

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

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
INDEPENDENT AUDITOR'S REPORT



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)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Qualified opinion:

We have audited the financial statements of **WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY - A Saudi Joint Stock Company - (the "Company")**, which comprise the statement of financial position as at 31 December 2020, the statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Qualified Opinion:

We were not able to obtain sufficient conviction regarding to the validity of the principles and assumptions used in the valuation of the valuation of Property, plant and equipment as of December 31, 2020, whose book value is SAR 95,540,216. Also, through the alternative procedures, we were not able to obtain about the impairment of property, plant and equipment as of December 31, 2020, and as a result we were unable to determine whether it is necessary to make any adjustments related to the balance of property, plant and equipment in the statement of financial position, and the items of statements of comprehensive income, changes in shareholder's equity and cash flows.

We conducted our audit in accordance with International Standards on Auditing ("ISAs") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going Concern:

We draw attention to note (2-d) to the financial statements, which indicates that the company incurred a loss of approximately SAR 12.4 and 25.4 million for the year ended December 31, 2020 and 2019, respectively. In addition to the Company's current liabilities as on December 31, 2020 exceeding its current assets by SAR 15,836,730. These conditions or events 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 these matters.

Audit, Tax & consultants



INDEPENDENT AUDITOR'S REPORT (Continued)
WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

Key Audit Matters:

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section and Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report

Revenue Refer to notes (3-16) for the accounting policy and note (23) for related disclosures.	
Key audit matter	How the matter was addressed in our audit
<p>The revenue mainly composed of revenue from sales of food products of pasta, potatoes and meats.</p> <p>Revenue recognition is considered a key audit matter, as revenues are considered one of the significance indicators for measuring the company's performance, and it follows that there are inherent risks by proving revenues at more than their actual value.</p>	<p>We performed the following procedures relation to revenue:</p> <ul style="list-style-type: none">• Evaluating the appropriateness of the company's accounting policies related to revenue recognition, as well as evaluating compliance of these policies with accounting standards.• Evaluating the design, implementation and testing of the efficiency of the company's control procedures including anti-fraud control procedures to establish revenue in accordance with company policy.• Obtained an understanding of the nature of revenue contracts used by the Company for each significant revenue stream, tested a sample of representative sales contracts to confirm our understanding and assess whether or not management's application of IFRS 15 requirements was in accordance with the accounting standard;• Tested relevant processes and controls established by management to ensure appropriate recognition of revenue; <p>We also reviewed the adequacy of the Company's disclosures included in the accompanying financial statements.</p>

INDEPENDENT AUDITOR'S REPORT (Continued)
WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

Key Audit Matters (continued):

Financial instruments	
Refer to notes (3-8, 3-18) for the accounting policy and notes (11) for related disclosures.	
Key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2020 carrying value of trade receivables amounted to SAR 30 million (31 December 2019: SAR 26.7 million) and the provision for expected credit losses of trading account receivables amounted to SAR 9.4 million (31 December 2019: SAR 8.3 million).</p> <p>The Company assesses at each reporting date whether the financial assets carried at amortized cost are credit-impaired. The Company's management has applied a simplified expected credit loss ("ECL") model to determine the allowance for impairment of account receivables. The ECL model involves the use of various assumptions, macros-economic factors and study of historical trends relating to the Company's account receivables collections experience.</p> <p>We considered this a key audit matter due to the judgements and estimates involved in the application of the expected credit loss model.</p>	<p>We performed the following procedures in relation to Financial instruments:</p> <ul style="list-style-type: none"> • Compared the ECL model developed by management to that required by IFRS 9 and reviewed the reasonableness of the methodology in comparison to accepted best practice. We also account the arithmetical accuracy of the model; • Tested key assumptions such as those used to calculate the likelihood of default and the subsequent loss on default, by comparing to historical data. We also considered the incorporation of forward looking factors (predominantly economic) to reflect the impact of future events on expected credit losses; • We compared the company's provision policy and the expected credit loss methodology with the requirements set out in IFRS 9. • Understand and evaluate the design and effectiveness of the internal control controls that the company applies to the trading accounts receivables cycle. <p>We also reviewed the adequacy of the Company's disclosures included in the accompanying financial statements.</p>

INDEPENDENT AUDITOR'S REPORT (Continued)
WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

Other Information:

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report and conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements:

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, Regulations for Companies and Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT (Continued)
WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued):

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

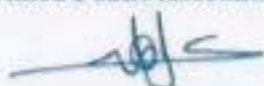
INDEPENDENT AUDITOR'S REPORT (Continued)
WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

Report on Other Legal and Regulatory Requirements:

Paragraph (135) of the Companies Law requires the auditor to include in his report any violations of the Regulations for Companies and Company's By-laws. During our audit of the financial statements, we did not find that the Company is in violations of the Companies Regulations and the Company's Articles of Association.



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



Abdullah M. Al Azem
License No. 335

16 Shaban 1442H (29 March 2021)
Riyadh, Kingdom of Saudi Arabia

WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2020
(Saudi Riyals)

		31 December 2019 (Restated)
	Note	31 December 2020
ASSETS		
NON CURRENT ASSETS		
Property, plant and equipment's, net	5	95,540,216
Right of used Assets, net	6	2,744,955
Intangible Assets, net	7	894,402
Real estate investments, net	9	10,452,824
Investments at fair value through other comprehensive income	10	673,826
TOTAL NON CURRENT ASSETS		110,306,223
CURRENT ASSETS		
Accounts receivable, net	11	20,630,795
Inventory, net	12	21,248,791
Prepayments and other debit balances, net	13	6,019,977
Due From Related Parties	14	725,576
Cash and cash equivalents	15	2,391,880
TOTAL CURRENT ASSETS		51,017,019
TOTAL ASSETS		161,323,242
SHAREHOLDERS' EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Capital	1	77,170,350
Fair value reserve	10	(581,873)
Accumulated losses		(14,243,531)
TOTAL SHAREHOLDERS' EQUITY		62,344,946
LIABILITIES		
NON CURRENT LIABILITIES		
Non-current portion of the loan guarantee provision - related party	8-e	4,950,407
Non-current portion of long term government loan	17	16,000,000
Non-current portion of lease obligations	6	2,416,127
Employees' defined benefits liabilities	18	8,758,013
TOTAL NON CURRENT LIABILITIES		32,124,547
CURRENT LIABILITIES		
Current portion of the loan guarantee provision - related party	8-e	2,250,183
Trading accounts payable		34,726,057
Current portion of lease obligations	6	419,348
Oversubscribed payable		3,258,720
Accrued expenses and other credit balances	19	4,927,639
Accrued dividend distribution	21	1,194,822
Current portion of long term government loan	17	12,000,000
Sales provisions	20	1,684,706
Zakat estimated provision	22	6,392,274
TOTAL CURRENT LIABILITIES		66,853,749
TOTAL LIABILITIES		98,978,296
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		161,323,242

Finance Manager

CEO

Authorized Member

The accompanying notes are integrated part of these financial statements.

WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020
(Saudi Riyals)

	<i>Note</i>	<i>2020</i>	<i>2019 (Restated)</i>
Sales, net	23	83,777,853	82,816,966
Cost of sales		(64,363,423)	(66,058,166)
Gross profit of operating income		19,414,430	16,758,800
Administrative and general expenses	24	(9,145,073)	(9,951,177)
Selling and distributing expenses	25	(16,763,934)	(17,289,675)
Net loss from the main operation		(6,494,577)	(10,482,052)
Provision for loan guarantee in an associate	8-E	-	(8,063,390)
Fair value losses from investments at fair value through profit or loss	8-D	-	(4,354,480)
Impairment gains / (losses) in the value of real estate investment	9-1	333,368	(1,008,252)
Provision for expected credit losses	11, 13	(1,326,059)	(1,175,915)
Provision for impairment of inventory value	12	(606,477)	-
Provision for slow moving items	12	(1,426,484)	(927,060)
Finance charges	17-1	(630,000)	(300,000)
Finance cost	6	(188,497)	(190,020)
Other revenue	26	1,482,535	2,420,198
Net loss for the year before Zakat estimated		(8,856,191)	(24,080,971)
Zakat estimate	22	(3,522,897)	(1,288,762)
Net loss for the year		(12,379,088)	(25,369,733)
OTHER COMPREHENSIVE INCOME:			
Items that cannot be reclassified to profit or loss in subsequent periods:			
Net change in fair value investments	10	84,360	(83,305)
Actuarial losses defined benefits liabilities	18	(1,056,317)	(372,400)
Total other comprehensive loss for the year		(971,957)	(455,705)
Net comprehensive loss for the year		(13,351,045)	(25,825,438)
Loss per share:			
From net loss from the main operation	27	(0.84)	(1.36)
From net loss for the year		(1.60)	(3.29)

Finance Manager

CEO

Authorized Member

The accompany notes are integrated part of these financial statements.

WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 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 loss for the year	-	-	(25,369,733)	(25,369,733)
Other comprehensive loss	-	(83,305)	(372,400)	(455,705)
Balance at 31 December 2019 (Restated)	200,000,000	(666,233)	(123,637,776)	75,695,991
Balance at 1 January 2020	200,000,000	(666,233)	(123,637,776)	75,695,991
Net loss for the year	-	-	(12,379,088)	(12,379,088)
Other comprehensive loss	-	84,360	(1,056,317)	(971,957)
Capital reduction by amortizing accumulated losses (Note 34b)	(122,829,650)	-	122,829,650	-
Balance at 31 December 2020	77,170,350	(581,873)	(14,243,531)	62,344,946


Finance Manager


CEO


Authorized Member

The accompany notes are integrated part of these financial statements

WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Saudi Riyals)

	2020	2019 (Restated)
Cash flows from operating activities:		
Net loss for the year	(12,379,088)	(25,369,733)
Adjustments to:		
Depreciation	9,112,126	9,392,614
Amortizations	181,912	136,434
Zakat estimated during the year	793,951	1,288,762
Zakat estimated during the year for previous years	2,728,946	-
Provision for employees' defined benefits liabilities	893,278	891,019
Provision for expected credit losses	1,326,059	1,175,915
Bad debts during the year	(52,016)	(67,425)
Sales provisions	(1,579,475)	1,171,652
Loan guarantee provision - related party	(862,800)	8,063,390
Provision for slow moving items	1,426,484	927,060
Damage from provision for slow moving inventory	(130,575)	-
Provision for impairment of inventory value	606,477	-
Fair value losses from investments at fair value through profit or loss	-	4,354,480
Impairment gains / (losses) in the value of real estate investment	(333,368)	1,008,252
Gains from owning investments	-	(1,612,717)
Profit on sale of property, plant and equipment	(192,145)	(70,711)
	<u>1,539,766</u>	<u>1,288,992</u>
Changes in:		
Accounts receivable	(3,325,105)	(359,973)
Inventory	(6,144,518)	(669,137)
Prepayments and other debit balances	2,802,960	(97,746)
Trading accounts payable	10,006,992	2,676,162
Accrued expenses and other credit balances	(734,254)	1,653,097
Cash from operations	<u>4,145,841</u>	<u>4,491,395</u>
Zakat paid during the year	(1,176,924)	(2,213,869)
Employees' defined benefits liabilities paid	(448,827)	(433,414)
Net cash provided by operating activities	<u>2,520,090</u>	<u>1,844,112</u>
Cash flows from investing activities:		
Paid in purchase property, plant and equipment's	(1,772,465)	(2,403,591)
Paid in purchase Intangible assets	-	(1,212,748)
Proceeds from sale of property, plant and equipment's	192,150	138,004
Net cash used in investing activities	<u>(1,580,315)</u>	<u>(3,478,335)</u>
Cash flows from financing activities:		
Due from related parties	35,062	(431,401)
lease obligations paid	(303,350)	(223,777)
Accrued dividend distribution	(3,483)	(845)
Net cash used in financing activities	<u>(271,771)</u>	<u>(656,023)</u>
Net change in cash and cash equivalents	<u>668,004</u>	<u>(2,290,246)</u>
Cash and cash equivalents at beginning of the year	1,723,876	4,014,122
Cash and cash equivalents at end of the year	<u>2,391,880</u>	<u>1,723,876</u>
Non-cash item:		
Net change fair value investments	84,360	(83,305)
Capital reduction by amortizing accumulated losses	<u>122,829,650</u>	<u>-</u>

Finance Manager

CEO

Authorized Member

The accompany notes are integrated part of these financial statements

WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Saudi Riyals)

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 financial statements represents Company's financial statement and the those of its branch's which are as follows:

<u>Branch Name</u>	<u>Commercial registration No.</u>	<u>Activity</u>
Wafrah for Industry and Development CO. – Jeddah	4030108227	Marketing of the company's products
Wafrah for Industry and Development CO. – Dammam	2050028895	wholesale of food and beverages
Wafrah for Industry and Development CO. – Khamis Mushait	5855339110	Marketing of the company's products
Wafrah factory for pasta and noodles	1010320947	Macaroni industry of all kinds
Branch of Wafrah for Industry and Development	1011016029	Feed production
Wafrah food factory	1010320946	Foods industry from the grain
Wafrah factory for grain products	1010320952	Foods industry from the grain
Wafrah food factory	1010320955	Chilled and frozen meat production
Wafrah factory for freezing vegetables	1010320956	Pickles and industry
Branch of Wafrah for Industry and Development	1011016028	Dates drying and packing and manufacture of their products

2. BASIS OF PREPARATION

(a) Applicable accounting standards :

These Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA")

(b) basis of prepare financial statements:

The financial statements have been prepared on the historical cost basis except for certain financial assets that are measured at fair value through OCI and certain financial assets at fair value measured through OCI at fair value and financial assets and liabilities accounted at amortized cost.

(c) Functional and presentation currency:

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

(d) Going concern:

The company incurred a loss of approximately SAR 12.4 million and approximately SAR 25.4 million for the two years ended December 31, 2020 and 2019 respectively, in addition to the company's current liabilities as on December 31, 2020 exceeding its current assets by SAR 15,836,730, which indicates Due to the existence of fundamental uncertainty, it may cast great doubt about the company's ability to survive 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 these financial statements. The company's management seeks to improve the financial conditions by increasing sales and reducing expenses in order to reduce the cost of production to enhance the competitiveness of the company's products and the management intends to benefit from the initiatives launched by the Saudi Industrial Development Fund through a request to reschedule the balance of the existing loan, which will affect the balance of current liabilities, , and accordingly, these financial statements were prepared on the basis of going concern.

WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2020
(Saudi Riyals)

3. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the most important accounting policies followed by the company:

3-1 New standards, interpretations, and amendments adopted by the Company

There are no new standards that have been issued, however, a number of amendments to the standards are effective from January 1, 2020 and are shown below, but they do not have a material impact on the financial statements of the company.

The following is an outline of the new standards and amendments to the applicable standards for years beginning on or after January 1, 2020:

Amendments to the International Financial Reporting Standard No. (3) - Definition of Business Activity

This amendment reviews the definition of a business. According to the responses received by the International Accounting Standards Board, the application of the current directive is believed to be very complex, and lead to too many transactions that qualify to form a business combination.

Amendments to International Accounting Standard No. (1) And International Accounting Standard No. (8) Regarding the definition of material

These amendments to International Accounting Standard No. (1) "Presentation of Financial Statements", and International Accounting Standard No. (8), "Accounting Policies and Changes in Estimates and Accounting Errors" and subsequent amendments to other International Financial Reporting Standards:

1 A consistent definition of materiality is used across all IFRSs and the conceptual framework for financial reporting;

2 Clarify the explanation of the definition of essential.

3 Include some guidelines in International Accounting Standard No. (1) Regarding immaterial information.

Amendments to International Financial Reporting Standard No. (9), International Accounting Standard No. (39), and International Financial Reporting Standard No. (7) Reform of the Interest Rate Index

These adjustments provide some reliefs in relation to the reform of the benchmark interest rate. The exemptions relate to hedge accounting and have the effect that reform of the prevailing interbank interest rate should generally not cause the end of hedge accounting. However, any ineffective hedge should continue to be recorded in the profit or loss statement.

