HERFY FOOD SERVICES COMPANY
(A Saudi Joint Stock Company)

THE FINANCIAL STATEMENTS
AND AUDIT REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

HERFY FOOD SERVICES COMPANY
(A Saudi Joint Stock Company)
THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Independent Auditors' Report

To the Shareholders of

Herfy For Food Services -Joint Stock Company

Riyadh, Kingdom of Saudi Arabia

Opinion

We have audited the financial statements of Herfy For Food Services-Saudi Joint Stock Company ("the Company") which comprise the statement of financial position as at 31 December 2017, the statements of profit or loss and comprehensive income, changes in equity and cash flows for the year then ended. and notes. comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed inthe Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

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 opinion.

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 informing our opinion thereon. and we do not provide a separate opinion on these matters.

Valuation of Inventories

Inventories are stated at the lower of cost and net realizable value and an allowance is made by the Company, where necessary, for slow moving inventories. The management determines the level of obsolescence of inventories considering the nature. ageing profile, its expiry and sales expectations using historic trends and other qualitative factors. Further, at each reporting at each reporting date, management reviews the valuation of inventories and the costs of inventories are written down where inventories are forecasted to be sold at below cost.

We consider this as a key audit matter due to the significant judgments and key assumptions applied by the management in determining the allowance for slow moving inventories and the level of inventories write down required based on Net Realisable Value (NRV) assessment

We performed the following audit procedures in relation to valuation of inventories:

Assessed the design and implementation. and tested the effectiveness of the Company's control around determination and monitoring of the allowance for slow moving inventories;

- Evaluated the Company's policy for allowance for slow moving inventories by performing retrospective testing, comparing historical estimates with actual results;
- Checked that the allowance for slow moving inventories is computed in accordance with the Company's policy based on the inventories' ageing report;
- Inquired for any identified expired or slow-moving inventories during our attendance of physical counts on selected locations; and
- Tested the Net Realisable Values of finished goods inventories by considering actual sales post year-end and the assumptions used by the management to check whether inventories are valued at the lower of cost and Net Realisable Value.

Revenue recognition

The Company's sales arrangements are generally straightforward, being on a point of sale basis with a right of return provided to the buyer in case of expiry of the product sold. Further, there continues to be pressure on the Company to meet expectations and targets. which may cause misstatement of revenue.

Revenue recognition is considered a key audit matter as there is a risk that management may override controls to misstate revenue transactions. either through inappropriate assessment of the sales return or by recording fictitious revenue transactions.

We performed the following procedures in relation to revenue recognition:

Our procedures included considering the appropriateness of revenue recognition as per the Company policies, and assessing compliance with applicable accounting standards. We tested the design and effectiveness of internal controls implemented by the Company through the revenue cycle. We tested sales transactions taking place at either side of the statement of financial position date to assess whether the revenue was recognised in the correct period.

We also performed an analytical review on revenue based on trends of sales and profit margins

IFRSs transition

For all periods up to and including the year ended 13 December, 2016, the Company prepared and presented its statutory Financial Statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by SOCPA.

For the financial periods commencing 1 January, 017. the applicable regulations require the Company to prepare and present its Financial Statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and endorsed in the Kingdom of Saudi Arabia and other standards and renouncements that are issued by SOCPA IFRS as endorsed in Kingdom of Saudi Arabia.

Accordingly, the Company has prepared its Financial Statements, for the year ended 31 December 2017, under IFRS as endorsed in Kingdom of Saudi Arabia using IFRS 1 - "First time Adoption of International Financial Reporting Standards" (IFRS 1).

As part of this transition to IFRS as endorsed in Kingdom of Saudi Arabia. The Company's arrangement performed a detailed gap analysis to identify differences between previous reporting framework and IFRS as endorsed in Kingdom of Saudi Arabia, determined the transition adjustments in light of this gap analysis and relevant requirements of IFRS 1, and assessed the additional disclosures required in the financial statements.

We considered this as a key audit matter as the transitional adjustments due to the change in the financial reporting framework and transition related disclosures in the financial statements require additional attention during our audit.

We performed the following procedures in relation to change in financial reporting framework:

- Considered the Company's governance process around the adoption of IFRS as endorsed in Kingdom of Saudi Arabia, especially, in relation to matters requiring management to exercise its judgment.
- Obtained an understanding of the analysis performed by management to identify all significant differences between previous reporting framework and IFRS as endorsed in Kingdom of Saudi Arabia which can impact the Company's financial statements;
- Evaluated the results of management's analysis and key decisions taken in respect of the transition using our knowledge of the relevant requirements of the IFRS as endorsed in Kingdom of Saudi Arabia and our understanding of the Company business and its operations;
- Tested the transition adjustments by considering management's gap analysis, the underlying financial information and the computation of these adjustments; and
- Evaluated the disclosures made in relation to the transition to IFRS as endorsed in Kingdom of Saudi Arabia by considering the relevant requirements of IFRS 1.

Other Information

Management is the 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.

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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 International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA. Company's By-laws and Companies regulations 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 auditors' 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 International Standards on Auditing 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 International Standards on Auditing 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, 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.
- 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 the 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, then we are required to draw attention in our auditors' 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 auditors' 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction. supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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 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 auditors' 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.

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements of Herfy For Food Services- Joint Stock Company ("the Company") and its subsidiaries (collectively referred to as "the Company"). taken as a whole. comply with the requirements of the Regulations for Companies and Company's By-laws with respect to the preparation and presentation of financial statements.

SAUDI GROUP FOR ACCONTING & AUDITING

DAKHEEL ALI AL-DAKHEEL
LIC NO.(96)

SAUDI GROUP FOR ACCOUNTING & AUDITING CO.
AL-JASSER AL-DAKHEEL
C.R. 1010442297
C.C. No. 323/11/1
CERTIFIED PUBLIC ACCOUNTANTS

Date: JUMADAII, 24, 1439 H)
Corresponding to: March, 11, 2018

Herfy Food Services Company
(A Saudi Joint Stock Company)
Statement of Financial Position
As at 31 December 2017
(All Amounts In Saudi Riyals Unless Otherwise Stated)

	Notes	31 December 2017	31 December 2016	1 January 2016
Assets				
Non-Current Assets				
Property, Plant and Equipment	(4)	1 043 330 764	1 001 573 372	907 086 188
Intangible Assets	(5)	11 339 906	4 290 017	2 991 871
Investment Property	(6)	30 612 722	34 256 469	30 638 147
		1 085 283 392	**1 040 119 858**	**940 716 206**
Current Assets				
Inventories	(7)	126 846 007	101 762 034	108 946 148
Trade Receivables and Other Receivables	(8)	165 283 215	126 955 211	108 547 197
Cash and Bank Balances	(9)	13 264 273	73 225 799	22 908 312
		305 393 495	**301 943 044**	**240 401 657**
TOTAL ASSETS		**1 390 676 887**	**1 342 062 902**	**1 181 117 863**
EQUITY AND LIABILITIES				
EQUITY				
Share Capital	(10)	646 800 000	462 000 000	462 000 000
Statutory Reserve		38 972 160	138 967 946	117 218 334
Retained Earnings		181 043 046	201 740 989	146 311 222
TOTAL EQUITY		**866 815 206**	**802 708 935**	**725 529 556**
Liabilities				
Non-Current Liabilities				
Long Term Borrowings	(11)	192 528 307	238 477 661	198 749 750
Employee Benefits	(12)	62 453 017	59 275 627	53 268 680
		254 981 324	**297 753 288**	**252 018 430**
Current Liabilities				
Current Portion of LongTerm Borrowings	(11)	137 281 964	125 881 626	88 901 639
Trade and Other Payables	(13)	123 201 354	108 771 831	109 085 868
Zakat	(14)	8 397 038	6 947 222	5 582 370
TOTAL LIABILITIES		**268 880 356**	**241 600 679**	**203 569 877**
		523 861 681	**539 353 967**	**455 588 307**
TOTAL EQUITY AND LIABILITIES		**1 390 676 887**	**1 342 062 902**	**1 181 117 863**

