

**Wafrah Company for Industry and Development  
SAUDI JOINT STOCK COMPANY  
INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)  
AND INDEPENDENT AUDITOR'S REVIEW REPORT  
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022**

## INDEPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

To the Shareholders

Wafrah Company for Industry and Development

(A Saudi Joint Stock Company)

Riyadh – Kingdom of Saudi Arabia

### Introduction:

We have reviewed the accompanying interim condensed statement of financial position of Wafrah Company for Industry and Development (A Saudi joint stock company) (the "Company") as at March 31, 2022, and the related interim condensed statements of comprehensive income, changes of shareholders' equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Company's management is responsible for the preparation and presentation of these Interim condensed financial statements in accordance with International Accounting Standard No. (34) "Interim Financial Reporting" endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### Scope of Review:

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

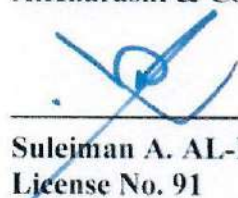
### Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with International Accounting Standard No. 34 endorsed in the Kingdom of Saudi Arabia.

### Material Uncertainty Related to Going Concern:

We would like to draw attention to Note No. (4) of the attached interim condensed financial statements, which indicates that the Company has achieved accumulated losses amounting to SAR 17,592,905 as of March 31, 2022, and the Company's current liabilities exceeded its current assets by SAR 12,798,193 on that date, and these circumstances indicate the existence of a material uncertainty, that may cast significant doubt on the Company's ability to continue as a going concern, and our conclusion has not been modified in this respect.

AlKharashi & Co.

  
Suleiman A. AL-Kharashi  
License No. 91



Riyadh at:  
May 8, 2022  
Shawwal 7, 1443H



**WAFRAH COMPANY FOR INDUSTRY AND DEVELOPMENT**  
(A Saudi Joint Stock Company)  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)**  
**AS AT 31 MARCH 2022**  
**(Saudi Riyals)**

	Note	31 March 2022 (Unaudited)	31 December 2021 (Audited)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment's, net		87,052,325	88,629,802
Right of use Assets, net		2,437,832	2,384,268
Intangible Assets, net		675,320	721,220
Investments at fair value through other comprehensive income		705,461	724,441
<b>TOTAL NON-CURRENT ASSETS</b>		<b>90,870,938</b>	<b>92,459,731</b>
<b>CURRENT ASSETS</b>			
Accounts receivable, net		28,713,380	18,910,797
Inventory, net		13,697,480	15,250,921
Prepayments and other receivables, net		10,275,369	5,703,185
Due from related party	7	1,391,306	1,391,306
Cash and cash equivalents		11,958,730	9,330,328
<b>TOTAL CURRENT ASSETS</b>		<b>66,036,265</b>	<b>50,586,537</b>
<b>TOTAL ASSETS</b>		<b>156,907,203</b>	<b>143,046,268</b>
<b>TOTAL EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share Capital	1	77,170,350	77,170,350
Fair value reserve of investments through other comprehensive income		(550,238)	(531,258)
Re-measurement of defined benefit plan reserve		(33,914)	(33,914)
Accumulated losses		(17,592,905)	(23,745,401)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>58,993,293</b>	<b>52,859,777</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
loan guarantee provision - related party		3,600,281	4,050,345
long-term government loan	8	6,000,000	6,000,000
Long-term lease liabilities		2,339,868	2,128,422
Employees' defined benefits liabilities		7,139,303	7,036,000
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>19,079,452</b>	<b>19,214,767</b>
<b>CURRENT LIABILITIES</b>			
loan guarantee provision - related party		3,600,309	3,150,245
accounts payable		37,180,559	33,539,153
Short-term lease liabilities		351,900	477,232
Accrued expenses and other payables		10,409,132	7,076,006
Accrued dividends		1,193,282	1,193,417
Short-term government loan	8	19,500,000	19,500,000
Sales provisions	9	1,705,151	1,320,678
Zakat provision		4,894,125	4,714,993
<b>TOTAL CURRENT LIABILITIES</b>		<b>78,834,458</b>	<b>70,971,724</b>
<b>TOTAL LIABILITIES</b>		<b>97,913,910</b>	<b>90,186,491</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>156,907,203</b>	<b>143,046,268</b>