Amendments to IFRS 16 "Leases" in response to the impacts of Covid-19 on tenants

Effective June 1, 2020, IFRS 16 has been amended to provide a practical way for tenants to calculate rental concessions that arise as a direct result of the COVID-19 pandemic and only if all of the following conditions are met:

A) That the change in lease payments results in a modified lease compensation that is substantially the same as, or less than, the lease compensation immediately before the change;

B) that any reduction in rental payments affects only payments due, beginning, on or before June 30, 2021, and

C) There should not be any material change in the other terms and conditions of the lease agreement.

Rental concessions that meet these criteria may be counted according to practical terms, which means that the tenant does not need to assess whether the rental concession fulfills the definition of a rental modification. Lessees apply other requirements in IFRS 16 in concession account.

3-2 Standards issued that have not yet been implemented

The following is a statement of the new standards and amendments to the applicable standards for years beginning on or after January 1, 2021 with early application permitted, but the company did not apply them when preparing these financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3-2 Standards issued that have not yet been implemented (Continued)

Amendments to IAS 1, "Presentation of Financial Statements" on the classification of liabilities

These narrow-scope amendments to IAS 1, "Presentation of Financial Statements" clarify that liabilities are classified as current or non-current, depending on the rights existing at the end of the reporting period. The rating is not affected by the entity's expectations or by events after the reporting date (for example, the receipt of a waiver or a breach of an undertaking). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of an obligation.

Amendments to IFRS 3 and IAS 16 and 37

- IFRS 3 "Business Combinations" is an update of a reference in IFRS 3 for the conceptual framework for financial reporting without changing the accounting requirements for business combinations.
- International Accounting Standard No. 16, "Property, Plant and Equipment" prohibits the company from deducting from the cost of property, plant and equipment the amounts received from the sale of the items produced while the company prepares the asset for its intended use. Instead, the company will recognize these sales revenue and related costs in its profit or loss statement.
- International Accounting Standard No. 37, "Provisions, Liabilities and Contingent Assets" specifies the costs that a company includes when assessing whether the contract will cause a loss.

3-3 Annual amendments to IFRSs (2018-2020 cycle)

These amendments are effective on or after January 1, 2021.

- IFRS 9, "Financial Instruments" clarifies the fees that the company includes when performing a "10% test" in order to assess whether the recognition of a financial liability will be canceled.
- IFRS 16, "Leases", eliminates the possibility of confusion regarding rental incentives by amending Illustration 13 accompanying IFRS 16.

3-4 Current versus Non-Current Classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realized or intended to sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle.
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

Deferred tax assets and liabilities are classified as non-current assets and liabilities. All other liabilities are classified as non-current.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3-5 Property, plant and equipment's

- Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

When parts of an item of property and equipment have different useful lives, they are accounted for as items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized net within in the statement of profit or loss.

- Subsequent costs

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized.

The costs of the day-to-day servicing of property and equipment are recognized in statement of profit or loss as incurred.

- Depreciation

Items of property and equipment are depreciated on a straight-line basis in statement of income over the estimated useful lives of each component. Leased assets are depreciated over the lease term or on the shorter useful lives of the assets

The estimated annual depreciation rates for property, plant and equipment during the current year are the same as for the previous year and details as follows:

Machinery and equipment's	2.5 - 5 %
Buildings	3 - 15 %
Tools	5 - 15 %
Artesian wells	5 %
Furniture and fixture	2.5 - 15 %
Air conditions	15 %
Motor vehicles	25 %
Fitting and equipment's	10 %

3-6 Real estate investments

Real estate investment is a property acquired either to earn rental income or to increase in value or both, but not for the purpose of selling it through the normal activities of the Company. It is not used for production or supply of goods or services or for administrative purposes. Investment properties are stated at cost and their fair values are disclosed in the notes to the financial statements, which are estimated annually by an independent real estate expert based on the market prices of those properties within an active real estate market.

3-7 Intangible assets

Intangible assets other than goodwill are measured at cost less accumulated amortization and accumulated losses of impairment, if any.

The intangible assets are amortized on a straight-line basis over the economic life of 7 years.

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the company, and the costs can be measured reliably.

The residual values of the intangible assets, their useful lives and indicators of impairment are reviewed at the end of each financial year and adjusted for a future effect, if necessary.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3-8 Accounts receivable

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. For impairment of financial assets refer to Note 3-18

3-9 Inventory

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the weighted average method. Cost includes all direct manufacturing expenditure based on the normal level of activity and transportation and handling costs. Net realisable value comprises estimated selling price less further production costs to completion and appropriate selling and distribution costs. Allowance is made, where necessary for slow moving inventories. Cost of inventories is recognised as an expense.

3-10 Cash and cash equivalents

Cash and cash equivalents consists of cash and banks balances amounts and demand deposits, which can be converted into cash within a period of three months or less (If any).

3-11 Employees Benefits

Short Term Obligations

Liabilities for wages and salaries and any other short term benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

Post-Employment Obligations

Defined Contribution Plans

Contributions to defined contribution superannuation plans are expensed when the employees have rendered service entitling them to the contributions.

Retirement benefit in the form of General Organization of Social Insurance (GOSI) is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the GOSI. The Company recognizes contribution payable to the GOSI as an expense, when an employee renders the related service.

Defined Benefits Plans

The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

The discount rate for discounting the estimated future cash outflows is required to be based on the yield on corporate bonds of duration and currency consistent with the liabilities. Where there is no deep market in corporate bonds in the currency under consideration, the yields on government bonds are used.

Past service costs are recognized in the statement of profit or loss on the earlier of the date of the plan amendment or curtailment and the date on which the Company recognizes related restructuring costs. Net interest is calculated by applying the discount rate to the net defined benefit liability. The Company recognizes the changes in the net defined benefit obligation under 'cost of revenue, 'general and administrative expenses' and 'selling and distribution expenses' in the statement of profit or loss.

3-12 Accounts payable

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3-13 Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3-14 Estimated Zakat

Zakat is provided on accrual basis in accordance with the Regulations of the General Authority for Zakat and Income ("DZIT") in the Kingdom of Saudi Arabia. The zakat provision is charged to the statement of profit or losses. Any differences resulting from the final assessments are recorded in the year of their finalization. Zakat is calculated on an accrual basis and is calculated on the basis of net income adjusted for zakat during the year or on the basis of zakat calculated according to the laws. Any differences in the provision previously recognized are settled when the final approval is received by the General Authority for Zakat and Income.

3-15 Related parties transactions

Related party

A related party is a person or entity that is related to the entity that is preparing its financial statements.

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
- (i) has control or joint control of the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3-16 Revenue recognition

Revenue is measured based on the consideration specified in a contract with customer and excludes amount collected on behalf of third parties.

The Company recognizes revenue when it transfers control over a product or service to a customer. The principles in IFRS 15 are applied using the following five steps:

Step 1: The Company accounts for a contract with a customer when:

- The contract has been approved and the parties are committed;
- Each party's rights are identified;
- Payment terms are defined;
- The contract has commercial substance; and
- Collection is probable.

Step 2: The Company identifies all promised goods or services in a contract and determines whether to account for each promised good or service as a separate performance obligation. A good or service is distinct and is separated from other obligations in the contract if both:

- The customer can benefit from the good or service separately or together with other resources that are readily available to the customer; and
- The good or service is separately identifiable from the other goods or services in the contract.

Step 3: The Company determines the transaction price, which is the amount of consideration it expects to be entitled to in exchange for transferring promised goods or services to a customer.

Step 4: The transaction price in an arrangement is allocated to each separate performance obligation based on the relative standalone selling price of the good or service being provided to the customer.

Step 5: Revenue is recognized when control of the goods or services is transferred to the customer. The Company transfers a good or service when the customer obtains control of that good or service. A customer obtains control of a good or service if it has the ability to direct the use of and receive the benefit from the good or service.