The accompanying notes (1) to (30) form an integral part of these financial statements

Herfy Food Services Company
(A Saudi Joint Stock Company)
Statement Of Profit Or Loss and Other comprehensive income
For The Year Ended 31 December 2017
(All Amounts In Saudi Riyals Unless Otherwise Stated)

	Notes	2017	2016
Revenue		1 157 792 995	1 156 683 409
Cost of Revenue	(15)	(816 047 711)	(809 080 184)
Gross Profit		**341 745 284**	**347 603 225**
Other Revenue (net)	(16)	11 334 283	10 770 755
Selling and Distribution Expenses	(17)	(64 597 664)	(58 273 972)
General and Administration Expenses	(18)	(73 163 916)	(70 855 790)
Operating Profit		**215 317 987**	**229 244 218**
Finance Cost	(19)	(11 775 847)	(7 914 351)
Profit before zakat		**203 542 140**	**221 329 867**
Zakat	(14)	(3 500 000)	(4 250 000)
Profit for the year		**200 042 140**	**217 079 867**
Other Comprehensive Income			
Items that will not be classified to profit or loss			
Remeasurement of defined Benefit liabilities	(13)	(155 869)	**499 512**
Total Other Comprehensive Income for the year		**(155 869)**	**499 512**
Total Comprehensive Income for the year		**199 886 271**	**217 579 379**
Earnings per Share (SAR). based on Profit for the year	(20)		
- Basic		**3.09**	**3.36**
- Diluted		**3.09**	**3.36**

The accompanying notes (1) to (30) form an integral part of these financial statements

Herfy Food Services Company
(A Saudi Joint Stock Company)
Statement of Changes In Equity
For The Year Ended 31 December 2017
(All Amounts In Saudi Riyals Unless Otherwise Stated)

	Share Capital	Statutory Reserve	Retained Earnings	TOTAL EQUITY
Balance at 1 January 2016	**462 000 000**	**117 218 334**	**146 311 222**	**725 529 556**
Profit for the year	-	-	217 079 867	217 079 867
Other Comprehensive Loss for the year	-	-	499 512	499 512
Total Comprehensive Income	-	-	**217 579 379**	**217 579 379**
Transfer to statutory reserve	-	21 749 612	(21 749 612)	-
Dividends distributed	-	-	(140 400 000)	(140 400 000)
Balance at 31 December 2016	**462 000 000**	**138 967 946**	**201 740 989**	**802 708 935**
Balance at 01 January 2017	**462 000 000**	**138 967 946**	**201 740 989**	**802 708 935**
Repayment of capital	184 800 000	(120 000 000)	(64 800 000)	-
Profit for the year	-	-	200 042 140	200 042 140
Other Comprehensive loss for the year	-	-	(155 869)	(155 869)
Total Comprehensive Income	-	-	**199 886 271**	**199 886 271**
Dividends distributed	-	-	(135 780 000)	(135 780 000)
Transfer to statutory reserve	-	20 004 214	(20 004 214)	-
Balance at 31 December2017	**646 800 000**	**38 972 160**	**181 043 046**	**866 815 206**

The accompanying notes (1) to (30) form an integral part of these financial statements

Herfy Food Services Company
(A Saudi Joint Stock Company)
Statement Of Cash Flows
For The Year Ended 31 December 2017
(All Amounts In Saudi Riyals Unless Otherwise Stated)

CASH FLOWS FROM OPERATING ACTIVITIES	**Notes**	**2017**	**8 July 1905**
Profit for the period		200 042 140	217 079 867
Depreciation and Amortization		69 556 575	79 818 570
Provision for Employee Benefits	(12)	12 079 267	10 789 996
Provision for slow moving inventory		-	(8 081)
Provision of Bad debt	(8)	1 500 000	-
(Gain) on sale of property, plant and equipment	(12)	1 068 512	(288 186)
Financial charges		11 775 847	7 311 385
Zakat	(11)	3 500 000	4 250 000
		299 522 341	**318 953 551**
Changes in			
Inventories	(7)	(25 083 973)	7 192 195
Trade, Other Receivables and Prepayments	(8)	(39 828 004)	(18 827 858)
Trade and Other Payables	(13)	14 429 523	(242 038)
Cash Used in Operating Activities		**249 039 887**	**307 075 850**
Employee Benefits Paid	(12)	(9 057 746)	(3 784 025)
Zakat payments	(14)	(2 050 184)	(2 885 148)
Net Cash Generated from Operating Activities		**237 931 957**	**300 406 677**
CASH FLOWS FROM I NVESTING ACTIVITIES			
Additions to Property, Plant and Equipment		(114 117 853)	(178 517 403)
Proceeds from sale from property, plant and equipment		252 568	3 063 294
Net Cash Used in Investing Activities		**(113 865 285)**	**(175 454 109)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in Loans	(11)	109 996 812	176 026 314
Finance Cost Paid		(12 593 356)	(8 309 654)
Repayment of loans and borrowings	(11)	(145 651 654)	(101 951 741)
Dividends distributed		(135 780 000)	(140 400 000)
Net cash flows from / (used in) financing activities		**(184 028 198)**	**(74 635 081)**
Net increase / (decrease) in cash and cash equivalents		**(59 961 526)**	**50 317 487**
Cash and Cash Equivalents at 01January	(9)	73 225 799	22 908 312
Cash and Cash Equivalents at 31 December	(9)	**13 264 273**	**73 225 799**

The accompanying notes (1) to (30) form an integral part of these financial statements

1- Corporate information

HERFY Food Services Company, "Company", "HERFY" is principally engaged in establishing and operating restaurants, providing companies and others with cooked meals, production and sale of bakery and pastry products, the sale and purchase of lands for the purpose of constructing building and own use, maintain and lease stores and food store fridges.

The Company is joint stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 1010037702 issued to Riyadh on Jamad-ul-Awal 4,1401H (March 9,1981). The registered address of the Company is at Al Moroug District, P.O. Box 86958 Riyadh 11632, Kingdom of Saudi Arabia.

At December 31, 2017, the total number of restaurants owned and leased by the Company were 41 and 307 respectively (Decamber 31, 2016: 39 owned and 289 leased1 January 2016: 36 owned and 264 leased), operating in the Kingdom of Saudi Arabia under the trademark of "HERFY". The Company also operates bakeries and bakery shops "Bakeries".

During 2003, the Company established a factory in Riyadh for the production of rusks and cakes ("Rusk Factory"), which operated under commercial registration number 1010179007 issued on Jamad-ul-Awal 11, 1423H (July 20, 2002) and in accordance with industrial license number 1225/S issued on Dhul Qada 6, 1422 H (January 19, 2002). The Rusk factory commenced production in April 2003. During the year ended 31 December 2013, the Company disposed the plant and equipment relating to the Rusk factory. The production of rusks, and cakes is now being carried out from Cakes Factory. The legal formalities to transfer the license are in progress.

During 2005, the Company established a meat factory in Riyadh ("Meat Factory"), which operates under commercial registration number 1010200515 issued on Jamad -ul-Thani 16, 1425 (August 2, 2004) and in accordance with industrial license number 249 /S issued on Safar 16, 1422H (May 9, 2001). The Meat factory commenced production in October 2005.

During 2012, the Company established a cake factory in Riyadh ("Cake Factory"), which operates under commercial registration number 1010294755 issued on Shawal 20, 1431 H (September 29, 2010) and in accordance with industrial license number 11583/T issued on Shawwal 18, 1431 H (September 27,2010). The cake factory commenced production in June 2012.

The accompanying financial statements include the accounts of the Company's head office and aforementioned restaurants, bakeries, shops and factories.

2- BASIS OF PREPARATION

2-1 Statement of Compliance

These Financial Statements have been prepared in accordance with Financial Reporting Stanadards (IFRSs) as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA"). Up to and including the year ended December 31, 2016, the Company prepared and presented statutory Financial Statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by SOCPA and the requirements of the Saudi Arabian Regulations for Companies and the Company's By-laws in so far as they relate to the preparation and presentation of the Financial Statements. In these Financial Statements, the term "SOCPA Standards" refers to SOCPA Standards before the adoption of Internatioual Financial Reporting Standards ("IFRSs").

