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

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND SIX MONTH PERIODS ENDED
JUNE 30, 2018
TOGETHER WITH REPORT ON THE REVIEW OF
INTERIM CONDENSED FINANCIAL STATEMENTS

Crowe Horwath™
Al Azem & Al Sudairy
CPA's & Consultants
Member Crowe Horwath International

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

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REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying interim condensed statement of financial position of **WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY (the "Company")** as at 30 June 2018, and the related interim condensed statement of comprehensive income for the three and six month periods ended 30 June 2018, and the related interim condensed statements of changes in shareholders' equity and cash flows for the six months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard (34) "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

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

Conclusion

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

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Al Azem & Al Sudairy
Certified Public Accountants

AlAzem & AlSudairy
Certified Public Accountants

Salman B.Alsudairy
License No. 283

6 Moharram 1440H (September 16, 2018)
Riyadh, Kingdom of Saudi Arabia

WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF INTERIM CONDENSED FINANCIAL POSITION
AS OF 30 JUNE 2018
(Saudi Riyals)

	Note	30 June 2018 (Unaudited)	31 December 2017 (Audited)
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment, net		112,112,594	116,433,138
Investments in companies, net		9,241,438	9,241,438
Real estate investments		11,127,708	11,127,708
Investments determined by fair value through other comprehensive income		920,158	605,179
TOTAL NON CURRENT ASSETS		**133,401,898**	**137,407,463**
CURRENT ASSETS			
Accounts receivable, net		43,504,441	24,165,997
Inventory, net		26,784,520	26,184,855
Prepayments and other debit balances		11,050,229	8,649,182
Cash and cash equivalents		5,101,151	5,489,742
TOTAL CURRENT ASSETS		**86,440,341**	**64,489,776**
TOTAL ASSETS		**219,842,239**	**201,897,239**
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Capital	(1)	200,000,000	200,000,000
Statutory reserve	(4)	7,202,424	7,202,424
Fair value reserve		(335,541)	(650,520)
Accumulated losses		(77,256,384)	(75,395,362)
TOTAL SHAREHOLDERS' EQUITY		**129,610,499**	**131,156,542**
LIABILITIES			
NON CURRENT LIABILITES			
Non - current portion of long term government loan	(5)	21,000,000	21,000,000
Employees' end of service indemnities		5,431,927	5,665,082
TOTAL NON CURRENT LIABILITIES		**26,431,927**	**26,665,082**
CURRENT LIABILITIES			
Accounts payable		32,240,832	24,962,160
Oversubscribed payable		3,258,720	3,258,720
Accrued expenses and other credit balances		4,475,962	1,899,683
Accrued dividends distribution	(6)	1,199,975	1,200,525
Current portion of long term government loan	(5)	8,000,000	10,500,000
Provisions	(7)	11,869,797	--
Zakat estimated provision		2,754,527	2,254,527
TOTAL CURRENT LIABILITIES		**63,799,813**	**44,075,615**
TOTAL LIABILITIES		**90,231,740**	**70,740,697**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**219,842,239**	**201,897,239**

Finance Manager **CEO** **Authorized Member**

The accompanying notes from (1) to (15) are integrated part of these interim condensed financial statements

WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2018
(Saudi Rivals)