In comparative period, revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is received.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company has concluded that it is the principal in all of its revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks.

Significant accounting judgments and estimates for revenue

The following is a description of the accounting policies and important provisions of the main activities that the company generates its revenues:

(A) Selling products

Revenue is recognized when control over those products or services is transferred, and it is when the products or services are delivered to the customer. Delivery occurs when products are shipped to the specified location, and the risk of depreciation and loss has been transferred to the customer.

In these contracts, the company is primarily responsible for fulfilling the obligation to provide food and other specific products. The company assumes inventory risk before the food products are transported to customers. In addition, the company has discretion in setting prices for specific food products. The company also bears credit risk on these transactions as it is obligated to pay the supplier even if the customer fails to pay.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3-16 Revenue recognition (continued)

Significant accounting judgments and estimates for revenue (continued)

(B) Discounts on sales volume

Revenue is often recognized with sales volume discounts over 12 months. Revenue from these sales is recognized based on the price specified in the contract, after deduction of the estimated discounts.

The contracted discount rate and accumulated experience are used to determine the size of those discounts, and revenue is recognized only to the extent that it is highly probable that the opposite will not occur. The contractual obligation of expected discounts is recognized in the amount of amounts payable to customers in respect of sales made until the end of the reporting period.

(C) Sales returns

Revenue is recognized minus sales returns.

The accumulated experience is used to estimate the amount of sales returns using the projected value method, and revenue is recognized only to the extent that it is highly probable that the opposite will not occur. Expected sales returns are recognized in the amount of amounts payable to customers in respect of sales made up to the end of the reporting period.

Revenue is the fair value of the consideration received or receivable against the goods sold, net of returns, trade discount and rebates. The company recognizes revenue when the customer obtains the goods or acknowledges their acceptance.

Products are mainly sold on a sales or return basis, and a return sales allowance is calculated on the basis of the expected return from expired or damaged products. The expected sales returns are offset against revenue with the associated effect of the sales allowance.

Goods are sold at significant discounts retroactively on the basis of total sales over a 12-month period. Revenue from these sales is recognized based on the price specified in the contract minus the estimated discounts. Accumulated experience is used to estimate and provide discounts and revenue is recognized to the most likely extent that there will be no material reversal.

There is no component of an existing financing component as sales are made in either cash or term debt in line with market practice.

3-17 Expenses

Expenses incurred by the Company consist of selling and marketing expenses, general and administrative expenses and operating expenses. Production costs are charged at full cost of materials, direct labor and indirect industrial costs. The expenses resulting from the Company's efforts related to the marketing, sale and distribution of finished products are classified as a separate item under the heading of selling and marketing expenses. Other direct and indirect expenses relating to management that are not related to the production function or the sales and marketing function are classified as general and administrative expenses. The joint expenses are distributed, if necessary, between administrative and general expenses, selling and marketing expenses and operating expenses on a consistent basis. The accrual principle is applied in charging the financial period with administrative and general expenses and selling and marketing expenses.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3-18 Financial Instruments

IFRS 9 introduces new classification and measurement requirements for financial assets. IFRS 9 requires all financial assets to be classified and subsequently measured at either amortized cost or fair value. The classification depends on the business model for managing the financial asset and the contractual cash flow characteristics of financial asset, determined at the time of initial recognition.

Financial assets are classified into the following specified categories under IFRS 9:

- Debt instruments at amortized cost;
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition;
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition; and
- Financial assets at fair value through profit and loss (FVPL).

(a) Financial assets classified as amortized cost

Debt instruments that meet the following conditions are subsequently measured at amortized cost less impairment loss (except for debt investments that are designated as at fair value through profit or loss on initial recognition):

- 1- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- 2- The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If a financial asset does not meet both of these conditions, it is measured at fair value.

The Company makes an assessment of a business model at portfolio level as this best reflects the way the business is managed and information is provided to management. In making an assessment of whether an asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the Company considers:

- Management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How management evaluates the performance of the portfolio;
- Whether the management's strategy focus on earning contractual commission income;
- The degree of frequency of any expected asset sales;
- The reason for any asset sales; and
- Whether assets that are sold are held for an extended period of time relative to their contractual maturity or are sold shortly after acquisition or an extended time before maturity.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Income is recognized on an effective interest basis for debt instruments measured subsequently at amortized cost. Interest is recognized in the statement of profit or loss.

Debt instruments that are subsequently measured at amortized cost are subject to impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3-18 Financial instruments (continued)

(b) Financial assets designated as FVOCI with recycling

Debt instruments that meet the following conditions are subsequently measured at FVOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt financial instruments measured at FVOCI, commission income and impairment losses or reversals are recognized in the statement of income and computed in the same manner as for financial assets measured at amortized cost.

All other changes in the carrying amount of these instruments are recognized in other comprehensive income and accumulated under the investment revaluation reserve. When these instruments are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to the statement of profit or loss.

(c) Financial assets classified as FVPL

Investments in equity instruments are classified as at FVPL, unless the Company designates an investment that is not held for trading as at FVOCI on initial recognition.

Debt instruments that do not meet the amortized cost of FVOCI criteria are measured at FVPL. In addition, debt instruments that meet the amortized cost criteria but are designated as at FVPL to avoid accounting mismatch are measured at fair value through income statement. A debt instrument may be designated as at FVPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Company has not designated any debt instrument as FVPL since the date of initial application of IFRS 9 (i.e. 1 January 2018).

Debt instruments are reclassified from amortized cost to FVPL when the business model is changed such that the amortized cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVPL on initial recognition is not allowed.

Financial assets at FVPL are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognized in statement of profit or loss.

Commission income on debt instruments as at FVPL is included in the statement of profit or loss.

Dividend income on investments in equity instruments at FVPL is recognized in the statement of profit or loss when the Company's right to receive the dividends is established in accordance with IFRS 15 Revenue from contracts with customers.

(d) Investment in equity instruments designated as FVOCI

On initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI. Designation as at FVOCI is not permitted if the equity investment is held for trading.

A financial asset or financial liability is held for trading if:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3-18 Financial instruments (continued)

(d) Investment in equity instruments designated as FVOCI (continued)

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other reserves. Gain and losses on such equity instruments are never reclassified to the statement of profit or loss and no impairment is recognized in the statement of profit or loss. Investment in unquoted equity instruments which were previously accounted for at cost in accordance with IAS 39, are now measured at fair value. The cumulative gain or loss will not be reclassified to the statement of profit or loss on disposal of the investments.

Dividends on these investments are recognized in the statement of profit or loss when the Company's right to receive the dividends is established in accordance with IAS 18 Revenue, unless the dividends clearly represent a recovery of part of the cost of the investment.

Fair value reserve includes the cumulative net change in fair value of equity investment measured at FVOCI. When such equity instruments are derecognized, the related cumulative amount in the fair value reserve is transferred to accumulated losses.

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses (ECL) on debt instruments that are measured at amortized cost or at FVOCI, lease receivables, trade receivables, as well as on loan commitments and financial guarantee contracts. No impairment loss is recognized for investments in equity instruments. The amount of expected credit losses reflects changes in credit risk since initial recognition of the respective financial instrument.

The Company applies the simplified approach to calculate impairment on trade receivables and this always recognizes lifetime ECL on such exposures. ECL on these financial assets are estimated using a flow rate based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company applies the general approach to calculate impairment. Lifetime ECL is recognized when there has been a significant increase in credit risk since initial recognition and 12 months ECL is recognized the credit risk on the financial instrument has not increased significantly since initial recognition. The assessment of whether credit risk of the financial instrument has increased significantly since initial recognition is made through considering the change in risk of default occurring over the remaining life of the financial instrument.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date. Exposure at default for off balance sheet items is arrived at by applying a credit conversion factor to the undrawn portion of the exposure.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3-18 Financial instruments (continued)

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Company's trade and other receivables), are assessed for expected credit losses on an individual basis;
- Past-due status;
- Nature, and size industry of debtors; and
- External credit ratings where available.

The Company recognizes an impairment gain or loss in the statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognized in profit or losses statement and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the interim condensed statement of financial position.