For financial periods commencing January 1, 2017, the applicable regulations require the Company to prepare and present Financial Statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA. As part of this requirement, the Company has prepared these Financial Statements.

As required by the Capital Market Authority ("CMA") through its circular dated 16 th October 2016 the Company needs to apply the cost model to measure the property, plant and equipment, investment property and intangible assets upon adopting the IFRS for three years starting from the IFRS adoption date.

As these Financial Statements prepared in accordance with IFRSs, IFRS 1 First time Adoption of International Financial Reporting Standards has been applied, (The accounting policies followed in these Financial Statements are the same as those applied in the Company's Financial Statements . The Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect.

An explanation of how the transition to IFRS has affected the previously reported equity as at December 31, 2016, 2016 and January 01, 2016; and comprehensive income of the Company for the year ended December 31, 2016, including the nature and effect of significant changes in accounting policies from those used in the Company's Financial Statements for the year ended December 31, 2016 is provided in Note 23.

These Financial Statements should be read in conjunction with the Company's annual SOCPA Financial Statements for the year ended December 31, 2016, and the Company's Financial Statements for the quarter ended March 31, 2017 ,June 30, 2017 ,and September 30, 2017 prepared in accordance with IFRS.

2-2 Basic of Preparation of The Financial Statements

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

- The defined benefit obligation is recognised at the present value of future obligations using the Projected Unit Credit Method.

2-3 FUNCTIONAL AND PRESENTATION CURRENCY

These Financial Statements are presented in Saudi Riyal ("SAR"), which is the Company's functional and presentation currency. All amounts have been rounded to the Saudi Riyal, unless otherwise indicated.

3- Significant accounting policies

3-1 New Standards, Amendments and Standards issued and not yet effective:

New Standards, Amendment to Standards and Interpretations:

The Company has adopted, as appropriate, the following new and amended IASB Standards, effective 1 January 2017.

(1) Disclosure Initiative (Amendments to IAS 7)

The amendments require disclosures that enable users of Financial Statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

The Company's financing activities, as disclosed in Statement of Cash Flows, represents only cash flow changes, except for finance cost paid for which non cash change is reflected in cash flow from operating activities.

Standards issued but not yet effective

Following are the new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Company has not early adopted them in preparing these Financial Statements.

(1) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018. There is not going to be a significant impact on Company's revenue recognition policy.

(2) IFRS 9 Financial Instruments

IFRS 9 'Financial instruments' is effective for periods commencing on or after 1 January 2018, and covers three distinct areas. Phase 1 contains new requirements for the classification and measurement of financial assets and liabilities. Phase 2 relates to the impairment of financial assets and requires the calculation of impairment on an expected credit loss basis rather than the current incurred loss basis. Phase 3 relates to less stringent requirements for general hedge accounting. The full impact of the future adoption is currently under review.

(3) IFRS 16 Leases

IFRS 16, 'Leases' is effective for periods beginning on or after 1 January 2019. IFRS 16 provides a single lessee accounting model, requiring lessees to recognise right of use assets and lease liabilities for all applicable leases. The full impact of the future adoption is currently under review.

There are no other IFRS or IFRS Interpretation Committee interpretations not yet effective that would be expected to have a material impact on the Company.

3-2 Summary of significant accounting policies

The following are the principal accounting policies used in the preparation of the Financial Statements:

3-2-1 Property, Plant and Equipment

Property, Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment loss, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company and amount can be measured reliably.

Finance costs on borrowings to finance the construction of the qualifying assets are capitalized during the period of time that is required to substantially complete and prepare the qualifying asset for its intended use.

The cost less estimated residual value is depreciated on straight-line basis over the following estimated useful lives of the assets:

Buildings On owned lands	35 Years
Buildings On leased lands	the Lower of 20 years or the rent period
Plant, Machinery and Equipment	4-20 years
Furniture and Office Equipment	6-7 years
Motor Vehicles	5- 10 years

Land and Capital Work in Progress are not depreciated..

Capital work in progress at period end includes certain assets that have been acquired but are not ready for their intended use. These assets are transferred to relevant assets categories and are depreciated once they are available for their intended use.

The assets' residual values, useful lives and impairment indicators are reviewed at each financial year end and adjusted prospectively, if considered necessary.

3-2-2 Provisions

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

3-2-3 Zakat

Zakat is provided for in accordance with General Authority of Zakat and Tax ("GAZT") regulations. Adjustments arising from final Zakat and Foreign income tax assessments are recorded in the period in which such assessments are made.

3-2-4 Employee Benefits

Employee benefits are payable to all employees employed under the terms and conditions of the Labor Laws applicable on the Company and its subsidiaries, on termination of their employment contracts.

The Company's obligation in respect of defined benefit plan is calculated by estimating the amount of future benefits that employees have earned in current and prior periods and discounting that amount to arrive at present value.

The company sets the assumptions used in determining the key elements of the costs of meeting such future obligations. These assumptions are set after consultation with the Company's actuaries and include those used to determine regular service costs and the financing elements related to the liabilities. The calculation of defined benefit obligation is performed by a qualified actuary using the projected unit credit method.

Re-measurement of defined benefit liability, which comprise of actuarial gains and losses are recognised immediately in Statement of Other Comprehensive Income. The Company determines net interest expense on the defined benefit obligation for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to then-net defined benefit, taking into account any change in the net defined benefit obligation during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in Statement of Profit or Loss.

3-2-5 Statutory Reserve

In accordance with Section (129) of the Regulations for Companies in Kingdom of Saudi Arabia and the section (41) of the Company's by-laws and , The Company is required to recognise a reserve comprising of 10% of its Net Income for the year. As per the by-laws the Company will cease the contribution when such reserve will reach 30% of its Share Capital.

3-2-6 Revenue Recognition

Revenue represents the fair value of the consideration received or receivable for goods sold, net of returns, trade discounts and volume rebates. Products are sold principally on a sale or return basis.

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates.

The Company's revenue generating activities are as follows:

(1) Restaurants Sales

Restaurants sales are made on cash basis and are recognised on receipt basis.

(2) Factories, Bakeries and Catering services

Revenues from factories, bakeries catering services and other sales are recognised upon delivery of goods to the customer.

(3) Other Income

Rentals and Franchise income are accounted on a straight line basis over the terms of the contract and are recognised in 'Other Income'.

(4) Supplier Rebate

The supplier rebate received are recognised primarily as a deduction from cost of sales based on entitlement that has been earned up to the balance sheet date, for each relevant supplier arrangement.

3-2-7 Foreign Currencies

Transactions and balances

Transactions in foreign currencies are translated into the respective functional currencies of Company at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Foreign currency differences are generally recognised in statement of Profit or Loss in the period in wich they occur.

3-2-8 Investment properties

Investment properties are measured initially at cost. Transaction costs are included in the initial measurement. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. Directly attributable expenditure includes professional fees for legal services, property transfer taxes and other transaction costs. Subsequent to initial recognition, investment properties are recognised at cost as the fair value method of the investment property currently is not allowed under IFRS as adopted by SOCPA.

3-2-9 Operating Leases

Assets held under other leases are classified as operating leases and are not recognised in the Company' Statement of Financial Position. Rentals in respect of operating leases are charged to the Statement of Profit or Loss over the term of the leases.

3-2-10 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur.

Borrowing costs incurred before and after the date of transition (1 January 2016) for all eligible qualifying assets are capitalised.

3-2-11 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of Porfit or Loss and expenses in the expense category consistent with the function of the intangible assets.

Intangible assets' residual values, useful lives and impairment indicators are reviewed at each financial year end and adjusted prospectively, if considered necessary.

3-2-12 Inventories

Inventories are measured at the lower of cost and net realizable 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 realizable value comprises estimated selling price less further production costs to completion and appropriate selling and distribution costs. Allowance is made, where necessary, for obsolete, slow moving and defective stocks.