	Note	For the three period ended 30 June		For the six period ended 30 June	
		2018 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2017 (Unaudited)
Sales, net	(8)	24,097,806	21,285,835	48,110,521	36,955,099
Cost of sales		(15,681,327)	(15,792,131)	(32,862,523)	(30,234,564)
Gross operation income		**8,416,479**	**5,493,704**	**15,247,998**	**6,720,535**
General and administrative expenses		(2,179,381)	(2,198,313)	(4,655,493)	(4,664,149)
Selling and distributing expenses		(4,345,129)	(3,838,861)	(9,488,505)	(7,346,664)
Net income (loss) from the main operation		**1,891,969**	**(543,470)**	**1,104,000**	**(5,290,278)**
Other income		18,453	297,123	34,978	317,912
Net income (loss) for the period before estimated zakat		**1,910,422**	**(246,347)**	**1,138,978**	**(4,972,366)**
Estimated zakat		(250,000)	(250,000)	(500,000)	(475,000)
Net income (loss) for the period		**1,660,422**	**(496,347)**	**638,978**	**(5,447,366)**
OTHER COMPREHENSIVE INCOME:					
Net change in fair value reserve		165,135	(15,290)	314,979	18,454
Total comprehensive income (loss) for the period		**1,825,557**	**(511,637)**	**953,957**	**(5,428,912)**
Income (loss) per share					
From net income (loss) from the main operation for the period		0.095	(0.027)	0.055	(0.26)
From net income (loss) for the period		0.083	(0.025)	0.032	(0.27)

Finance Manager **CEO** **Authorized Member**

The accompanying notes from (1) to (15) are integrated part of these interim condensed financial statements

WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018
(Saudi Riyals)

	Capital	Statutory reserve	Fair value reserve	Accumulated losses	Total
Balance at 1 January 2017	200,000,000	7,202,424	(685,846)	(25,393,932)	181,122,646
Net loss for the period	--	--	--	(5,447,366)	(5,447,366)
Other comprehensive income	--	--	18,454	--	18,454
Balance at 30 June 2017 (Unaudited)	**200,000,000**	**7,202,424**	**(667,392)**	**(30,841,298)**	**175,693,734**
Balance at 1 January 2018	200,000,000	7,202,424	(650,520)	(75,395,362)	131,156,542
Impact of adoption of IFRS 9	--	--	--	(2,500,000)	(2,500,000)
Net income for the period	--	--	--	638,978	638,978
Other comprehensive income	--	--	314,979	--	314,979
Balance at 30 June 2018 (Unaudited)	**200,000,000**	**7,202,424**	**(335,541)**	**(77,256,384)**	**129,610,499**

Finance Manager **CEO** **Authorized Member**

The accompanying notes from (1) to (15) are integrated part of these interim condensed financial statements

WAFRAH FOR INDUSTRY AND DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018
(Saudi Rivals)

	30 June 2018 (Unaudited)	30 June 2017 (Unaudited)
Cash Flows from operating Activities:		
Net income (loss) for the period	638,978	(5,447,366)
Adjustments to:		
Depreciation for the period	4,745,662	6,972,513
Provision for doubtful debts	498,352	--
Provisions	11,869,797	--
Zakat estimated for the period	500,000	475,000
Employees' end of service indemnities	309,688	327,910
Gain on sale of property, plant and equipment	--	(103,972)
	18,562,477	**2,224,085**
Changes in:		
Accounts receivable	(22,336,796)	(445,004)
Inventory	(599,665)	(7,992,790)
Prepayments and other debit balances	(2,401,047)	(507,001)
Accounts payable	7,278,672	7,305,038
Oversubscribed payable	--	(3,500)
Accrued expenses and other credit balances	2,576,279	(30,308)
Cash from operation activities	**3,079,920**	**550,520**
Paid up Zakat	--	(2,141,297)
Employees' end-of-service indemnities paid	(542,843)	(586,698)
Net cash provided by (used in) operating activities	**2,537,077**	**(2,177,475)**
Cash Flows from Investing Activities:		
Paid in purchase in property, plant and equipment	(425,118)	(50,235)
Proceeds from sale of property, plant and equipment	--	171,403
Net cash (used in) provided by investing activities	**(425,118)**	**121,168**
Cash Flows from Financing Activities:		
Long term government loan	(2,500,000)	--
Accrued dividends distribution	(550)	(335)
Net cash used in financing activities	**(2,500,550)**	**(335)**
Decrease in cash and cash equivalent during the period	**(388,591)**	**(2,056,642)**
Cash and cash equivalents at beginning of the period	5,489,742	4,268,368
Cash and cash equivalents at end of the period	**5,101,151**	**2,211,726**
Non-cash transactions:		
Impact of adoption of IFRS 9	2,500,000	--
Net change fair value investments	314,979	18,454

Finance Manager **CEO** **Authorized Member**

The accompanying notes from (1) to (15) are integrated part of these interim condensed financial statements

1. ACTIVITES

Wafrah for Industry and Development Company is a Saudi Joint Stock Company founded according to the commercial registration No. 1010076996 issued in Riyadh dated 24/10/1410H (corresponding to 18/05/1990). The paid up capital of the Company is 200 Million Saudi Riyals comprising of 20 million shares at a par value of Saudi Riyals 10 per share.