Derecognize of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the assets expires; or it transfers the financial asset or substantially all the risk and rewards of ownership to another entity. If the Company neither transfer nor retains substantially all the risks and reward of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial liabilities

Financial liabilities carried at amortized cost have been classified and measured at amortized cost using the effective yield method.

For financial liabilities that are designated as at FVPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized interim condensed other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in interim condensed other comprehensive income would create or enlarge an accounting mismatch in interim condensed comprehensive income. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to interim condensed comprehensive income.

The liability credit reserve includes the cumulative changes in the fair value of the financial liabilities designated as at fair value through profit or loss that are attributable to changes in the credit risk of these liabilities and which would not create or enlarge accounting mismatch in interim condensed comprehensive income. Amount presented in liability credit reserve are not subsequently transferred to interim condensed comprehensive income. When such investments are derecognized, the related cumulative amount in the liability credit reserve is transferred to retained earnings. Since the date of initial application of IFRS 9 (i.e. 1 January 2018), the Company has also not designated any financial liability as at FVPL.

Derecognize of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expired.

3-19 Foreign currency transactions

Transactions in foreign currencies are translated into Saudi Riyals during the period at the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Saudi Riyals at the date of the financial statements at the exchange rates prevailing on that date. Differences arising from the translation of foreign currencies into Saudi Riyals are recognized in the income statement, profits or losses.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4-20 Offsetting

A offsetting is made between financial assets and financial liabilities and the net amount is reported in the statement of financial position only when binding legal rights are available and also when they are settled on a clearing basis or the verification of the assets and the settlement of liabilities at the same time.

4. SIGNIFICANT JUDGEMENTS, ASSUMPTIONS AND ESTIMATES

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are addressed below:

4.1 Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Operating leases

Management established on the basis of an evaluation of the terms and conditions for the operating lease arrangements that not all the significant risks and rewards of ownership of land and buildings leased for warehousing and distribution will be transferred to the Company. Consequently, the land and warehouse buildings are recognized as operating leases.

4.2 Assumptions and estimates

(1) Impairment reviews

IFRS requires management to undertake an annual test for impairment of indefinite lived assets and, for finite lived assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Impairment testing is an area involving management judgement, requiring inter alia an assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

- a) growth in earnings before interest, tax, depreciation and amortization (EBITDA), calculated as adjusted operating profit before depreciation and amortization.
- b) timing and quantum of future capital expenditure.
- c) long-term growth rates; and
- d) selection of discount rates to reflect the risks involved.
- e) The amount of mining reserves expected to be extracted during the relevant year.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Company's impairment evaluation and hence results.

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4. SIGNIFICANT JUDGEMENTS, ASSUMPTIONS AND ESTIMATES (continued)

4-2 Assumptions and estimates (continued)

(2) Impairment losses on trade and other receivables

Trade and other receivables are stated at their amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts. Estimated irrecoverable amounts are based on the ageing of the receivable balances and historical experience adjusted appropriately for the future expectations. Individual trade receivables are written off when management deems them not to be collectible.

(3) Measurement of defined benefit obligations

The Company's net obligation in respect of defined benefit schemes is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted.

The present value of the obligation is determined based on actuarial valuation at the statement of financial position date by an independent actuary using the Projected Unit Credit Method, which recognises each period of service as giving rise to an additional unit of employee benefit entitlement and measures. The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan, are determined by reference to US bond yields, (as the Saudi Riyal is pegged to the US dollar), adjusted for an additional risk premium reflecting the possibility of the linkage being broken.

(4) Estimate of zakat

Management estimates the zakat expenses according to instructions and active law.

(5) Determining whether the Company or a company part of it is acting as an agent or principal

Principles of IFRS 15 are applied by identifying each specified (i.e. distinct) good or service promised to the customer in the contract and evaluating whether the entity under consideration obtains control of the specified good or service before it is transferred to the customer. This assessment requires significant judgement based on specific facts and circumstances.

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5. PROPERTY, PLANT AND EQUIPMENT'S, NET

	Machinery And equipment's	Buildings	Tools	Artesian Wells	Furniture And Fixture	Air conditions	Motor Vehicles	Fitting and equipment's	Total
Cost									
Beginning of the year	199,278,772	79,851,643	20,172,703	220,816	4,225,525	6,017,384	11,140,179	4,868,571	325,775,593
Additions during the year	622,590	-	812,258	-	101,128	35,188	33,000	168,301	1,772,465
Disposal during the year	-	-	-	-	-	-	(1,121,300)	-	(1,121,300)
End of the year	199,901,362	79,851,643	20,984,961	220,816	4,326,653	6,052,572	10,051,879	5,036,872	326,426,758
Depreciation									
Beginning of the year	146,130,888	39,346,228	14,832,996	122,725	3,651,940	5,668,764	9,990,968	3,556,375	223,300,884
Additions during the year	3,417,986	2,314,525	1,348,769	5,770	160,178	124,949	924,175	410,601	8,706,953
Disposal during the year	-	-	-	-	-	-	(1,121,295)	-	(1,121,295)
End of the year	149,548,874	41,660,753	16,181,765	128,495	3,812,118	5,793,713	9,793,848	3,966,976	230,886,542
Net Book Value									
December 31, 2020	50,352,488	38,190,890	4,803,196	92,321	514,535	258,859	258,031	1,069,896	95,540,216
December 31, 2019	53,147,884	40,505,415	5,339,707	98,091	573,585	348,620	1,149,211	1,312,196	102,474,709

- Depreciation amounted to SAR 8,706,953 and SAR 9,039,014 the years ended December 31, 2020 and 2019 respectively.

- There are mortgaged property included within the item of property, plant and equipment's (used) with a value of 71 million Saudi Riyals, which was used as collateral in exchange for a loan from the Saudi Industrial Development Fund (Note 17).

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6. RIGHT TO USE ASSETS AND LEASE OBLIGATIONS, NET

The table below shows the right to use assets balance in and the depreciation charged as follows:

	<u>Lands</u>	<u>Total</u>
<u>Cost</u>		
The balance at beginning of the year	3,246,170	3,246,170
Additions during the year	257,558	257,558
The balance at end of the year	3,503,728	3,503,728
<u>Accumulated depreciation</u>		
The balance at beginning of the year	353,600	353,600
Charge for the year	405,173	405,173
The balance at end of the year	758,773	758,773
<u>Net book value</u>		
December 31, 2020	2,744,955	2,744,955
December 31, 2019	2,892,570	2,892,570

Additions to the right to use the assets during the year ended December 31, 2020 amounting to SAR 257,558.

The lease obligations as at the end of the year are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Non-current lease obligations	2,416,127	2,530,244
Current lease obligations	419,348	351,023
Total lease obligations	2,835,475	2,881,267

The finance costs from the recognized lease obligations during the year ended December 31, 2020: SAR 188,497 (December 31, 2020: SAR 190,020).