3-2-13 Cash and Cash Equivalents

Cash and cash equivalents includes bank balances and deposits with original maturities of three months or less, if any. It also includes bank overdrafts which form an integral part of the Company's cash management and are likely to fluctuate from overdrawn to positive balances.

3-2-14 Impairment of Non-Financial Assets

Non-financial assets (other than inventories) are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss or reversal of impairment loss (if any).

When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in Statement of Profit or Loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash- generating unit) in prior years. A reversal of an impairment loss is recognised immediately in Statement of Profit or Loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3-2-15 Selling, Distribution, General and Administration Expenses

Selling, Distribution, General and Administration Expenses include direct and indirect costs not specifically part of Cost of Sales. Allocations between Cost of Sales and Selling, Distribution, General and Administration Expenses, when required, are made on a consistent basis. The Company charges the payments, other than those related to volume based rebates, made in respect of long term agreements with customers and distributors to Selling and Distribution Expenses.

3-2-16 Segmental Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incnr expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. Segment results that are reported to the Company's Chief Operating Decision Maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

3-2-17 Use of Judgements and Estimates

The preparation of Financial Statements, in conformity with IFRS as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, requires the use of judgments, estimates and assumptions. Such estimates and assumptions may affect the balances reported for certain assets and liabilities as well as the disclosure of certain contingent assets and liabilities as at the Statement of Financial Position date. Any estimates or assumptions affecting assets and liabilities may also affect the reported revenues and expenses for the same reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

3-2-18 Dividends

Dividends are recorded in the financial statements in the period in which they are approved by the shareholders of the Company.

Interim dividends are recorded as liability in the period in which they are approved by the Board of Directors.

(All Amounts In Saudi Riyals Unless Otherwise Stated)

4- PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Furniture and Office Equipment	Motor Vehicles	Capital Work-in-Progress	Total
Cost:							
At the beginning of the year	178 427 855	498 225 403	414 939 909	69 678 165	71 244 200	226 172 586	1 458 688 118
Additions	-	778 660	21 412 596	11 461 712	1 253 599	81 006 784	115 913 351
Disposal and Transfer	-	(3 527 048)	(857 898)	(177 039)	(625 021)	-	(5 187 006)
Transfer from Capital Work-in-Progress (4.1 - 4.2)	-	21 980 296	19 706 401	5 881 447	6 067 300	(62 163 755)	(8 528 311)
At the end of year	**178 427 855**	**517 457 311**	**455 201 008**	**86 844 285**	**77 940 078**	**245 015 615**	**1 560 886 152**
Accumulated Depreciation:							
At the beginning of the year	-	195 329 864	178 796 437	35 276 954	47 711 491	-	457 114 746
Charge for the year	-	25 460 828	29 607 978	8 081 972	4 807 089	-	67 957 867
Disposal and Transfer	-	(5 997 257)	(812 685)	(145 620)	(561 663)	-	(7 517 225)
At the end of year	-	**214 793 435**	**207 591 730**	**43 213 306**	**51 956 917**	-	**517 555 388**
Net Book Values:							
At 31 December 2017	**178 427 855**	**302 663 876**	**247 609 278**	**43 630 979**	**25 983 161**	**245 015 615**	**1 043 330 764**
At 31 December 2016	**178 427 855**	**302 895 539**	**236 143 472**	**34 401 211**	**23 532 709**	**226 172 586**	**1 001 573 372**
At 01 January 2016	**182 899 371**	**331 457 125**	**202 779 493**	**40 676 295**	**26 406 133**	**122 867 771**	**907 086 188**

4-1 Capital Work-in-Progress includes SAR 1.92 million of borrowing costs capitalised during the year. (31 December 2016: SAR 2.96 million; 1 January 2016: SAR 1.27 million)

4-2 During the year, the transfer from capital Work in progress to intngibale assets amounted SAR 8 528 311 . (Refer note 5)

4-3 The Board of Directors approved on March, 29,2017 to increase the useful life of the building on owned land to 35 years , the vehicles trucks to 10 years, and intangible to 10 years.

(All Amounts In Saudi Riyals Unless Otherwise Stated)

5- Intangible Assets

	31 December 2017	31 December 2016	1 January 2016
Cost:			
At the beginning of the year	8 871 538	6 836 843	5 421 206
Additions	127 838	2 114 816	1 512 537
Transfer from Projects under construction	8 528 311	-	-
Disposal	(85 131)	(80 121)	(96 900)
At the end of year	**17 442 556**	**8 871 538**	**6 836 843**
Accumulated Amortization			
At the beginning of the year	4 581 521	3 844 972	3 390 238
Charge for the year	1 598 708	750 166	533 356
Disposal	(77 579)	(13 617)	(78 622)
At the end of year	**6 102 650**	**4 581 521**	**3 844 972**
Net Book Values	**11 339 906**	**4 290 017**	**2 991 871**

6- Investment Properties

	31 December 2017	31 December 2016	1 January 2016
Cost:			
At the beginning of the year	50 766 816	37 907 104	4 000 000
Additions	78 223	12 859 712	33 907 104
At the end of year	**50 845 039**	**50 766 816**	**37 907 104**
Accumulated Depreciation:			
At the beginning of the year	12 510 347	3 268 957	-
Charge for the year	3 721 970	9 241 390	3 268 957
At the end of year	**16 232 317**	**12 510 347**	**3 268 957**
Provision for impairment	4 000 000	4 000 000	4 000 000
Net Book Values	**30 612 722**	**34 256 469**	**30 638 147**

The above investment properties also include buildings or part thereof, which have been kept for the purposes of earning rental income.

In addation of one land parcel held by the Company for capital appreciation which it cost SR 4 million . On the audit committee recommendation on May 24, 2015 to implementation of the Board's decision in its meeting on July 14, 2014 the provision of 2 million was estimated the meet the potential decline in the value of contributing, And due to the current circumstances point to faltering possession with increased probability of failure recovery of payments to the value of that contribution, and the recommendation of the audit Committee increase the provision by rest of the value of contributing to become 4 million Riyals.
The fair value of investment properties is amounted to SR 31.07 million .

Measurement of fair value

The fair value of investment property was determined by external, independent property valuer, having appropriate recognised professional qualifications (are required by Ministry of commerce and investment) rand recent experience in the location and category of the property being valued.

(All Amounts In Saudi Riyals Unless Otherwise Stated)

7- Inventories

	31 December 2017	31 December 2016	1 January 2016
Raw materials	49 409 611	49 007 979	63 681 526
Packing materials	14 029 559	14 291 220	12 315 149
Spare parts, not held for sale	37 582 747	18 441 147	16 465 274
Operational supplies	26 548 200	20 745 798	17 216 390
	127 570 117	**102 486 144**	**109 678 339**
Less: provision for slow moving inventory	(724 110)	(724 110)	(732 191)
	126 846 007	**101 762 034**	**108 946 148**

Movement in provision for slow moving inventory is as follows:

1 January 2017	724 110	732 191	883 981
Additions	-	-	-
Reversal	-	(8 081)	(151 790)
31 December 2017	**724 110**	**724 110**	**732 191**

8- Trade Receivables and Other Receivables

	31 December 2017	31 December 2016	1 January 2016
Trade Receivables - related parties	19 403 346	14 179 125	10 809 825
Trade Receivables - other	21 451 088	15 843 314	12 903 719
	40 854 434	30 022 439	23 713 544
Less:			
Allowanee for impairment of trade receivables	(2 009 146)	(509 146)	(509 146)
	38 845 288	**29 513 293**	**23 204 398**
Prepayments	79 666 401	76 935 146	67 574 827
Other Receivables	46 771 526	20 506 772	17 767 972
	165 283 215	**126 955 211**	**108 547 197**

Ageing of Trade Receivables

Up to 3 months	23 967 361	18 924 155
More than 3 months	17 303 442	11 098 284
	41 270 803	**30 022 439**

Movement in allowance for Impairment of Trade Receivables is as follows

At the beginning of the year	509 146	509 146	1 067 023
Allowance made during the year	1 500 000	-	-
Allowance (reversed) during the year	-	-	(557 877)
At the end of the year	**2 009 146**	**509 146**	**509 146**

9- Cash and Cash Equivalents

	31 December 2017	31 December 2016	1 January 2016
Cash in Bank	7 028 933	63 628 169	16 708 936
Cash in Hand	6 235 340	9 597 630	6 199 376
	13 264 273	**73 225 799**	**22 908 312**

Cash in bank include SR 559 690 investment in Commodities Mudaraba Fund - SAR

(All Amounts In Saudi Riyals Unless Otherwise Stated)

10- Share Capital

The Company's paid-up capital consists of 64.680 million shares (31 December2016 : 46.2 million shares‹ 1 Jan 2016: 46.2 million shared) of SAR 10 each.