The principal activities of the Company are manufacturing, canning, preserving, processing and development and marketing of food products for the local and foreign markets and taking advantage of seasonal surplus from agricultural crops, especially those which are perishable in nature, which are presented to the consumers after treatment and are subjected to varying degrees of agro-processing services.

The accompanying interim condensed financial statements represents Company's financial statements and those of its branch's which are as follows:

Branch Name	Commercial registration No.	Activity
Wafrah for Industry and Development CO. – Jeddah	4030108227	Marketing of the company's products
Wafrah for Industry and Development CO. – Dammam	2050028895	Marketing of the food products
Wafrah for Industry and Development CO. – Khamis Mushait	5855339110	Marketing of the company's products

2. BASIS OF PREPARATION

(a) Applied accounting principles:

These interim condensed 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 2017 ("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.

This is the first set of interim condensed financial statements where IFRS 15 and IFRS 9 have been applied. Changes to significant accounting policies are described in Note 3-1.

(b) Preparation of the interim condensed financial statements:

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

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

(c) Functional and presentation currency:

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

(d) Use of Judgments and Estimates

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

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for new significant judgments and key sources of estimation uncertainty related to the application of IFRS 15 and IFRS 9, which are described in Note 3-1.

Use of Judgments and Estimates (continued)

Change in Accounting Estimate
In accordance with its policy, the Company reviews the estimated useful lives of its fixed assets on an ongoing basis. This review indicated that the actual lives of certain property, plant and equipment at its manufacturing plants were longer than the estimated useful lives used for depreciation purposes in the Company's financial statements. As a result, effective 1 January 2018, the Company changed its estimates of the useful lives of its property, plant and equipment to better reflect the estimated periods during which these assets will remain in service. The effect of this change in estimate for the six months period ended 30 June 2018 is an increase in net income by SAR 818,952, and increase in earnings per share by SAR 0.0409.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

The Company applies, for the first time, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. As required by IAS 34, the nature and effect of these changes are disclosed below.

IFRS 15 Revenue from contracts with Customers

The Company has applied IFRS 15 using the cumulative effect method and therefore the comparative information has not been restated and continues to be reported under IAS 18. The details of accounting policies under IAS 18 are disclosed separately if they are different from those under IFRS 15 and impact of changes is disclosed in Note 3-3.

IFRS 9 Financial instruments

The Company has elected to apply the exemption in IFRS 9 paragraph 7.2.15 relating to transition for classification and measurement, and accordingly has not restated comparative periods in the year of initial application. Accordingly, any adjustments to carrying amounts of financial assets or liabilities are recognized at the beginning of the current reporting period, with the difference recognized in opening retained earnings. Therefore, financial assets are not reclassified in the statement of interim condensed financial position for the comparative period and provisions for impairment of accounts receivable have not been restated in the comparative period.

The details of accounting policies under IAS 39 are disclosed separately if they are different from those under IFRS 9 and impact of changes is disclosed in Note 3-3.

3-2 Significant accounting policy

Revenue accounting policy
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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3-2 Significant accounting policy (continued)

Revenue accounting policy (continued)

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 judgements and estimates
The following is a description, accounting policies and significant judgements of the principal activities from which the Company generates revenue.

(a) Sale of goods
Revenue is recognized when control of the products has been transferred, being when the products are delivered to the customer. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer.