7. INTANGIBLE ASSETS, NET

	<u>Accounting programmer</u>	<u>Total</u>
<u>Cost</u>		
The balance at beginning of the year	1,212,748	1,212,748
Additions during the year	-	-
The balance at end of the year	1,212,748	1,212,748
<u>Accumulated depreciation</u>		
The balance at beginning of the year	136,434	136,434
Charge for the year	181,912	181,912
The balance at end of the year	318,346	318,346
<u>Net book value</u>		
December 31, 2020	894,402	894,402
December 31, 2019	1,076,314	1,076,314

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8. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	%	31 December 2020	31 December 2019
East Asia Company for Development and Agricultural Investment (Note 8a)	14.285%	10,000,000	10,000,000
Jannat for Agricultural Investment - under liquidation (Note 8b)	11.1%	7,050,000	7,050,000
Rakhaa Agricultural Investment and development Company (Note 8c)	8.628%	1,612,717	1,612,717
		<u>18,662,717</u>	<u>18,662,717</u>
Fair value losses from investments at fair value through profit or loss (Note 8d)		<u>(18,662,717)</u>	<u>(18,662,717)</u>
		<u>-</u>	<u>-</u>

- a) Investment in East Asia Company for Development and Agricultural Investment (Closed Joint Stock Company) represent an investment of 14.285 % from the company's paid up capital amounting to SAR 70 million.
- b) Investment in Jannat for Agricultural Investment (A Saudi Limited Liabilities Company) represent an investment of 11.1 % in the company's capital which amounts to SAR 63 million and the remaining balance of SAR 50,000 represents the company's shares in pre-operating expenses.
- c) Investment in Rakhaa for Agricultural Investment (an Egyptian joint stock company) represents an investment of 8.628% of the paid-up capital of 80 million Egyptian pounds (equivalent to 18,692,753 Saudi riyals), as on March 6, 2019, the partners of Jannat Agricultural Investment Company decided (A company under liquidation (assignment of investment in Rakhaa for Agricultural Investment (an Egyptian joint stock company) by transferring the ownership of the shares and shares owned by the company in Rakhaa for Agricultural Investment (an Egyptian joint stock company) which is 62,184 shares to the partners of Jannat Agricultural Investment Company (a company under liquidation) Directly, each according to his share in the company. Accordingly, on December 31, 2019, the ownership of 6,902 shares (equivalent to SAR 1,612,717) was transferred from the shares of Rakhaa Agricultural Investment Company (an Egyptian joint stock company) from Jannat Agricultural Investment Company (a company under liquidation) in favour of Wafra Industrial and Development Company. Due to the inability to reach the fair value of Rakhaa Agricultural Investment Company (an Egyptian joint stock company) in the Egyptian Stock Exchange market, a total impairment of the investment value in the company has been proven, with a value of SAR 1,612,717, which constitutes 100% of the investment value.
- d) During the year 2016 fair value losses has been recorded in Jannat for Agricultural Investment Company - under liquidation amounting to SAR 3,287,562, and during the year 2017 fair value losses has been recorded in Jannat for Agricultural Investment Company - under liquidation amounting to SAR 3,762,438 With a total fair value losses of the investment value of Jannat SAR 7,050,000 representing 100% of the value of the investment, and fair value losses has been recorded in East Asia Company for Development and Agricultural investment amounting to SAR 758,562.
 During the year 2018 fair value losses has been recorded in East Asia Company for Development and Agricultural investment amounting to SAR 6,499,675, During the year 2019 fair value losses has been recorded in East Asia Company for Development and Agricultural investment amounting to SAR 2,741,763 with a total fair value losses of the investment value of East Asia Company for Development representing 100% of the value of the investment, and fair value losses has been recorded in Rakhaa for Agricultural Investment amounting to SAR 1,612,717 which constitutes 100% of the value of the investment.

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8. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

- e) 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 (Rakhan Agricultural Investment and development 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:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Beginning of the year	8,063,390	-
Addition during the year	-	8,063,390
Paid during the year	(862,800)	-
Total loan guarantee provision	7,200,590	8,063,390
Current portion of loan guarantee provision - related party	(2,250,183)	(2,212,913)
Non-current portion of loan guarantee provision - related party	4,950,407	5,850,477

9. REAL ESTATE INVESTMENTS, NET

	<u>31 December 2020</u>	<u>31 December 2019</u>
Lands investments – Jizan	11,127,708	11,127,708
Real estate investments impairment provision (9-1)	(674,884)	(1,008,252)
	10,452,824	10,119,456

9-1 Movement in provision for impairment of real estate investments

	<u>31 December 2020</u>	<u>31 December 2019</u>
Opening Balance	1,008,252	-
Impairment (gains) / losses in the value of real estate investment	(333,368)	1,008,252
	674,884	1,008,252

Investment represent land purchased by the Company based on the Boards decision at its meeting dated 04/12/2014 and consists of 18 plots in mohammedia, Jizan with a total area of 10,803.60 square meters purchased from Tanmiyat Commercial Investment Company.

The fair value of investment properties as at 31 December 2020 amounted to SR 10,623,960 (31 December 2020 amounted to SR 10,119,456). According to the evaluation process carried out by the real estate evaluator, Manassat Real Estate Office, holder of license number 1210000163 (Independent evaluator accredited by the Saudi Council for Accredited Residents).

10. INVESTMENTS DETERMINED BY FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>31 December 2020</u>	<u>31 December 2019</u>
Cost		
Beginning balance for the year	1,255,699	1,255,699
Ending balance for the year	1,255,699	1,255,699
Evaluation adjustment		
Beginning balance for the year	(666,233)	(582,928)
Unrealizable gain during the year	84,360	(83,305)
Ending balance for the year	(581,873)	(666,233)
Net book value	673,826	589,466

This account represent the invested shares in National Petrochemical Company (Yansab) by 0.001875% as at 31 December 2020 and 2019, respectively.

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11. ACCOUNTS RECEIVABLE, NET

	31 December 2020	31 December 2019
Account receivable	30,042,395	26,717,290
Provision for expected credit losses (11-1)	(9,411,600)	(8,257,442)
Net	20,630,795	18,459,848

11-1 Movements in the provision for expected credit losses were as follows:

	31 December 2020	31 December 2019
Balance, beginning for the year	8,257,442	7,789,468
Provision for the year	1,206,174	535,399
Bad debts during the year	(52,016)	(67,425)
Balance, ending for the year	9,411,600	8,257,442

12. INVENTORY, NET

	31 December 2020	31 December 2019
Raw material	10,031,601	9,610,406
Finished goods	11,322,473	5,778,423
Spare parts	3,588,348	3,409,075
Deduct:	24,942,422	18,797,904
Provision for slow moving items (12-1)	(3,087,154)	(1,791,245)
Impairment provision	(606,477)	-
Net	21,248,791	17,006,659

12-1 Movements in the provision for slow moving items were as follows:

	31 December 2020	31 December 2019
Balance, beginning for the year	1,791,245	864,185
Provision for the year	1,426,484	927,060
Damage for the year	(130,575)	-
Balance, ending for the year	3,087,154	1,791,245

13. PREPAYMENTS AND OTHER DEBIT BALANCES, NET

	31 December 2020	31 December 2019
Advance to suppliers	5,185,756	6,860,923
Employee receivables	1,583,705	1,838,417
Prepaid expenses	137,504	467,354
Refundable deposit	76,313	76,313
Accrued revenue	65,906	57,997
Letters of credit	-	500,000
Others	-	51,140
	7,049,184	9,852,144
Deduct:		
Provision for expected credit losses	(1,029,207)	(909,322)
Net	6,019,977	8,942,822

13-1 Movements in the provision for Provision for expected credit losses were as follows:

	31 December 2020	31 December 2019
Balance, beginning for the year	909,322	268,806
Provision for the year	119,885	640,516
Balance, ending for the year	1,029,207	909,322

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14. DUE FROM RELATED PARTIES

The related parties are represented in the dealings with the sister company, non-executive members of the board of directors, managing director and senior management employees of the company, where the employees of the higher management are the persons who exercise authority and responsibility in planning, managing and monitoring the company's activities, directly or indirectly, including the managers.