  
Financial Manager

  
CEO

  
Authorized Board of directors Member

The accompanying notes form an integrated part of these interim condensed financial statements



**WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY**  
(A Saudi Joint Stock Company)  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**  
**FOR THE THREE- MONTH PERIODS ENDED 31 MARCH 2022**  
**(Saudi Riyals)**

	Note	For the three month-period ended	
		31 March 2022 (Unaudited)	31 March 2021 (Unaudited)
Sales, net	10	34,561,599	21,570,430
Cost Of Sales		(21,420,456)	(15,469,581)
<b>Gross profit</b>		<b>13,141,143</b>	<b>6,100,849</b>
Administrative and General expenses		(2,363,808)	(2,002,371)
Selling and marketing expenses		(3,653,393)	(3,598,904)
<b>Net income from main operations</b>		<b>7,123,942</b>	<b>499,574</b>
Provision for expected credit losses		(384,331)	(387,689)
Impairment of property, Plants and Equipment		-	(468,578)
Finance charges		(206,000)	-
Finance cost		(39,535)	(42,225)
Other (expenses) / income		(41,580)	400,330
<b>Net income before Zakat</b>		<b>6,452,496</b>	<b>1,412</b>
Zakat		(300,000)	(200,000)
<b>Net income / (loss) for the period</b>		<b>6,152,496</b>	<b>(198,588)</b>
<b>Items that will not be reclassified to profit or loss:</b>			
Net change in Fair Value of investments		(18,980)	55,889
<b>Total other comprehensive (loss) / income for the period</b>		<b>(18,980)</b>	<b>55,889</b>
<b>Total comprehensive income / (loss) for the period</b>		<b>6,133,516</b>	<b>(142,699)</b>
Gain per share from main operations		0.92	0.06
Basic and diluted gain per share		0.80	0.03



Financial Manager



CEO



Authorized Board of directors Member

The accompanying notes form an integrated part of these interim condensed financial statements

**WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY**  
(A Saudi Joint Stock Company)  
**CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022**  
(Saudi Riyals)

	<i>Capital</i>	<i>Fair value reserve of investments through other comprehensive income</i>	<i>Remeasurement of defined benefit plan reserve</i>	<i>Accumulated losses</i>	<i>Total</i>
<b>Balance at 1 January 2021 (audited)</b>	77,170,350	(581,873)	(1,056,317)	(13,187,214)	<b>62,344,946</b>
Net loss for the period	-	-	-	(198,588)	<b>(198,588)</b>
Other comprehensive income for the period	-	55,889	-	-	<b>55,889</b>
<b>Balance at 31 March 2021 (unaudited)</b>	<b>77,170,350</b>	<b>(525,984)</b>	<b>(1,056,317)</b>	<b>(13,385,802)</b>	<b>62,202,247</b>
<b>Balance at 1 January 2022 (audited)</b>	77,170,350	(531,258)	(33,914)	(23,745,401)	<b>52,859,777</b>
Net loss for the period	-	-	-	6,152,496	<b>6,152,496</b>
Other comprehensive loss for the period	-	(18,980)	-	-	<b>(18,980)</b>
<b>Balance at 31 March 2022</b>	<b>77,170,350</b>	<b>(550,238)</b>	<b>(33,914)</b>	<b>(17,592,905)</b>	<b>58,993,293</b>



Financial Manager



CEO



Authorized Board of directors Member

The accompanying notes form an integrated part of these interim condensed financial statements

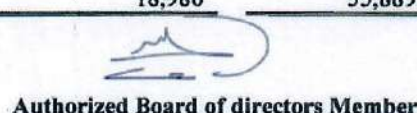


**WAFRAH COMPANY FOR INDUSTRY AND DEVELOPMENT**  
**(A Saudi Joint Stock Company)**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022**  
**(Saudi Riyals)**