In these contracts, the Company is primarily responsible for fulfilling the promise to provide the specified food products. The Company bears inventory risk before the food products has been transferred to the customer. In addition, the Company has discretion in establishing the price for the food products. The Company bears credit risk on these transactions as it is obliged to pay the supplier even if the customer defaults on a payment.

(b) Volume discounts
Revenue is often sold with volume discounts based on aggregate sales over a 12 months period. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts.
Accumulated experience and contracted discount are used to determine for the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3-2 Significant accounting policy (continued)

(c) Sales return
Revenue is recognized, minus sales return.

The accumulated experience is used to estimate the volume of sales returns using the expected value method, and revenue is recognized only to the extent that it is highly probable that a significant reversal will not occur. The expected sales returns are recognized in the amount of payable to customers in relation to sales made until the end of the reporting period.

Financial instruments accounting policy
The Company recognizes a financial asset or a financial liability in its statement of interim condensed financial position when it becomes a party to the contractual provisions of the instrument.

At initial recognition, the company must measure the financial asset or financial liability at its fair value plus or minus transaction costs that can be directly attributed to the acquisition or issuance of the financial asset or financial liability. Except for financial assets or financial liabilities at fair value through profit or loss.

Financial assets
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;

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3-2 Significant accounting policy (continued)

(a) Financial assets classified as amortized cost (continued)

- 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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3-2 Significant accounting policy (continued)

(c) Financial assets classified as FVPL (continued)

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.

(b) 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).

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.

Investment revaluation 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 retained earnings.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3-2 Significant accounting policy (continued)

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 rare 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.

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 other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the interim condensed statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3-2 Significant accounting policy (continued)

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. SIGNIFICANT ACCOUNTING POLICIES (continued)

3-3 Impact of applying IFRS 15 and IFRS 9 on the interim condensed financial statements

Interim condensed statement of financial position as at 30 June 2018:

	Balances without adoption of IFRS 15 and IFRS 9	Adjustments	As reported
ASSETS			
NON CURRENT ASSETS			
Property, plants and equipment, net	112,112,594	--	112,112,594
Investments in companies, net	9,241,438	--	9,241,438
Real estate investments	11,127,708	--	11,127,708
Investments determined by fair value through other comprehensive income	920,158	--	920,158
TOTAL NON CURRENT ASSETS	**133,401,898**	--	**133,401,898**
CURRENT ASSETS			
Accounts receivable, net	46,502,793	(2,998,352)	43,504,441
Inventory, net	26,784,520	--	26,784,520
Prepayments and other debit balances	11,050,229	--	11,050,229
Cash and cash equivalents	5,101,151	--	5,101,151
TOTAL CURRENT ASSETS	**89,438,693**	**(2,998,352)**	**86,440,341**
TOTAL ASSETS	**222,840,591**	**(2,998,352)**	**219,842,239**
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Capital	200,000,000	--	200,000,000
Statutory reserve	7,202,424	--	7,202,424
Fair value reserve	(335,541)	--	(335,541)
Accumulated losses	(62,388,235)	(14,868,149)	(77,256,384)
TOTAL SHAREHOLDERS' EQUITY	**144,478,648**	**(14,868,149)**	**129,610,499**
LIABILITIES			
NON CURRENT LIABILITES			
Non-current portion of long term government loan	21,000,000	--	21,000,000
Employees' end of service indemnities	5,431,927	--	5,431,927
TOTAL NON CURRENT LIABILITIES	**26,431,927**	--	**26,431,927**
CURRENT LIABILITIES		--	
Accounts payable	32,240,832	--	32,240,832
Oversubscribed payable	3,258,720	--	3,258,720
Accrued expenses and other credit balances	4,475,962	--	4,475,962
Accrued dividends distribution	1,199,975	--	1,199,975
Current portion of long term government loan	8,000,000	--	8,000,000
Provisions	--	11,869,797	11,869,797
Zakat estimated provision	2,754,527	--	2,754,527
TOTAL CURRENT LIABILITIES	**51,930,016**	**11,869,797**	**63,799,813**
TOTAL LIABILITIES	**78,361,943**	**11,869,797**	**90,231,740**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**222,840,591**	**(2,998,352)**	**219,842,239**