At the Extraordinary General Assembly meeting held on 22 May 2017, the shareholders of the Company decided to increase the Company's capital from SR 462 million to SR 646.8 million. This increase was made by SR 184.8 million through the transfer of SR 120 million and SR 64.8 million from statutory reserve and retained earning, The total number of shares increased from 46.2 million shares to 64.68 million shares at a nominal value of SR 10 per share.

11- Loans and borrowings

	31 December 2017	31 December 2016	1 January 2016
Al Rajhi Bank	296 959 690	325 256 537	264 899 605
SIDF loan	32 850 582	39 102 750	22 751 784
	329 810 272	**364 359 287**	**287 651 389**

	31 December 2017	31 December 2016	1 January 2016
Non-Current (note (11-1-1)	192 528 307	238 477 661	198 749 750
Current (note (11-1-2)	137 281 964	125 881 626	88 901 639
	329 810 272	**364 359 287**	**287 651 389**

11-1 Details of long term loans

11-1-1 Al Rajhi Bank

The Company has various facilities available with Al Rajhi bank. Such facilities, which are unsecured and payable in semi annual installments, have mark up cost which is generally based on SIBOR plus a margin fixed for the duration of the facility. During the year ended December 31, 2017 the Company repaid an amount of Saudi Riyals 139.07 million (December 31, 2016 : Saudi Riyals 96.7 million,1 January 2016: Saudi Riyals 55.6 million).

11-1-2 Loans from SIDF

Under the terms of the SIDF loan agreement and extension agreement ("agreements"), the Company's Property, plant and equipment that relate to the meat and cake factories are pledged as collateral against financings from SIDF. These loans are also guaranteed by the majority shareholders on pro-rata basis where Savola Group and Mr. Ahmed Al Saeed have guaranteed 70% and 30% of the amount respectively.

These loans are repayable in semi-annual installments. SIDF charges and upfront fee are presented net of the borrowings amount. The Company has to comply with certain covenants related to the loans availed for meat factory regarding the maintenance of certain financial ratios, distribution of profits, maximum rental charges and maximum capital expenditures

The information about liquidity risk is explained in note 27-2

12- EMPLOYEE BENEFITS

12-1 Defined benefit liability	31 December 2017	31 December 2016	1 January 2016
Net defined benefit liability	62 453 017	59 275 627	53 268 680
Total Net defined benefit liability	**62 453 017**	**59 275 627**	**53 268 680**

(All Amounts In Saudi Riyals Unless Otherwise Stated)

12-1-1 Movement in present value of defined benefit obligation

	31 December 2017	31 December 2016	1 January 2016
Opening balance - present value of defined benefit obligation	59 275 627	53 268 680	47 224 224
Current service cost	12 079 267	10 290 484	11 795 036
Benefits paid	(9 057 746)	(3 784 025)	(5 963 701)
Actuarial loss / (gain) on obligation	155 869	(499 512)	213 121
Closing balance - present value of defined benefit obligation	**62 453 017**	**59 275 627**	**53 268 680**

12-1-2 Assumption summary

Membership Data	31 December 2017	31 December 2016
Average age of employees (years)	5 386	5 831
Salary increase	1.40%	1.40%
Average years of past service	32	31
Average number of years of previous experience	5	3
Discount Rate	3.75%	4.00%

12-1-3 Sensitivity in Defined Benefit Obligation

Particulars	SR	Percentage Change
Current Liability	62,453,017	
+1% Discount Rate	58,928,454	-5.60%
-1% Discount Rate	66,465,003	6.40%
+1% Salary Increase Rate	66,821,074	7.00%
-1% Salary Increase Rate	58,555,378	-6.20%
+10% Withdrawal Rates	62,528,515	0.10%
-10% Withdrawal Rates	62,354,102	-0.20%

13- TRADE AND OTHER PAYABLES

	31 December 2017	31 December 2016	1 January 2016
Trade payable - related parties	2 633 496	3 497 545	5 572 182
Trade payable - third parties	73 959 294	58 377 765	51 969 107
Accrued Expenses	45 625 519	45 891 546	40 341 451
Other Payables	983 045	1 004 975	11 203 128
	123 201 354	**108 771 831**	**109 085 868**

14- Zakat

14-1 Movement in provision for zakat

	31 December 2017	31 December 2016	1 January 2016
Opening Balance	6 947 222	5 582 370	4 500 000
Payments	3 500 000	4 250 000	4 000 000
Provision for Current year	(2 050 184)	(2 885 148)	(2 917 630)
Closing balance	**8 397 038**	**6 947 222**	**5 582 370**

Zakat has been calculated based on zakat base for the Company. The Company has filed zakat returns till the year December 31, 2016 and settled zakat dues accordingly. The Company obtained non-restricted certificate till 2016 from the GAZT.

(All Amounts In Saudi Riyals Unless Otherwise Stated)

14-2 Components of zakat base

	31 December 2017	31 December 2016	1 January 2016
Shareholders' Equity at beginning of the year	812 550 102	735 453 982	677 792 269
Provisions at beginning of the year	70 389 737	54 296 896	47 224 224
Long-term borrowings at beginning of the year	324 899 481	360 554 321	286 479 750
Adjusted net income for the year, before adjustment for expenditure on property, plant and equipment	223 600 407	237 508 523	223 962 767
Property, plant and equipment, as adjusted	(1 096 506 835)	(1 043 734 565)	(952 688 424)
Spare parts, not held for sale	(21 723 789)	(18 441 147)	(16 465 274)
Dividends and Board of Directors remuneration paid	(135 780 000)	(140 400 000)	(118 842 106)
Estimated zakat base	**177 429 103**	**185 238 010**	**147 463 206**

Zakat is payable at 2.5 percent of higher of the estimated zakat base and adjusted net income.

14-3 Adjusted net income

	31 December 2017	31 December 2016	1 January 2016
Income for the year before zakat	203 542 140	221 746 120	206 681 713
Adjustments :			
Provisions during the year	12 078 267	10 282 403	11 795 036
Depreciation differences	7 980 000	5 480 000	5 486 018
Adjusted net income for the year, before adjustment for expenditure on property, plant and equipment	**223 600 407**	**237 508 523**	**223 962 767**
Less: Expenditure on property, plant and equipment during the year.	(114 117 853)	(178 517 402)	(208 969 901)
	109 482 554	**58 991 121**	**14 992 866**

15- Cost of sales

	31 December 2017	31 December 2016
Material Consumed	336 693 673	342 537 198
Employee Costs	221 990 998	226 323 506
Depreciation &Amortisation	60 594 536	69 080 836
Rent	92 860 919	79 865 234
Electric & Other Utilities Cost	53 217 148	41 199 573
Repairs and Maintenance	16 501 601	25 680 937
Other Over Heads Cost	34 188 836	24 392 900
	816 047 711	**809 080 184**

16- Other income (net)

	31 December 2017	31 December 2016
Rental income	8 726 046	7 860 083
Franchise income	1 254 932	2 461 983
Other	2 421 817	1 809 277
Gain on sale of Property, plant and equipment	(1 068 512)	288 186
	11 334 283	**12 419 529**