	<b>31 March 2022</b> <b>(Unaudited)</b>	<b>31 March 2021</b> <b>(Unaudited)</b>
<b>Cash Flows from operating Activities:</b>		
Net loss before zakat	6,152,496	(198,588)
<b>Adjustments to:</b>		
Depreciation	1,954,379	2,124,585
Impairment Of Property, Plant And Equipment	-	468,578
Amortization	45,900	45,162
Provision for expected credit losses	384,331	387,689
Sales Provision	384,473	222,127
Employees' end of service cost	193,641	233,747
Zakat Estimated For The Period	300,000	200,000
Profit On Disposal Of Property, Plant And	-	(113,038)
	<b>9,415,220</b>	<b>3,370,262</b>
<b>Changes in:</b>		
Accounts receivable	(10,186,914)	(1,134,018)
Inventory	1,553,441	763,251
Prepayments and other receivables	(4,572,184)	(374,516)
Accounts payable	3,641,406	2,133,305
Accrued expenses and other credit balances	3,333,126	404,550
Due To Related Parties	-	270,736
<b>Cash from operation activities</b>	<b>3,184,095</b>	<b>5,433,570</b>
Zakat paid	(120,868)	(1,434,686)
Employees' defined benefits paid	(90,338)	(60,973)
<b>Net cash provided by operating activities</b>	<b>2,972,889</b>	<b>3,937,911</b>
<b>Cash Flows from Investing Activities:</b>		
Purchase of property, plant, and equipment	(277,796)	(751,929)
Proceeds from sale of investment property	(152,670)	-
Proceed From disposal of property, plant and equipment	-	118,200
<b>Net cash used in investing activities</b>	<b>(430,466)</b>	<b>(633,729)</b>
<b>Cash Flows from Financing Activities:</b>		
lease liabilities paid	86,114	-
Accrued Dividends Distribution	(135)	(200)
<b>Net cash used in financing activities</b>	<b>85,979</b>	<b>(200)</b>
<b>Net change in cash and cash equivalent during the period</b>	<b>2,628,402</b>	<b>3,303,982</b>
Cash and cash equivalents at beginning of the period	<b>9,330,328</b>	<b>2,391,880</b>
<b>Cash and cash equivalents at end of the period</b>	<b>11,958,730</b>	<b>5,695,862</b>
<b>Non-cash transactions</b>		
Net Change Fair Value Investment	18,980	55,889

  
**Financial Manager**

  
**CEO**

  
**Authorized Board of directors Member**

The accompanying notes form an integrated part of these interim condensed financial statements



# WAFRAH COMPANY FOR INDUSTRY AND DEVELOPMENT

(A Saudi Joint Stock Company)

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

))

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022

(Saudi Riyals)

### 1. ACTIVITIES

Wafrah Company for Industry and Development is a Saudi Joint Stock Company founded according to the commercial registration No. 1010076996 issued in Riyadh dated 24/10/1410H (corresponding to 18/05/1990). The paid-up capital of the Company is SR 200 million comprising of 20 million shares at a par value of SR 10 per share, during the year 2020, the Company's capital was reduced by amortizing the accumulated losses to SR 77,170,350 from 7,717,035 shares, each valued at SR 10.

The principal activities of the Company are the production of chilled and frozen meats, the manufacture of food products manufactured from potatoes, including (potato chips), the manufacture of cereal breakfast foods in the form of chips, and includes (corn flakes, chips ... etc.) and the manufacture of pasta of all kinds. The accompanying condensed interim financial statements represents Company's accounts and branch's which are as follows:

<u>Branch Name</u>	<u>Commercial registration No.</u>	<u>Activity</u>
Wafrah for Industry and Development CO. – Jeddah	4030108227	Marketing of the company's products
Wafrah for Industry and Development CO. – Dammam	2050028895	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 principles:

These condensed interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization of Certified Public Accountants (SOCPA) and should be read in conjunction with the Company's last annual financial statements as at and for the year ended 31 December 2019 ("last annual financial statements"). They do not include all of the information required for a complete set of IFRS financial statements, however; accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

#### (b) Preparation of the condensed interim financial statements:

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

- Equity investments is measured at condensed statement of comprehensive income.
- The Company's net obligation in respect of defined benefit plans is calculated separately for each individual plan by estimating amount of future benefits that employees have earned in the current and prior periods, deducting this amount and deducting the fair value of the plan assets.

The defined benefit obligation is calculated annually by a qualified actuary using the unit method. When the results of the calculation lead to the emergence of potential assets of the company. The credit expected assets recognized are limited to the present value of the economic benefits available in the form of future refunds from the program or in the form of a reduction in future contributions to the program. For the purpose of calculating the present value of economic benefits, the applicable minimum financing requirements are taken into account.

