

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

CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020
TOGETHER WITH REPORT ON REVIEW OF CONDENCED INTERIM
FINANCIAL STATEMENTS

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

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

Introduction:

We have reviewed the accompanying condensed interim statement of financial position of **WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY (the "Company")** as at 31 March 2020, 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 accumulated losses reached 60.76% of the Company's capital as at 31 March 2020. At the Company's Extraordinary General Assembly Meeting held on April 8, 2020, the Shareholders approved the recommendation of the Board of Directors to reduce the Company's capital by absorbing the accumulated losses of the Company. Our opinion is not modified in respect of this matter.



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

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

18 Shawal 1441H (June 10, 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 31 MARCH 2020
(Saudi Riyals)

	<i>Note</i>	<i>31 March 2020 (Unaudited)</i>	<i>31 December 2019(Audited)</i>
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment's, net		100,377,657	102,474,709
Right of used Assets, net		3,048,834	2,892,570
Intangible Assets, net		1,030,836	1,076,314
Real estate investments, net		10,119,456	10,119,456
Investments at fair value through other comprehensive income		438,672	589,466
TOTAL NON CURRENT ASSETS		115,015,455	117,152,515
CURRENT ASSETS			
Accounts receivable, net		19,471,756	18,459,848
Inventory, net		23,466,062	17,006,659
Prepayments and other debit balances, net		9,509,818	8,942,822
Due From Related Party		760,638	760,638
Cash and cash equivalents		2,467,112	1,723,876
TOTAL CURRENT ASSETS		55,675,386	46,893,843
TOTAL ASSETS		170,690,841	164,046,358
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Capital	1	200,000,000	200,000,000
Fair value reserve		(817,027)	(666,233)
Accumulated losses	3	(121,513,377)	(122,829,659)
TOTAL SHAREHOLDERS' EQUITY		77,669,596	76,504,108
LIABILITIES			
NON CURRENT LIABILITES			
Non-current portion of the loan guarantee provision - related party		5,850,477	5,850,477
Non-current portion of long term government loan	6	25,000,000	25,000,000
Non-current portion of lease obligations		2,787,801	2,530,244
Employees' defined benefits liabilities		7,420,486	7,257,245
TOTAL NON CURRENT LIABILITIES		41,058,764	40,637,966
CURRENT LIABILITIES			
Current portion of the loan guarantee provision - related party		1,350,113	2,212,913
Trading accounts payable		32,826,655	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		3,593,142	4,853,776
Accrued dividend distribution	7	1,198,180	1,198,305
Current portion of long term government loan	6	3,000,000	3,000,000
Sales provisions	8	2,544,250	3,264,181
Zakat estimated provision		3,886,722	4,046,301
TOTAL CURRENT LIABILITIES		51,962,481	46,904,284
TOTAL LIABILITIES		93,021,245	87,542,250
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		170,690,841	164,046,358

Finance Manager

CEO

Authorized Member

The accompany from (1) to (17) are integrated part of thesecondensedinterim financial statements

WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020
(Saudi Riyals)

	<i>Note</i>	<i>31 March 2020</i> <i>(Unaudited)</i>	<i>31 March 2019</i> <i>(Unaudited)</i>
Sales, net	9	22,066,464	26,240,732
Cost of sales		<u>(13,813,268)</u>	<u>(18,762,681)</u>
Gross operating income		8,253,196	7,478,051
General and administrative expenses		(2,364,717)	(2,645,417)
Selling and marketing expenses		(4,166,513)	(4,012,335)
Net profit from the main operations		1,721,966	820,299
Provision for expected credit losses		(262,255)	-
Finance cost		(47,124)	(47,505)
Other revenue		203,695	6,457
Net profit for the period before Zakat estimated		1,616,282	779,251
Zakat estimate		(300,000)	(250,000)
Net profit for the period		1,316,282	529,251
OTHER COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD:			
Other comprehensive income cannot be reclassified to profit or loss in subsequent periods:			
Net change in fair value reserve		(150,794)	110,723
Total other comprehensive (loss) income for the period		(150,794)	110,723
Net comprehensive income for the period		1,165,488	639,974
Profit per share:	10		
From net profit from the main operation		0,09	0,04
From net profit for the period		0,07	0,03

Finance Manager

CEO

Authorized Member

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WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY

(A Saudi Joint Stock Company)

**CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020**

(Saudi Riyals)