(All Amounts In Saudi Riyals Unless Otherwise Stated)

17- Selling And Distribution Expenses

	31 December 2017	31 December 2016
Marketing Expenses	29 599 201	30 131 045
Employee Costs	16 104 966	11 191 563
Depreciation &Amortisation	2 133 425	4 821 893
Repairs and Maintenance	4 111 208	4 126 834
Commesion	7 824 604	3 046 874
Other Expenses	4 824 260	4 955 763
	64 597 664	**58 273 972**

18- General And Administration Expenses

	31 December 2017	31 December 2016
Employee Costs	45 684 525	45 277 019
Management fees	6 289 358	6 726 684
Depreciation &Amortisation	6 828 613	5 915 840
Travel expenses	1 744 342	2 084 747
Repairs and maintenance	451 464	1 021 188
Telephone and electricity	2 287 985	1 123 399
Other	9 877 629	8 706 913
	73 163 916	**70 855 790**

19- Finance Cost

	31 December 2017	31 December 2016
Finance Cost expenses	11 775 847	7 914 351
Capiatlised Finance Cost	1 923 336	2 956 630
	13 699 183	**10 870 981**

20- EARNING PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2017	2017
Profit for the year	**200 042 140**	**217 079 867**
Number of shares Weighted average number of ordinary shares for the purposes of basic earnings.	**64 680 000**	**64 680 000**

Earnings per share for the two years ended 30 June 2017 and 2016 were calculated by dividing the net income for the two years at 64.68 million shares after taking into account the increase in the number of shares of the Company during the year ended 31 December 2017 (note 10)

21- Segment information

The Company operates principally in the following major business segments:

1- Providing catering services and operating of restaurants;

2- Manufacturing and selling of meat products of Meat Factory;

3- Manufacturing and selling of pastries and bakery products of Bakeries and other.

These operating segments are identified based on internal reports that the entity's Chief Financial Officer (CFO) regularly reviews in allocating resources to segments and in assessing their performance 'management approach'. The management approach is based on the way in which management organizes the segments within the entity for making operating decisions and in assessing performance. The management of HERFY at the end of every reporting period, reviews the above segments for quantitative thresholds as well as criteria for presenting the revenues and expenses for the segments.

21-1 Selected financial information as of December 30 and for the Period ended, summarized by the above business segments, was as follows (in 000 Saudi Riyals)

	Restaurants and Catering service		Meat factory		Bakeries and other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Total segment revanue	994 133	994 730	123 732	118 930	155 456	165 909	**1 273 321**	**1 279 569**
Inter-segment revanue	-	-	(95 028)	(92 364)	(20 500)	(30 522)	**(115 528)**	**(122 886)**
Revanue net	**994 133**	**994 730**	**28 704**	**26 566**	**134 956**	**135 387**	**1 157 793**	**1 156 683**
Net income	140 232	156 709	35 143	31 832	24 667	29 038	**200 042**	**217 579**
Finance cost	10 879	7 001	396	310	500	602	**11 775**	**7 913**
Depreciation and amortization	50 569	60 417	5 294	4 899	13 694	14 503	**69 557**	**79 819**
Property, plant and equipment	857 746	809 062	50 665	42 703	176 872	188 354	**1 085 283**	**1 040 119**
Total assets	1 109 619	1 013 662	162 373	81 881	118 685	246 519	**1 390 677**	**1 342 062**
Total Liabilties	433 802	467 686	28 251	15 379	61 808	56 289	**523 861**	**539 354**

The Company's operations are only conducted in the Kingdom of Saudi Arabia.

(All Amounts In Saudi Riyals Unless Otherwise Stated)

22- Related party transactions

During the year the Company entered into the following significant transactions with related parties in the normal course of business and at prices and terms agreed by the Company's management:

22-1 Related Party - Trade Receivable

Nature of Transactions	Note	Transaction Amount		Balance at		
		December-٣١ 2017	December-٣١ 2016	December-٣١ 2017	December-٣١ 2016	January-١ 2016
Sales to:						
APUC (affiliate)		28 112 479	32 253 103	16 666 014	13 236 820	10 504 245
Bazbazah Int Company (owned by Mr. Khalid Al Saeed_ Board member)		77 220	142 050	2 737 332	942 306	305 580
		28 189 699	32 395 153	19 403 346	14 179 126	10 809 825
Rent and services to:						
Bazbazah Company (owned by Mr. Khalid Al Saeed_ Board member)		1 288 167	1 288 167	-	-	-
		1 288 167	1 288 167	-	-	-
Total Related Party - Trade Receivable		29 477 866	33 683 320	19 403 346	14 179 126	10 809 825

22-2 Related Party - Trade and Other Payable

Nature of Transactions	Transaction Amount December-٣١ 2017	Transaction Amount December-٣١ 2016	Balance at December-٣١ 2017	Balance at December-٣١ 2016	Balance at January-١ 2016
Salaries, management fees, and other allowances:					
Mr. Ahmed Hamad Al Saeed (CEO)	6 289 358	8 295 184	1 561 706	970 896	5 087 411
	6 289 358	8 295 184	1 561 706	970 896	5 087 411
Rent From:					
Mr. Ahmed Hamad Al Saeed (CEO)	630 000	580 000	-	-	-
APUC (affiliate)	3 962 986	4 353 434	499 684	-	-
Qitaf enterprises (owned by Mr. Khalid Al Saeed_ Board member))	2 600 000	2 600 000	-	-	-
Mr. Khalid Al Saeed_ Board member	200 000	200 000	-	-	-
Bazbazah Company (owned by Mr. Khalid Al Saeed_ Board member)	327 500	247 500	-	-	-
Kinan Company(affiliate)	287 848	410 445	229 485	540 445	144 800
	8 008 334	8 391 379	729 169	540 445	144 800
Purchases From:					
Afia International Co. (affiliate)	2 684 639	3 847 783	-	759 014	121 360
Mama Sause Factory	5 044 332	-	342 621	-	-
Maslan for Investment and Trading Company (owned by Mr. Khalid Al Saeed)	-	89 600	-	-	218 611
Delmonty Company owned by Al Muhaidib Group (Mr. Esam Al-Muhaidib CEO) (Board member	16 853 129	14 358 027	-	1 227 190	-
	24 582 100	18 295 410	342 621	1 986 204	339 971
	38 879 792	34 981 973	2 633 496	3 497 545	5 572 182

22-3 Related Party - Loans

Nature of Transactions	Transaction Amount December-٣١ 2017	Transaction Amount December-٣١ 2016	Balance at December-٣١ 2017	Balance at December-٣١ 2016	Balance at January-١ 2016
Loans from:					
Al Rajhi Bank (Mr. Abdelaziz Alghefayly Board member In the bank) (Board member)	110 000 000	155 000 000	296 959 690	321 451 571	263 125 000
	110 000 000	155 000 000	296 959 690	321 451 571	263 125 000

22-4 In accordance with the Company's Bylaws, the Board of Directors is authorized to determine the management fees to be paid to the Managing Director. Accordingly, the Board of Directors decided to provide 3% of the Company's net income before management fees to be paid annually as management fees to the Managing Director. Mr. Ahmed Al Saeed, who is also a shareholder. Such amount is charged to the statement of profit or loss and included within general and administrative expenses (See Note 24).

(All Amounts In Saudi Riyals Unless Otherwise Stated)

23- Effect of IFRSs Standards Adoption

As stated in note 2.1 these are the Company's first financial statements for the period ended 31 December 2017 prepared in accordance with IFRS Standards.
The accounting policies set out in note 3 have been applied in preparing these Financial Statements for the year ended 31 December 2017.
In preparing these financial statements, the Company's opening Statement of Financial Position was prepared as at 1 January 2016, being the date of transition to IFRS Standards.
In preparing its opening Condensed Consolidated Statement of Financial Position in accordance with IFRS Standards, the Company has adjusted amounts reported previously in Financial Statements prepared in accordance with SOCPA Standards. An explanation of how the transition from SOCPA Standards to IFRS Standards has affected the Company's financial position and financial performance is set out in Note 23-1 to 23-6.