During the normal course of its operations, the Company had the following significant transactions with related parties during the year ended 31 December 2020 and 2019 along with their balances:

	Transaction amount		Balance as of	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Finance:				
Jannat Agricultural Investment Company	55,498	431,402	-	760,638
Rakhaa Agricultural Investment and development Company	725,576	-	725,576	-
			<u>725,576</u>	<u>760,638</u>

The prices and terms of these transactions are carried out according to the terms of dealing with related parties. The related parties shall achieve the following:

Name	Relationship
Jannat Agricultural Investment Company	Sister company
Rakhaa Agricultural Investment and development Company	Sister company

The following details of remuneration and compensation paid to non-executive board members and senior management personnel:

Non-executive board members and senior management personnel	31 December 2020	31 December 2019
Salaries and compensation	2,096,032	2,156,475
Allowances	824,145	1,041,931
Annual incentives	131,634	68,503
	<u>3,051,811</u>	<u>3,266,909</u>

15. CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Cash in hand	49,211	25,311
Cash at banks	2,342,669	1,698,565
	<u>2,391,880</u>	<u>1,723,876</u>

16. 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

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17. LONG TERM GOVERNMENT LOAN

The company obtained a long-term loan from the Saudi Industrial Development Fund on 09/05/2012 in order to finance the establishment and expansion of frozen vegetables and potatoes production plant, the total of the approved facilitate loan SR 34,000,000. The loan is repayable in a period of six-years and the semi-annual installments start from August 1, 2015. During 2016, the loan was rescheduled, with the first installment due after the rescheduling on 2/1/2019. 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, 2020 the amount of SR 28,000,000. During 2019, the loan was rescheduled, with the first installment due after the rescheduling on 1/12/2020, and has not been repaid. 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:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Beginning of the year	28,000,000	28,000,000
Paid during the year	-	-
Total long-term government loan	28,000,000	28,000,000
Current portion of long term government loan	(12,000,000)	(3,000,000)
Non-current portion of long term government loan	16,000,000	25,000,000

17-1 Finance charges

Finance charges as a result of the government loan for the year ended December 31, 2020 amounted to 630,000 SAR (2019: 300,000 SAR)

18. EMPLOYEES' DEFINED BENEFITS LIABILITIES

18-1 General description

The Company has employee benefit liabilities represented by end of service benefits and payments due upon leaving the service under the Saudi Labor Law.

18-2 Defined benefits liabilities expense

	<u>31 December 2020</u>	<u>31 December 2019</u>
Salaries growth rate	4.50%	4.50%
Discount rate	2.40%	2.90%
Current service cost	697,760	655,564
Interest cost on benefit obligation	195,518	235,455
Cost charged to statement of profit or loss	893,278	891,019
Experience adjustments	1,056,317	372,400
Cost included in Other Comprehensive Income	1,056,317	372,400
Total benefit expense	1,949,595	1,263,419

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18. EMPLOYEES' DEFINED BENEFITS LIABILITIES (continued)

18-3 Movement in present value of defined benefit obligation

	31 December 2020	31 December 2019
Balance at beginning of the year	7,257,245	6,427,240
Current service cost	697,760	655,564
Interest cost	195,518	235,455
Benefit paid	(448,827)	(433,414)
Actuarial loss on end of service	1,056,317	372,400
Ending balance of the year	8,758,013	7,257,245

19. ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	31 December 2020	31 December 2019
Accrued expenses salaries and vacation	2,358,096	2,275,214
Accrued finance charges	630,000	-
Advance payment from customers	355,772	2,339,580
Other accrued expenses	1,583,771	1,047,099
	4,927,639	5,661,893

20. SALES PROVISIONS

	31 December 2020	31 December 2019
Discount permitted		
Balance at beginning of the year	2,176,375	1,826,865
Additions during the year	13,134,547	13,008,379
Paid / Adjustments during the year	(14,526,295)	(12,658,869)
Balance at ending of the year	784,627	2,176,375
Sales returns		
Balance at beginning of the year	1,087,806	265,664
Additions during the year	1,902,301	2,046,004
Paid / Adjustments during the year	(2,090,028)	(1,223,862)
Balance at ending of the year	900,079	1,087,806
Total	1,684,706	3,264,181

21. ACCRUED DIVIDEND DISTRIBUTION

Accrued dividend distribution balance which appears in the accompanying statement of financial position represents the unpaid balance for amounts decided in the common general assembly meeting, and dividend distribution for the previous years which are not received by the shareholders up to December 31, 2020.

22. ESTIMATED ZAKAT PROVISION

a) Status of assessments

The Company has filed zakat returns with the GAZT for all years up to 31 December 2019 and obtained the temporary Zakat Certificate for the year ended 31 December 2019.

The General Authority for Zakat and Income has issued initial assessments for the years 2008 to 2011, and based on these stipulations, the company objected to it and received a stipulation which resulted in zakat differences of SAR 4,021,425. Zakat differences have been established within the estimated Zakat provision for the 2018.

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22. ESTIMATED ZAKAT PROVISION (continued)

a) Status of assessments (continued)

During the year 2020, the General Authority for Zakat and Income issued initial assessments for the years from 2014 to 2018, and based on these assessments, the company objected to them, and the modified zakat assessment was received, which resulted in zakat differences of SAR 3,582,039, and the company objected to the amended zakat assessment and a modified zakat assessment was received at a value of SAR 2,728,946, and the company objected to it and awaited a response from the General Authority for Zakat and Income, and the zakat differences were proven in the zakat estimate for the year 2020.

The years from 2019 to 2020 are subject to review by the General Authority for Zakat and Income

b) Provision movement

	<u>31 December 2020</u>	<u>31 December 2019</u>
Balance, beginning for the year	4,046,301	4,971,408
Provision for current year	793,951	1,288,762
Zakat during the year for previous years	2,728,946	-
Zakat paid during the year	(1,176,924)	(2,213,869)
Balance, end of the year	6,392,274	4,046,301

c) Zakat base

The provision for zakat charge is based on the following:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Shareholders' equity - as per GAZT	77,170,350	200,000,000
Beginning provisions and other adjustments	72,201,759	57,724,289
Book value of long term assets - as per GAZT	(95,540,216)	(115,486,735)
Adjusted losses	(808,126)	(97,895,643)
Other deducts	(32,397,880)	(2,332,013)
Adjusted net profit for the year	10,432,955	8,235,242
Zakat base	31,058,842	50,245,140
Zakat calculated	793,951	1,288,762

- Zakat is calculated on the basis of the adjusted net profit or the Zakat base, whichever is greater.

- Zakat for 2019 is due at the rate of 2.5% of the adjusted net profit and 2.57768% of the zakat base minus the adjusted profit, whichever is higher. Zakat for 2020 is due at the rate of 2.5% of the adjusted net profit or 2.58474% of the zakat base minus the adjusted profit, whichever is higher.

d) Adjusted net profit for the year

The adjusted net profit for the year reconciliation is as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Net loss for the year	(8,856,191)	(24,080,971)
Adjustments	19,289,146	32,316,213
Adjusted net profit for the year	10,432,955	8,235,242

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23. SALES, Net

	<u>31 December 2020</u>	<u>31 December 2019</u>
Sales of pastry factory	41,837,908	38,178,633
Sales of vegetables factory	33,794,595	53,247,738
Sales of food and meet factory	19,946,419	5,904,552
Sales of Breakfast cereals factory	3,235,779	540,426
Total	98,814,701	97,871,349
Sales discount	(13,134,547)	(13,008,379)
Sales returns	(1,902,301)	(2,046,004)
Net	83,777,853	82,816,966

24. ADMINISTRATIVE AND GENERAL EXPENSES

	<u>31 December 2020</u>	<u>31 December 2019</u>
Employees' salaries & benefits	5,865,194	6,608,760
Fees and subscription	860,888	864,462
Right of used assets depreciations	405,173	353,600
Insurance	388,238	528,087
Repair and maintenance	229,229	105,367
Depreciations	224,435	226,121
Amortization of intangible assets	181,912	136,434
Allowances for presence in board of director meeting	135,000	136,000
Hospitality and cleaning	84,813	92,082
Bonuses	64,550	115,814
Advertisement	61,837	119,701
Bank commission	54,226	22,907
Stationery and printing	41,588	38,720
Telephone and postage	33,079	35,777
Electricity, water and oils	23,304	32,584
Rents	3,971	140,373
Others	487,636	394,388
	9,145,073	9,951,177

25. SELLING AND DISTRIBUTION EXPENSES

	<u>31 December 2020</u>	<u>31 December 2019</u> <u>(Restated)</u>
Employees' salaries and benefits	6,722,835	6,560,814
Rents	1,646,153	1,083,155
Transport and shipment	1,370,506	1,898,563
Depreciation	1,284,093	1,399,439
Electricity, water and oils	1,198,268	854,443
Subscription	1,100,633	611,397
Repair and maintenance	613,431	486,645
Temporary labor	546,165	635,756
Insurance	500,608	560,505
Commission	461,494	1,165,780
Damage	421,746	627,823
Advertisement	365,090	294,419
Sales promotion	176,714	335,768
Telephone and postage	86,113	94,569
Stationery and printing	8,869	56,571
Others	261,216	624,028
	16,763,934	17,289,675

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26. OTHER REVENUE

	31 December 2020	31 December 2019
Rental income	994,000	636,000
Sales of property, plant and equipment	192,145	70,711
Sales of scrap	107,291	27,089
Gains from owning investments (Note 8c)	-	1,612,717
Other revenue	189,099	73,681
Net	1,482,535	2,420,198

27. LOSS PER SHARE

Loss per share is calculated from the net loss of major operations by dividing the net loss of major operations for the year by the weighted average number of shares during the year. Loss per share is calculated from the net loss for the year by dividing the net loss for the year by the weighted average number of shares during the year.