	<i>Capital</i>	<i>Fair value reserve</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 profit for the period	-	-	529,251	529,251
Other comprehensive income for the period	-	110,723	-	110,723
Balance at 31 March 2019 (Unaudited)	200,000,000	(472,205)	(97,366,392)	102,161,403
Balance at 1 January 2020	200,000,000	(666,233)	(122,829,659)	76,504,108
Net profit for the period	-	-	1,316,282	1,316,282
Other comprehensive income for the period	-	(150,794)	-	(150,794)
Balance at 31 March 2020 (Unaudited)	200,000,000	(817,027)	(121,513,377)	77,669,596


Finance Manager
CEO
Authorized Member

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

WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020
(Saudi Riyals)

	<u>31 March 2020</u> <i>(Unaudited)</i>	<u>31 March 2019</u> <i>(Unaudited)</i>
Cash Flows from operating Activities:		
Net profit for the period	1,316,282	529,251
Adjustments to:		
Depreciation for the period	2,267,946	2,450,240
Amortization for the period	45,478	-
Provision for expected credit losses	262,255	-
Bad debts during the period	-	(33,514)
Sales provisions	(719,931)	575,612
Zakat estimated for the period	300,000	250,000
Employees' end of service indemnities	185,068	419,511
Losses on disposal of property, plant and equipments	-	75
	<u>3,657,098</u>	<u>4,191,175</u>
Changes in:		
Accounts receivable	(1,274,163)	(8,179,026)
Inventory	(6,459,403)	(226,450)
Prepayments and other debit balances	(566,996)	777,055
Trading accounts payable	8,107,590	4,911,418
Accrued expenses and other credit balances	(1,260,634)	(48,055)
Cash from operation activities	<u>2,203,492</u>	<u>1,426,117</u>
Zakat estimated paid	(459,579)	-
Employees' defined benefits paid	(21,827)	(30,024)
Net cash provided by operating activities	<u>1,722,086</u>	<u>1,396,093</u>
Cash Flows from Investing Activities:		
Paid in purchase in property, plant and equipments	(69,600)	(1,940,321)
Net cash used in investing activities	<u>(69,600)</u>	<u>(1,940,321)</u>
Cash Flows from Financing Activities:		
lease obligations paid	(46,325)	-
loan guarantee provision - related party paid	(862,800)	-
Accrued dividends distribution	(125)	(170)
Net cash used in financing activities	<u>(909,250)</u>	<u>(170)</u>
Net change in cash and cash equivalent during the period	<u>743,236</u>	<u>(544,398)</u>
Cash and cash equivalents at beginning of the period	1,723,876	4,014,122
Cash and cash equivalents at end of the period	<u>2,467,112</u>	<u>3,469,724</u>
Non-cash transactions		
Net change fair value investments	(150,794)	110,723

Finance Manager

CEO

Authorized Member

The accompany from (1) to (17) are integrated part of thesecondensedinterim 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 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.

The principal activities of the Company are benefiting from the seasonal surplus of agricultural crops, especially perishable crops, and presenting them to the consumer after processing them and subjecting them to varying degrees of agricultural industrialization services, production and marketing of foodstuffs, investment of land and real estate, maintenance of them for the company, operation and ownership of industrial projects and their establishment.

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

The Commercial Register of number and value of the shares has not been adjusted in accordance with the above disclosure.

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 interim condensed financial statements:

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

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

(c) Functional and presentation currency:

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

(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.

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 2020

(Saudi Riyals)

3. ACCUMULATED LOSSES AND THE PRINCIPLE OF GOING CONCERN

The accumulated losses percentage 60.76% of the Company's capital as of 31 March 2020. This is an indicator of the company's inability to continue.

The Board of Directors decided in its meeting held on 24/07/1441H corresponding to 19/03/2020 to reduce the company's capital in exchange for amortizing the accumulated losses of the company amounting to SAR 122,829,650, which represents 61.4% of the capital, and accordingly these financial statements were prepared on the basis of Continuity.

At the Company's Extraordinary General Assembly Meeting held on 15 Sha'ban 1441H corresponding to April 8, 2020, the Shareholders approved the recommendation of the Board of Directors to reduce the Company's capital by absorbing the accumulated losses of the Company.

4. 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.

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 2020

(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.