#### (c) Functional and presentation currency:

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



## **WAFRAH COMPANY FOR INDUSTRY AND DEVELOPMENT**

(A Saudi Joint Stock Company)

### **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022 (Saudi Riyals)**

---

#### **3. Use of Judgments and Estimates:**

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

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

#### **4. Going concern:**

The company reduced accumulated losses amounting to 6,152,496 Saudi riyals to be (16,915,175) as on March 31, 2022, and the company's current liabilities exceeded its current assets by 12,798,193 Saudi riyals on that date, the management conducted an assessment of the company's ability to continue as an existing facility, and came to the conviction 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 this Financial Statements. The company is in the process of increasing its capital by offering priority rights after getting the Capital market authority's approval to increase its capital at 4<sup>th</sup> April 2022, in order to support its working capital and support its operational operations, and therefore these statements were prepared on the basis of continuity.

#### **5. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied to these condensed interim financial statements are the same as those applied to the last year's financial statements as in the year ended December 31, 2021.

##### **New standards and amendments to standards and interpretations**

There are no new standards issued, however, there are number of amendments to standards which are effective from 1 January 2022 and has been explained in annual financial statements for the year ended 31 December 2021, but they do not have a material effect on the Company's condensed interim financial statements.

#### **6. STATUTORY RESERVE**

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



**WAFRAH COMPANY FOR INDUSTRY AND DEVELOPMENT**

(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)****FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022****(Saudi Riyals)****7. RELATED PARTIES TRANSACTION****7.1 Balances with 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 March 2021 and 2020 along with their balances:

Due from related party balances represent as follow:

Name	Nature of relationship	Balance as of	
		31 March 2022	31 December 2021
Rakhaa Agricultural Investment and development Company	Sister Company	1,280,576	1,280,576
Premium Meat Company	Related party to a board member *	110,730	110,730
		<b>1,391,306</b>	<b>1,391,306</b>

\* On the date 11 March 2021 the board member resigned.

**7.2 Transactions with related parties**

Name	Nature of transaction	Transaction amount	
		31 March 2022	31 December 2021
Rakhaa Agricultural Investment and development Company	Finance	-	555,000
Premium Meat Company	Sales	-	756,839
Premium Meat Company	Purchases	-	646,109

**7.3 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 March 2022	31 March 2021
Salaries and compensation	462,900	354,867
Allowances	158,946	146,324
Annual incentives	45,525	17,475
	<b>667,371</b>	<b>518,666</b>



**WAFRAH COMPANY FOR INDUSTRY AND DEVELOPMENT**

(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)****FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022****(Saudi Riyals)****8. LONG TERM GOVERNMENT LOAN**

The company obtained a long-term loan from the Saudi Industrial Development Fund on 09/05/2012 in order to finance the establishment and expansion of frozen vegetables and potatoes production plant, the total of the approved facilitate loan amounted to SR 34,000,000. The loan is to be paid over a period of six-years and the semi-annual installments start from August 1, 2015, and during 2016, the loan was rescheduled, with the first installment due after the rescheduling on 2/1/2019. This amount was paid in SAR 1,000,000 during 2015, SAR 1,500,000 in 2016, and 3,500,000 in 2018, and 2,500,000 Saudi riyals during 2021 so the total value of the loan as of March 31, 2022 the amount of 25,500,000 Saudi riyals. During 2019, the loan was rescheduled, with the first installment due after the rescheduling on 1/12/2020, and has not been repaid. During the year 2021 this amount was paid in SR 2,500,000. The loan is secured by mortgaging the entire food plant to fully produce the meat and the food plant to completely freeze the vegetables in favor of the fund as collateral for the loan. The loan agreement contains pledges that include, among other things, to reduce future capital expenditures to maintain certain financial ratios. The long-term loan movement represents as follow:

	31 March 2022 (Unaudited)	31 December 2021 (Audited)
Balance at beginning of the period / year	25,500,000	28,000,000
Paid during the period / year	-	(2,500,000)
<b>Total long-term government loan</b>	<b>25,500,000</b>	<b>25,500,000</b>
Current portion of long-term government loan	(19,500,000)	(19,500,000)
<b>Non-current portion of long-term government loan</b>	<b>6,000,000</b>	<b>6,000,000</b>