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3-3 Impact on the interim condensed financial statements (continued)

Interim condensed statement of comprehensive income for the six months period ended 30 June 2018:

	Balances without adoption of IFRS 15 and IFRS 9	Adjustments	As reported
Sales, net	59,980,318	(11,869,797)	48,110,521
Cost of sales	(32,862,523)	--	(32,862,523)
Gross operating income	**27,117,795**	**(11,869,797)**	**15,247,998**
General and administrative expenses	(4,655,493)	--	(4,655,493)
Selling and distributing expenses	(8,990,153)	(498,352)	(9,488,505)
Net profit from the main operation	**13,472,149**	**(12,368,149)**	**1,104,000**
Other revenue	34,978	--	34,978
Net profit for the period before Zakat estimated	**13,507,127**	**(12,368,149)**	**1,138,978**
Zakat estimate	(500,000)	--	(500,000)
Net profit for the period	**13,007,127**	**(12,368,149)**	**638,978**
OTHER COMPREHENSIVE INCOME:			
Net change in fair value reserve	314,979	--	314,979
Total other comprehensive income for the period	**314,979**	--	**314,979**
Net comprehensive income for the period	**13,322,106**	**(12,368,149)**	**953,957**

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3-4 Changes in accounting policies

a) IFRS 9 financial instruments

Reclassification from loans and receivables to financial assets at amortized cost
Financial assets classified as loans and receivables under IAS 39 that were measured at amortized cost continue to be measured at amortized cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

Measurement of financial instruments
The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Company to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For Trade and other receivables, the Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The adoption of the ECL requirements of IFRS 9 resulted increase in impairment allowances of the Company's debt financial assets. The increase in allowance resulted in adjustment to Retained earnings.

The impact of the change in impairment methodology on the Company's equity is SAR 2,500,000. The impact on interim condensed statement of comprehensive income for the three months ended 31 March 2018, resulting in increases in selling and distributing expenses amounting to SAR 498,352 respectively.

b) IFRS 15 Revenue from contracts with customers

Under IAS 18, the Company recognized revenue from providing services in the reporting period in which the services are rendered and revenue from sale of goods when a customer obtains controls of the goods at a point in time i.e. on delivery, which is in line with the requirements of IFRS 15. As a result, there is no material impact of adopting 'IFRS 15 Revenue from Contracts with Customers'.

Under IFRS 15, any earned consideration that is conditional should be recognized as a contract asset rather than receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3-5 New standards and amendments and interpretations not yet adopted

New Standards issued but not yet effective

- IFRS 16 Leases (effective from 1 January 2019).

Annual Amendments to IFRS (2015–2017 Cycle)

- IFRS 3 Business combinations.
- IAS 12 Income Taxes.
- IAS 23 Borrowing costs.

Other Amendments

The following amendment to standards are not yet effective and neither expected to have a significant impact on the Company's interim condensed Financial Statements:

- Prepayment Features with Negative Compensation (Amendments to IFRS 9).
- Plan Amendments, Curtailment or Settlement (Amendments to IAS 19).

4. STATUTORY RESERVE

In accordance with the Saudi Arabian Companies Regulations and the Company's statue 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. Until the date of the interim condensed financial statements the article of association has not been modified to agree with paragraph related to adjusting statutory reserve on new Regulation for Companies.