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 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:

	31 March 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	(3,000,000)	(3,000,000)
Non-current portion of long term government loan	25,000,000	25,000,000

7. ACCRUED DIVIDEND DISTRIBUTION

The balance which appears in the accompanying condensed interim financial statements represents the remaining amounts decided in the common general assembly meeting, and dividends distribution for the previous years which are not received by the shareholders up to 31 March 2020.

8. SALES PROVISIONS

	31 March 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	3,134,272	13,008,379
Used during the period / year	(3,129,738)	(12,658,869)
Balance at end of the period / year	2,180,909	2,176,375
<u>Sales return:</u>		
Balance at beginning of the period / year	1,087,806	265,664
Additions during the period / year	526,087	2,046,004
Used during the period / year	(1,250,552)	(1,223,862)
Balance at end of the period / year	363,341	1,087,806
Total	2,544,250	3,264,181

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 2020

(Saudi Riyals)

9. SALES, NET

	31 March 2020 (Unaudited)	31 March 2019 (Unaudited)
Sales of pastry factory	14,086,609	13,375,062
Sales of vegetables factory	8,433,003	14,551,046
Sales of food and meet factory	2,361,938	1,320,145
Sales of Breakfast cereals factory	845,273	24,673
Total	25,726,823	29,270,926
Deduct: Sales discount	(3,134,272)	(2,499,245)
Deduct: Sales return	(526,087)	(530,949)
Net	22,066,464	26,240,732

10. PROFIT PER SHARE

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

Profit per share on net profit is calculated by dividing the net 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 profit per share computations

	31 March 2020 (Unaudited)	31 March 2019 (Unaudited)
Net profit for the period	1,316,282	529,251
Profit per share - basic and diluted	0.07	0.03
Net profit from the main operation	1,721,966	820,299
Profit per share - basic and diluted	0.09	0.04
Weighted average number of shares outstanding for basic & diluted EPS	20,000,000	20,000,000

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.

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 2020

(Saudi Riyals)

11. FINANCIAL INSTRUMENTS (continued)

Fair value levels

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

31 March 2020	Amount	Level 1	Level 2	Level 3
Investments determined by fair value through other comprehensive income	438,672	438,672	-	-
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.

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 THREE MONTH PERIOD ENDED 31 MARCH 2020

(Saudi Riyals)

11. 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 interim condensed financial position date was as follows:

	Requested value as of	
	31 March 2020 (Unaudited)	31 December 2019 (Audited)
Accounts receivable, net	19,471,756	18,459,848
Cash at banks	2,380,570	1,698,565
Accrued revenue	57,997	57,997
Other assets	7,905,607	8,417,471
	<u>29,815,930</u>	<u>28,633,811</u>

Liquidity risk

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

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

Market risk

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

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

Currency risk

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

Capital Management:

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

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

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

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

WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020

(Saudi Riyals)

12. ADJUSTED LIABILITIES TO CAPITAL RATIO

	31 March 2020 (Unaudited)	31 December 2019 (Audited)
Liabilities at the end of the period / year	51,962,481	46,904,284
Less: Cash and cash equivalents	(2,467,112)	(1,723,876)
Net liabilities	49,495,369	45,180,408
Adjusted capital	77,669,596	76,504,108
	63.73%	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 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. IMPORTANT EVENTS

In response to the spread of 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 the formation of ongoing crisis management teams and operations, to ensure the health and safety of its employees Its customers, consumers and society as a broader range as well as ensuring the continued supply of its products in all of its markets. Whereas, the food industry in general has been excluded from the various bans and restrictions imposed by the various regulatory authorities, including the exemption from curfew hours. Based on these factors, the company's management believes that the Covid 19 epidemic did not have a material impact on the financial results of the company that were reported for the period ending March 31, 2020 except for the decrease in frozen potato sales for the first quarter of 2020 due to the closure of restaurants during the month of March 2020 due to the pandemic The matter that led to a decrease in demand by 20% compared to the same period in 2019. As for concerns about the increase in the stock of frozen potatoes resulting from the lack of medicine during the first quarter of 2020, the administration considers that there are no fears or any expected negative effects, given that the shelf life is The final product Frozen potatoes up to 18 months in a suitable storage conditions. However, the company will continue to follow developments in this regard and will reflect any required changes in future financial reporting periods.

16. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

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.

The management believes that there are no significant subsequent events since the end of the period that may affect the financial position of the company, except for what has been mentioned.

17. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements were approved by The Board of Directors on 18 Shawal 1441H (June 10, 2020).