**9. REFUND LIABILITIES**

	31 March 2022 (Unaudited)	31 December 2021 (Audited)
<b><u>Sales discount:</u></b>		
Balance at beginning of the period / year	739,349	784,627
Additions during the period / year	875,910	6,563,587
Used during the period / year	(630,108)	(6,608,865)
<b>Balance at end of the period / year</b>	<b>985,151</b>	<b>739,349</b>
<b><u>Sales returns:</u></b>		
Balance at beginning of the period / year	581,329	900,079
Additions during the period / year	138,671	1,634,433
Used during the period / year	-	(1,953,183)
<b>Balance at end of the period / year</b>	<b>720,000</b>	<b>581,329</b>
<b>Total</b>	<b>1,705,151</b>	<b>1,320,678</b>



**WAFRAH COMPANY FOR INDUSTRY AND DEVELOPMENT**

(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022  
(Saudi Riyals)****10. SALES, NET**

	31 March 2022 (Unaudited)	31 March 2021 (Unaudited)
Sales of pastry factory	13,797,620	11,652,257
Sales of vegetables factory	20,865,468	8,759,793
Sales of food and meet factory	2,150,115	3,352,112
Sales of Breakfast cereals factory	581,916	706,796
<b>Total</b>	<b>37,395,119</b>	<b>24,470,958</b>
Deduct: Sales discount	(1,394,290)	(2,117,727)
Deduct: Sales return	(1,439,230)	(782,801)
<b>Net</b>	<b>34,561,599</b>	<b>21,570,430</b>

**11. EARNINGS PER SHARE**

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

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

	For the three-period ended as at	
	31 March 2022 (Unaudited)	31 March 2021 (Unaudited)
Net income for the period	6,152,496	(198,588)
Weighted average number of shares	7,717,035	7,717,035
<b>Earnings per share - basic and diluted</b>	<b>0.80</b>	<b>(0.03)</b>
Net income from the main operation	7,123,942	499,574
<b>Weighted average number of shares outstanding for basic &amp; diluted EPS</b>	<b>7,717,035</b>	<b>7,717,035</b>
<b>Earnings per share - Operation</b>	<b>0.92</b>	<b>0.06</b>

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

**12. FINANCIAL INSTRUMENTS****Fair value measurement**

Fair value represents the amount may be collected from the asset sale or a boost to convert commitment between knowledgeable parties on the same terms and dealing with others and depends on the fair value measurement of the following conditions:

1. In the principal market for the assets or liabilities, or
2. The most advantageous market for the asset or liability in the absence of a principal market the company should be able to handle through the most advantageous market.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs). If the inputs used to measure the fair value of a financial asset at fair value measures.



**WAFRAH COMPANY FOR INDUSTRY AND DEVELOPMENT**

(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022**

**(Saudi Riyals)**

**12. FINANCIAL INSTRUMENTS (continued)****Fair value levels**

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

<b>31 March 2022 (unaudited)</b>	<b>Amount</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Investments determined by fair value through other comprehensive income	705,461	705,461	-	-
<b>31 December 2021 (audited)</b>				
Investments determined by fair value through other comprehensive income	724,441	724,441	-	-

**Transfers between Levels 1 & 2**

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

**Risk management**

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

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

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

**Risk management framework**

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

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

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

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

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

**Credit risk**

Credit risk represents the risk that the Company will incur a financial loss as a result of a failure of the customer or the counterparty to meet a financial instrument with its contractual obligations. These risks arise mainly from its bank balances, trade and other receivables.

The Company's exposure to credit risk is mainly affected by the specificity of each customer. The demographic nature of the Company's customers, including the default risk of the activity and the country in which the customer operates, has a lower impact on credit risk.