5. LONG TERM GOVERNMENT LOAN

The company obtained a long-term loan from the Saudi Industrial Development Fund on 09/05/2012 in order to finance the establishment and expansion of frozen vegetables and potatoes production plant, on December 31, 2016 with an amount of SAR 31,500,000 out of the total of the approved facilitate loan amounted SAR 34,000,000. The loan is repayable in a period of six-years and the semi-annual installments started from August 1, 2015. During the fourth quarter from the year ended December 31, 2015, the Company repaid SAR 1,000,000 and during the fourth quarter from the year ended December 31, 2016, the Company repaid SAR 1,500,000. During 2016, the loan has been re-scheduling out of which full loan amounting to SAR 31,500,000 represents the first installment due after rescheduling on 02/01/2018. During the period ended June 30, 2018, the Company paid SAR 2,500,000 to be the total loan amount SAR 29,000,000 as of June 30, 2018. The loan is secured by mortgaging the entire food factory for the production of meat and the entire food plant to freeze vegetables as a collateral for the loan. The Loan Agreement contains commitments include, among other things, limit the future to maintain certain financial ratios capital expenditure. The long term loan movement represents as follow:

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Balance at beginning of the period / year	31,500,000	31,500,000
Paid during the period / year	(2,500,000)	--
Additions during the period / year	--	--
Total long-term government loan	**29,000,000**	**31,500,000**
Current portion of long term government loan	(8,000,000)	(10,500,000)
Non-current portion of long term government loan	**21,000,000**	**21,000,000**

6. ACCRUED DIVIDEND DISTRIBUTION

The balance which appears in the accompanying financial statements represents the remaining amounts decided in the common general assembly meeting, and dividends distribution for the previous years which are not received by the shareholders up to 30 June 2018.

7. PROVISIONS

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Sales discount:		
Balance at beginning of the period / year	--	--
Additions during the period / year	7,807,450	--
Paid / adjustments during the period / year	--	--
Balance at end of the period / year	7,807,450	--
Sales return:		
Balance at beginning of the period / year	--	--
Additions during the period / year	4,062,347	--
Paid / adjustments during the period / year	--	--
Balance at end of the period / year	4,062,347	--
Total	**11,869,797**	--

8. SALES, NET

	30 June 2018 (Unaudited)	30 June 2017 (Audited)
Sales of pastry factory	31,002,424	26,612,179
Sales of vegetables factory	25,219,055	21,039,127
Sales of food and meet factory	3,621,276	3,171,795
Sales of Breakfast cereals factory	137,563	212,156
Total	**59,980,318**	**51,035,257**
Deduct: Sales discount	(7,807,450)	(9,554,526)
Deduct: Sales return	(4,062,347)	(4,525,632)
Net	**48,110,521**	**36,955,099**

9. INCOME (LOSS) PER SHARE

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

10. FINANCIAL INSTRUMENTS

Fair value measurement

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

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

10. FINANCIAL INSTRUMENTS (continued)

Fair value measurement (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 an 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, 2017.

Fair value levels

Fair value of financial assets and financial liabilities of the Company Fair value is not determined on an ongoing basis:

We believe that the carrying amounts of the financial assets and financial liabilities denominated in the Company's interim condensed financial statements approximate their fair value because management believes that the carrying amount is approximately fair value due either to short term maturity or to interest rates Re-priced during the period.

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 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, other assets, investments, creditors, accrued liabilities, government loan and other non-current liabilities.

10. FINANCIAL INSTRUMENTS (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 the counterparty to meet a financial instrument with its contractual obligations. These risks arise mainly from its bank balances, trade and other receivables.

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

The carrying amount of the financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the interim condensed 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 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.

11. ADJUSTED LIABILITIES TO CAPITAL RATIO

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Liabilities at the end of the period / year	63,799,813	44,075,615
Less: Cash and cash equivalents	(5,101,151)	(5,489,742)
Net liabilities	**58,698,662**	**38,585,873**
Adjusted capital	129,610,499	131,156,542
	45%	**29%**

12. SEGMENT INFORMATION

The Company's operations are principally comprised of one operating segment, which is manufacturing, producing and marketing food products as of the date of the accompanying financial statements. Accordingly, segment information is not applicable. Furthermore, Most of the Company's operations are conducted in Saudi Arabia.

13. INTERIM RESULTS

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

14. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

There are no events after the reporting period requiring separate adjustment or disclosure in these interim condensed financial statements.

15. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements were approved by The Board of Directors on 06 Moharram 1440H (September 16, 2018).