Diluted loss per share for the year ended 31 December 2020 and ending 31 December 2019 was calculated by dividing the net loss from main operations and net loss for the year by the weighted average number of shares outstanding during the year adjusted for the potential reduction in ordinary shares. As there is no contingent liability for equity instruments, the diluted loss per share are not different from basic loss per share.

The weighted average number of shares for the two years ended December 31, 2020 and December 31, 2019 was reached by taking the effect of the capital decrease from the beginning of the nearest offered period (January 1, 2019) to comply with the requirements of IAS 33.

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

	31 December 2020	31 December 2019
Net loss for the year	(12,379,088)	(25,369,733)
Loss per share - basic and diluted	(1.60)	(3.29)
Net loss from the main operation	(6,494,577)	(10,482,052)
Loss per share - basic and diluted	(0.84)	(1.36)
Weighted average number of shares outstanding for basic & diluted EPS	7,717,035	7,717,035

28. 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 asset or liability, or
2. the most advantageous market for the asset or liability in the absence of a principal market the company should be able to handle through the most advantageous market.

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28. FINANCIAL INSTRUMENTS (continued)

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 a financial asset at fair value measures.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Management believes that its estimates and judgments are reasonable and adequate.

The fair values of financial assets and liabilities are not significantly different from their carrying values in the financial statements as of December 31, 2020.

Fair value levels

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

	<u>Amount</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
31 December 2020				
Investments determined by fair value through other comprehensive income	<u>673,826</u>	<u>673,826</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>

Transfers between Levels 1 & 2

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

29. FINANCIAL RISK MANAGEMENT

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

- Credit risk.
- Liquidity risk.
- Market risk.
- Capital management.

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

Risk management framework

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

The company's risk management policies are established to identify and analyses the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities. The company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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 financial position include mainly cash and cash equivalents, receivables, other assets, investments, creditors, accrued liabilities, loans and other non-current liabilities.

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29. FINANCIAL RISK MANAGEMENT (continued)

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 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 financial assets represents the maximum amount that financial assets may be exposed to credit risk at the statement of financial position date as follows:

	<u>Requested value as of</u>	
	<u>31 December 2020</u>	<u>31 December 2019</u>
Accounts receivable, net	20,630,795	18,459,848
Cash and cash equivalents	2,342,669	1,698,565
Accrued revenue	65,906	57,997
Other assets	5,816,567	8,417,471
	<u>28,855,937</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.

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

Non-derivative financial liabilities	Less than a year	More than a year	No fixed maturity	Total
<u>31 December 2020</u>				
Government loan	12,000,000	16,000,000	-	28,000,000
Trade payables	-	-	34,726,057	34,726,057
Loan guarantee provision - related party	2,250,183	4,950,407	-	7,200,590
Rental obligations	419,348	2,416,127	-	2,835,475
Oversubscribed payable	-	-	3,258,720	3,258,720
Accrued dividend distribution	-	-	1,194,822	1,194,822
Accrued expenses and other liabilities	2,554,508	-	2,373,131	4,927,639
Estimated Zakat provision	6,392,274	-	-	6,392,274
Sales provisions	1,684,706	-	-	1,684,706
Employees' defined benefits liabilities	-	-	8,758,013	8,758,013
	<u>25,301,019</u>	<u>23,366,534</u>	<u>50,310,743</u>	<u>98,978,296</u>

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29. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

Non-derivative financial liabilities	Less than a year	More than a year	No fixed maturity	Total
31 December 2019				
Government loan	3,000,000	25,000,000	-	28,000,000
Trade payables	-	-	24,719,065	24,719,065
Loan guarantee provision - related party	2,212,913	5,850,477	-	8,063,390
Rental obligations	351,023	2,530,244	-	2,881,267
Oversubscribed payable	-	-	3,258,720	3,258,720
Accrued dividend distribution	-	-	1,198,305	1,198,305
Accrued expenses and other liabilities	2,064,973	-	3,596,920	5,661,893
Estimated Zakat provision	4,046,301	-	-	4,046,301
Sales provisions	3,264,181	-	-	3,264,181
Employees' defined benefits liabilities	-	-	7,257,245	7,257,245
	14,939,391	33,380,721	40,030,255	88,350,367

Market risk

Market risk is the risk arising from changes in market prices such as foreign exchange rates, murabaha 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 extent to which the Company is exposed to market risk within acceptable limits in addition to maximizing returns.

Currency risk

It is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management monitors fluctuations in foreign currency exchange rates, and believes that the Company is not exposed to significant currency risk since the Company did not undertake significant transactions in currencies other than Saudi Riyal and US Dollars. The Saudi Riyal is pegged to the US Dollar, accordingly, balances and transactions in US Dollars are not considered to represent significant currency risk.

Capital Management

The Company's capital management policy is to maintain a strong capital base to maintain shareholders, creditors and market confidence as well as the continued development of the company's future activities.

The capital consists of ordinary shares, outstanding shares outstanding, retained earnings and non-controlling interests.

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

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

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

30. ADJUSTED CAPITAL RATIO

	31 December 2020	31 December 2019 (restated)
Liabilities at the end of the year	66,853,749	47,712,401
Less: Cash and cash equivalents	(2,391,880)	(1,723,876)
Net liabilities	64,461,869	45,988,525
Adjusted capital	62,344,946	75,695,991
	103.40%	60.75%

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31. 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.

32. ADJUSTMENTS

The adjustments are as follows:

The company's management did not calculate the due commission provision for the year 2019, which resulted in a difference of SAR 808,117, and it was not recorded at the end of the fiscal year of 2019.

The impact of the above on the financial statements is as follows:

The effect of the amendment on the balance sheet as of December 31, 2019:

	Amount recorded previously 31 December 2019	Adjustment effect	Balance after adjustment 31 December 2019
Accumulated losses	(122,829,659)	(808,117)	(123,637,776)
Accrued expenses and other credit balances	4,853,776	808,117	5,661,893

The impact of the amendment on the statement of comprehensive income for the year ended December 31, 2019:

	Amount recorded previously 31 December 2019	Adjustment effect	Balance after adjustment 31 December 2019
Selling and marketing expenses	(16,481,558)	(808,117)	(17,289,675)
Share loss:			
From the net loss from main operations	(0.48)	(0.88)	(1.36)
From the net loss of the year	(1.23)	(2.06)	(3.29)

33. SUBSEQUENT EVENTS

On 3 March 2021, the loan restructuring by the Saudi Industrial Development Fund, with the first payment due after restructuring on 28/1/2021.

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

34. SIGNIFICANT 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 did not have a significant impact on the company's financial statement results that were reported for the year ended December 31, 2020, with the exception of a decrease in the vegetable factory's sales about 36.5% of a value approximately SAR 19.5 million compared with the similar period with the previous year. On the other hand, sales of the rest of the other factories increased, especially the products of the meat and breakfast cereal manufacturers, as a result of the expansion of private production, (which compensated for the losses of the company's main product - the frozen potatoes of the vegetable factory). In view of the continuation of the pandemic, the current economic uncertainty and the slowdown in economic growth, the company is monitoring the situation closely, especially in the next few months, and the company expects the situation to gradually improve and hopes that the outbreak of Covid-19 will end this year.
- 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.

35. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 16 Shaban 1442H (29 March 2021).