23-1 Reconciliation of the Statement Of Financial Position

	As at 31 December 2016			As at 01 January 2016		
	SOCPA Standards	Effect of transition to IFRSs Standards	IFRSs Standards	SOCPA Standards	Effect of transition to IFRSs Standards	IFRSs Standards
Non-Current Assets						
Property, Plant and Equipment	1 033 964 549	(32 391 177)	**1 001 573 372**	936 382 341	(29 296 153)	**907 086 188**
Intangible Assets	4 290 017	-	**4 290 017**	2 991 871	-	**2 991 871**
Investment Property	-	34 256 469	**34 256 469**	-	30 638 147	**30 638 147**
	1 038 254 566	**1 865 292**	**1 040 119 858**	**939 374 212**	**1 341 994**	**940 716 206**
Current Assets						
Inventories	101 762 034	-	**101 762 034**	108 946 148	-	**108 946 148**
Trade Receivables, Prepaymnet, and Other Receiva	138 948 061	(11 992 850)	**126 955 211**	120 203 462	(11 656 265)	**108 547 197**
Cash and Bank Balances	73 225 799	-	**73 225 799**	22 908 312	-	**22 908 312**
	313 935 894	**(11 992 850)**	**301 943 044**	**252 057 922**	**(11 656 265)**	**240 401 657**
Total Assets	**1 352 190 460**	**(10 127 558)**	**1 342 062 902**	**1 191 432 134**	**(10 314 271)**	**1 181 117 863**
Equity And LiabilitiesEquity						
Equity						
Share Capital	462 000 000	-	**462 000 000**	462 000 000	-	**462 000 000**
Statutory Reserve	138 967 946	-	**138 967 946**	117 218 334	-	**117 218 334**
Retained Earnings	211 582 156	(9 841 167)	**201 740 989**	156 235 648	(9 924 426)	**146 311 222**
TOTAL EQUITY	**812 550 102**	**(9 841 167)**	**802 708 935**	**735 453 982**	**(9 924 426)**	**725 529 556**
Non-Current Liabilities						
Long Term Borrowings	238 477 661	-	**238 477 661**	198 749 750	-	**198 749 750**
Employee Benefits	59 562 018	(286 391)	**59 275 627**	53 055 559	213 121	**53 268 680**
	298 039 679	**(286 391)**	**297 753 288**	**251 805 309**	**213 121**	**252 018 430**
Current Liabilities						
Short Term Borrowings	125 881 626	-	**125 881 626**	89 504 605	(602 966)	**88 901 639**
Zakat Payable	108 771 831	-	**108 771 831**	109 085 868	-	**109 085 868**
Trade payable, accrual and Other Payables	6 947 222	-	**6 947 222**	5 582 370	-	**5 582 370**
	241 600 679	-	**241 600 679**	**204 172 843**	**(602 966)**	**203 569 877**
Total Liabilities	**539 640 358**	**(286 391)**	**539 353 967**	**455 978 152**	**(389 845)**	**455 588 307**
Total Liabilities And Equity	**1 352 190 460**	**(10 127 558)**	**1 342 062 902**	**1 191 432 134**	**(10 314 271)**	**1 181 117 863**

(All Amounts In Saudi Riyals Unless Otherwise Stated)

23-2 Reconciliation of Equity

	As at 31 December 2016	As at 01 January 2016
Total Equity under SOCPA Standards	**812 550 102**	**735 453 982**
Effect of IFRSs Standards Adoption		
Actuarial Valuation Charge	286 391	(213 121)
Expenses capitalized as pre-operating expenses	-	(492 419)
Impact of grace period in rent until 2015	(11 454 704)	(11 656 265)
Capitalization of cost and accumulated depreciation of rental	529 954	866 539
Write-off of Ineligible expenses capitalized along with fixed assets	(2 040 266)	(2 040 266)
Impact of capitalization of borrowing cost	2 837 458	3 008 140
Unamortized deferred charge as per effective interest rate method	-	602 966
	(9 841 167)	**(9 924 426)**
Total Equity under IFRS Standards	**802 708 935**	**725 529 556**

23-3 Reconciliation of Statement of Profit or Loss

	For the Year ended 31 December 2016		
	SOCPA Standards	Effect of transition to IFRSs Standards	IFRSs Standards
Revenue	1 156 683 409	-	**1 156 683 409**
Cost of Revenue	(809 080 184)	-	**(809 080 184)**
Gross Profit	**347 603 225**	-	**347 603 225**
Selling and Distribution Expenses	(58 273 972)	-	**(58 273 972)**
General and Administration Expenses	(63 676 131)	(7 179 659)	**(70 855 790)**
Operating Profit	**225 653 122**	**(7 179 659)**	**218 473 463**
Other Revenue	3 404 383	7 366 372	**10 770 755**
Finance Cost	(7 311 385)	(602 966)	**(7 914 351)**
Profit before zakat	**221 746 120**	**(416 253)**	**221 329 867**
Zakat	(4 250 000)	-	**(4 250 000)**
Profit for the year	**217 496 120**	**(416 253)**	**217 079 867**
Other Comprehensive Income			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined Benefit liabilities	-	499 512	499 512
Other Comprehensive Income for the year	-	**499 512**	**499 512**
Total Comprehensive Income for the year /	**217 496 120**	**83 259**	**217 579 379**

(All Amounts In Saudi Riyals Unless Otherwise Stated)

23-4 Reconciliation of Profit

	For the Year ended 31 December 2016	
	Profit before zakat	Profit for the year
As per SOCPA Standards	221 746 120	217 496 120
Cost of Revenue	(6 680 147)	(6 680 147)
General and Administration Expenses	(499 512)	(499 512)
Other Revenue	7 366 372	7 366 372
Finance Cost	(602 966)	(602 966)
Total adjustment to Profit or Loss	(416 253)	(416 253)
Profit or Loss as per IFRS Standards	221 329 867	217 079 867
Other Comprehensive Income	499 512	499 512
Total Comprehensive Income as per IFRS Standards	221 829 379	217 579 379

23-5 EFFECT OF IFRS ADOPTION

23-5-1 Employee Benefits

The Defined benefit liability was revised due to actuarial valuation under projected unit credit method, as required by IFRS. The impact of this adjustment reduced the balance of defined benefit liability as at 31 December 2016 by SAR 0.29 million (1 January 2016: increase of SAR 0.21 million) with a corresponding impact on retained earnings.

23-5-2 Pre-operating expenses

Capitalization of pre-operating expenses is not allowed under IFRS. Therefore, write-off amounting to SAR 0.49 million was made which reduced the retained earnings as at 01 January 2016.

23-5-3 Concession period allowed under rental contracts

The concession period allowed under certain rent contracts for premises rented by the Company was included as part of the total duration of rent. This resulted in a decrease in retained earnings by SAR 11.45 million as at 31 December 2016 (1 January 2016: SAR 11.66 million). The decrease in prepayments was SAR 11.45 million as at 31 December 2016 (1 January 2016: SAR 11.66 million).

23-5-4 Rent expenses of premises utilized for construction of fixed assets

Under IFRS, rental expenses of premises that were under construction were capitalized until the construction was completed and the premises were ready for use. The said treatment resulted in increase in retained earnings amounting to SAR 0.53 million as at 31 December 2016 (1 January 2016: 0.87 million)

Further, during the year the rent expenses relating to sites under construction was capitalized as allowed under IFRS. This resulted in an upward adjustment to fixed assets, with a net impact of SAR 1.86 million as at 31 December 2016 (1 January 2016: SAR 1.34 million).

23-5-5 Inadmissible expenses incurred during acquisition or construction of fixed assets

Under IFRS, expenses incurred during construction and acquisition of fixed assets that were not allowed were written off. The impact of this write-off was SAR 2.04 million during year ended 31 December 2016 (1 January 2016: SAR 2.04 million).

