaudited) | 31 December 2019 (Audited) |
|--|----------------------------------|-------------------------------|
| Balance at beginning of the period / year | 8,063,390 | - |
| Addition during the period / year | - | 8,063,390 |
| Paid during the period / year | (862,800) | - |
| Total loan guarantee provision - related party | 7,200,590 | 8,063,390 |
| Current portion of loan guarantee provision - related party | (1,800,150) | (2,212,913) |
| Non-current portion of loan guarantee provision - related party | 5,400,440 | 5,850,477 |

7. ACCRUED DIVIDEND DISTRIBUTION

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

WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - (continued)**FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020****(Saudi Riyal)****8. SALES PROVISIONS**

| | 30 September 2020 (Unaudited) | 31 December 2019 (Audited) |
|--|----------------------------------|-------------------------------|
| Sales discount: | | |
| Balance at beginning of the period / year | 2,176,375 | 1,826,865 |
| Additions during the period / year | 8,188,156 | 13,008,379 |
| Used during the period / year | (8,666,132) | (12,658,869) |
| Balance at end of the period / year | 1,698,399 | 2,176,375 |
| Sales return: | | |
| Balance at beginning of the period / year | 1,087,806 | 265,664 |
| Additions during the period / year | 1,578,260 | 2,046,004 |
| Used during the period / year | (1,765,987) | (1,223,862) |
| Balance at end of the period / year | 900,079 | 1,087,806 |
| Total | 2,598,478 | 3,264,181 |

9. SALES, NET

| | 30 September 2020 (Unaudited) | 30 September 2019 (Unaudited) |
|------------------------------------|----------------------------------|----------------------------------|
| Sales of pastry factory | 33,097,231 | 30,157,473 |
| Sales of vegetables factory | 23,562,433 | 47,196,436 |
| Sales of food and meet factory | 13,067,610 | 4,286,332 |
| Sales of Breakfast cereals factory | 2,187,762 | 128,670 |
| Total | 71,915,036 | 81,768,911 |
| Deduct: Sales discount | (8,188,156) | (8,625,188) |
| Deduct: Sales return | (1,578,260) | (1,592,846) |
| Net | 62,148,620 | 71,550,877 |

10. LOSS PER SHARE

Loss per share from net loss the main operating is calculated by dividing net loss from the main operation by the weighted average number of shares during the period.

Loss per share on net loss is calculated by dividing the net loss of the period by the weighted average number of shares during the period.

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

| | For the three period ended As at | | For the Nine period ended As at | |
|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | 30 September 2020 (Unaudited) | 30 September 2019 (Unaudited) | 30 September 2020 (Unaudited) | 30 September 2019 (Unaudited) |
| Net loss from the main operation | (2,752,344) | (1,788,392) | (1,477,830) | (392,366) |
| Loss per share - basic and diluted | (0.36) | (0.23) | (0.19) | (0.05) |
| Net loss for the period | (2,733,628) | (1,804,898) | (2,083,075) | (981,262) |
| Income per share - basic and diluted | (0.35) | (0.23) | (0.27) | (0.13) |
| 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 "Earnings Per Share".

WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS - (continued)
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020
(Saudi Riyal)

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:

| 30 September 2020 | Amount | Level 1 | Level 2 | Level 3 |
|---|---------------|----------------|----------------|----------------|
| Investments determined by fair value through other comprehensive income | 618,992 | 618,992 | - | - |
| 31 December 2019 | | | | |
| Investments determined by fair value through other comprehensive income | 589,466 | 589,466 | - | - |

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.

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11. FINANCIAL INSTRUMENTS (continued)

Risk management (continued)

Risk management framework (continued)

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, trading accounts payables, accrued expenses, 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 condensed interim financial position date was as follows:

| | Requested value as of | |
|--------------------------|------------------------------|-------------------------|
| | 30 September 2020 | 31 December 2019 |
| | (Unaudited) | (Audited) |
| Accounts receivable, net | 25,849,056 | 18,459,848 |
| Cash at banks | 2,622,727 | 1,698,565 |
| Accrued revenue | 52,725 | 57,997 |
| Other assets | 8,471,168 | 8,417,471 |
| | 36,995,676 | 28,633,881 |

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.

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.

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11. FINANCIAL INSTRUMENTS (continued)

Risk management (continued)

Capital Management

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

| | 30 September 2020 (Unaudited) | 31 December 2019 (Audited) |
|---|----------------------------------|-------------------------------|
| Liabilities at the end of the period / year | 65,718,589 | 46,904,284 |
| Less: Cash and cash equivalents | (2,635,340) | (1,723,876) |
| Net liabilities | 63,083,249 | 45,180,408 |
| Adjusted capital | 74,450,559 | 76,504,108 |
| | 84.73% | 59.06% |

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

15. 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 ended on 30 September 2020, with a decrease in net sales for the nine months of the year 2020 by about 13% and a value of SAR 9,402,257 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 50% with a value of SAR 23,634,003 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 nine months 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.

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15. IMPORTANT EVENTS (continued)

Whereas the effects of the pandemic began to partially recede, after easing the precautionary measures and measures, the company expects a gradual improvement in sales during the fourth quarter of the year 2020, with hopes for a greater improvement during the first quarter of 2021, 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.

16. 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. (15-a) important events.

17. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

The condensed interim financial statements were approved by The Board of Directors on 22 Rabi Al-Awal 1442H (November 8, 2020).