## **WAFRAH COMPANY FOR INDUSTRY AND DEVELOPMENT**

(A Saudi Joint Stock Company)

### **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022 (Saudi Riyals)**

---

#### **12. FINANCIAL INSTRUMENTS (continued)**

##### **Credit risk (continued)**

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

##### **Liquidity risk**

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

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

##### **Market risk**

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

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

##### **Currency risk**

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

##### **Capital Management**

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

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

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

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



**WAFRAH COMPANY FOR INDUSTRY AND DEVELOPMENT**

(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022  
(Saudi Riyals)****13. LIABILITIES TO ADJUSTED CAPITAL RATIO**

	31 March 2022 (Unaudited)	31 December 2021 (Audited)
Liabilities at the end of the period / year	78,122,813	70,971,724
Less: Cash and cash equivalents	(11,958,730)	(9,330,328)
<b>Net liabilities</b>	<b>66,164,083</b>	<b>61,641,396</b>
Adjusted capital	59,704,937	52,859,777
	<b>%110.82</b>	<b>%116.61</b>

**14. SEGMENT INFORMATION**

The Company's operations are principally comprised of four operating segment (manufacturing, producing and marketing frozen potatoes slides, manufacturing, producing and marketing all kind of macaroni, manufacturing, producing and marketing meat products and manufacturing, producing and marketing breakfast beans). Following is the segments financial statements as of 31 March 2022:-

Profit and loss items	Pasta sector	Vegetable sector	Breakfast beans sector	Meat products sector	Total
Sales (Net)	11,835,901	20,512,732	497,772	1,715,194	34,561,599
Cost of Sales	(5,138,076)	(9,996,987)	(1,713,628)	(4,571,765)	(21,420,456)
<b>Gross Margin</b>	<b>6,697,825</b>	<b>10,515,745</b>	<b>(1,215,856)</b>	<b>(2,856,571)</b>	<b>13,141,143</b>
Administrative and General expenses	(567,001)	(1,103,196)	(189,104)	(504,507)	(2,363,808)
Selling and marketing expenses	(876,331)	(1,705,049)	(292,270)	(779,743)	(3,653,393)
<b>Income / (loss) from the main operation</b>	<b>5,254,493</b>	<b>7,707,500</b>	<b>(1,697,230)</b>	<b>(4,140,821)</b>	<b>7,123,942</b>
Provision for expected credit losses	(92,189)	(179,368)	(30,746)	(82,028)	(384,331)
Impairment of property, plant and equipment	-	-	-	-	-
Finance charges	(49,413)	(96,141)	(16,480)	(43,966)	(206,000)
Finance cost	(9,483)	(18,451)	(3,163)	(8,438)	(39,535)
Other Income	(9,974)	(19,406)	(3,326)	(8,874)	(41,580)
<b>Income / (loss) for the period before Zakat</b>	<b>5,093,434</b>	<b>7,394,134</b>	<b>(1,750,945)</b>	<b>(4,284,127)</b>	<b>6,452,496</b>
Zakat	(71,960)	(140,011)	(24,000)	(64,029)	(300,000)
<b>Income / (loss) for the year</b>	<b>5,021,474</b>	<b>7,254,123</b>	<b>(1,774,945)</b>	<b>(4,348,156)</b>	<b>6,152,496</b>

**15. INTERIM RESULTS**

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



## **WAFRAH COMPANY FOR INDUSTRY AND DEVELOPMENT**

(A Saudi Joint Stock Company)

### **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022 (Saudi Riyals)**

---

#### **16. IMPORTANT EVENTS**

- A- In response to the spread of the Covid-19 virus around the world and the resulting disruption to 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 actions, including the formation of teams and ongoing crisis management operations to ensure the health and safety of its employees, customers and society as a broader scope, as well as ensuring the continuity of supplying its products in all its markets.

Based on these factors, the company's management believes that the Covid-19 epidemic did not have a material impact on the company's financial results that were reported for the period ending on 30 September 2021.

In view of the continuation of the pandemic, the company is closely monitoring the situation, especially in the coming months of this year, and the company expects the situation to improve gradually and hopes that the outbreak of Covid 19 will end during the current year.

- B- On 22 May 2021, the Company's Board of Directors issued a recommendation to increase the Company's capital of SAR 154,340,700, and the Company appointed an issuer, a legal advisor and a financial advisor to manage the increase. A request to increase the capital was submitted to the Capital Market Authority and the Company obtained the approval of the Capital Market Authority on 4 April 2022.

#### **17. Comparative numbers**

The comparative figures for the previous period ended 31 March 2021 have been modified to correspond with the figures of the current period.

#### **18. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS**

The condensed interim financial statements were approved by The Board of Directors on 8 May 2022 (7 Shawwal 1443H).