(All Amounts In Saudi Riyals Unless Otherwise Stated)

The impact of the above expenses was also reversed from the depreciation charged to cost of sales during 2016 and recorded as other income. Net impact on cost of sales was SAR 6.6 million for year ended 31 December 2016, whereas impact on other income was SAR 7.36 million for the year ended 31 December 2016

23-5-6 Capitalization of borrowing costs

Under IFRS, borrowing costs incurred during the construction of fixed assets were capitalized. The fixed assets as well as the equity of the Company had a positive impact of SAR 2.8 million as at 31 December 2016 (1 January 2016: SAR 3.008 million)

23-5-7 Calculation of loan charges using effective interest rate method

As at 1 January 2016, deferred charge relating to SIDF borrowings was recalculated using effective interest rate method under IFRS. This resulted in an increase in equity amounting to SAR 0.6 million. The same was charged to statement of profit or loss for the year 2016.

23-5-8 Investment properties

Under IFRS, land and building assets which fulfilled the criteria of investment properties were reclassified from PPE to the relevant category. The net impact of the reclassification is detailed below:

Description	**31-Dec-16**	**01-Jan-16**
	SR . 000	**SR . 000**
Cost	46 766 816	33 907 104
Accumulated depreciation	(12 510 347)	(3 268 957)
Net book value	**34 256 469**	**30 638 147**

24- Management Fees

The total remunerations of the Company's key management personnel for the year ended December 31, 2016 amounted to 17.3 million Saudi Riyals (2016:20.5 million Saudi Riyal). Such remunerations include basic salaries, bonuses and other benefits as per the Company's policies.

Key management personnel are those persons, including the Board of Directors members, Managing Director and top executives having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly.

Also see Note 20 for management fees paid to the Managing Director.

25- Dividends

Based on approval of the The Extraordinary General Assembly held on May, 22, 2017 resolved to distribute interim cash dividends amounting to Saudi Riyals 69.3 million for the period from July 2016 to December 2016, In addition, an amount of Saudi Riyals 1.8 million was approved and paid as remuneration to the Board of Directors. The Board of Directors approved on meeting held on July, 20,2016 to distribute cash dividends amounting to Saudi Riyals 64.68 million respectively. These amounts were paid to the shareholders during the year ended December 31, 2017.

(All Amounts In Saudi Riyals Unless Otherwise Stated)

26- Contingencies and commitments

1) The Company is contingently liable for bank guarantees issued on behalf of the Company amounting to Saudi Riyals 0.36 million (31 December 2016: S R 0.49 million , 1 January 2016 : S R 1.5 million) and letters of credit issued on behalf of the Company amounting to Saudi Riyals 0.78 million (31 December 2016: S R 3 million , 1 January 2016 S R 5 million) in the normal course of business.

2) The capital expenditure contracted by the Company but not incurred till December 31, 2017 is approximately Saudi Riyals 22.4 million (31 December 2016: S R 56.1 million , 1 January 2016 S R 54.4 million)

3) Lease commitments : Saudi Riyal 817.48 Milion (31 December 2016: S R 781,86 million , 1 January 2016 S R 813.34 million)

	31 December 2017	31 December 2016	1 January 2016
Within one year	84 083 929	88 559 380	78 287 839
Between two and five years	262 299 090	244 339 983	250 761 596
Greater than five years	471 097 169	448 960 755	484 292 635
	817 480 188	**781 860 118**	**813 342 070**

27- Risk Management of Financial Instruments

The Company's activities expose it to a variety of financial risks, credit risk, liquidity risk, market price risk and capital management risk.

27-1 Credit Risk:

Credit risk is the risk that one party to financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk on its bank balances, trade receivables and receivables from related parties as follows.

	31 December 2017	31 December 2016	1 January 2016
Cash at Bank	7 028 933	63 628 169	16 708 936
Trade Receivables - Other Party	21 451 088	15 843 314	12 903 719
Trade Receivables - Related Party	19 403 346	14 179 125	10 809 825
	47 883 367	**93 650 608**	**40 422 480**

The carrying amount of financial assets represents the maximum credit exposure

Credit risk on receivable and bank balances is limited as:

- Cash balances are held with banks with sound credit ratings ranging from BBB+ to A 1.
- The receivable are shown net of allowance for impairment of trade receivables and sales returns.
- Financial position of related parties is stable.

The Company manages credit risk with respect to receivables from customers by monitoring in accordance with defined policies and procedures.

The Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables on an ongoing basis. The receivable balances are monitored with the result that the Company's exposure to bad debts is not significant.

Trade receivables outstanding balance comprises of 100% in KSA at December 31, 2017.

27-2 Liquidity Risk:

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Following are the contractual maturities at the end of the reporting period of financial liabilities. The amounts are grossed and undiscounted, and include estimated interest payments.

	31 December 2017			
	Carrying Amount	Less than 1 year	1 year to 5 years	More than 5 years
Borrowings	329 810 272	137 281 964	192 528 307	-
Trade and other payables	120 567 858	120 567 858	-	-
Trade Payables to Related Party	2 633 496	2 633 496	-	-
	453 011 626	**260 483 318**	**192 528 307**	**-**

	31 December 2016			
	Carrying Amount	Less than 1 year	1 year to 5 years	More than 5 years
Borrowings	360 554 321	122 076 660	238 477 661	-
Trade and other payables	100 074 458	100 074 458	-	-
Trade Payables to Related Party	3 497 545	3 497 545	-	-
	464 126 324	**225 648 663**	**238 477 661**	**-**

	1 January 2016			
	Carrying Amount	Less than 1 year	1 year to 5 years	More than 5 years
Borrowings	285 876 784	87 127 034	198 749 750	-
Trade and other payables	98 321 817	98 321 817	-	-
Trade Payables to Related Party	5 572 182	5 572 182	-	-
	389 770 783	**191 021 033**	**198 749 750**	**-**

Liquidity risk is managed by monitoring on a regular basis that sufficient funds and banking and other credit facilities are available to meet the Company's future commitments. The Company's terms of sales require amounts to be paid either on a cash on delivery or on a terms basis.

27-3 Market Risk:

Market price risk is the risk that value of a financial instrument will fluctuate as a result of changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

27-4 Currency Risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company transactions are principally in Saudi Riyals and US Dollars. As the Saudi Riyals is pegged against US Dollar, the Company does not have any significant exposure to currency risk. The Company also has some transactions in EURO, which were not significant.

	31 December 2017			
	USD	EURO	GBP	AUD
Cash at bank	(22 752)	276 548	-	12 144
Trade Payables	(1 217 508)	(154 400)	(13 460)	-
	(1 240 260)	**122 148**	**(13 460)**	**12 144**

(All Amounts In Saudi Riyals Unless Otherwise Stated)

	31 December 2016			
	USD	EURO	GBP	AUD
Cash at bank	833 050	987 260	-	12 144
Trade Payables	(439 100)	(210 215)	(363)	-
	393 950	777 045	(363)	12 144

	1 January 2016			
	USD	EURO	GBP	AUD
Cash at bank	515 417	923 029	-	12 144
Trade Payables	(315 426)	(153 867)	-	-
	199 991	769 162	-	12 144

27-5 Interest rate risk

Interest rate risks is the risk associated with the effect of fluctuation in the prevailing interest rates on the Company's financial position and cash flows. The Company interest rate arise mainly from its borrowings which are on fixed rate of interest therefore the cash flow interest rate risk is considered minimal. The rates of interest on borrowings are close to the market rates, therefore management believes that fair value is not significant.

27-6 Capital Management

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitor the return on capital employed and the level of dividends to ordinary shareholders.

The Company's objectives when managing capital are:

1) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
2) to provide an adequate return to shareholders

The Company manages the capital structure in the context of economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, adjust the amount of dividends paid to shareholders and issue new shares.

The company relies heavily on long - term loans to meet its capital expenditures

28- Subsequent Events

In the opinion of the management, there have been no significant subsequent events since the year end that would have a material impact on the financial position of the Company as reflected in these Financial Statements.

29- Comparative Figures

Items, elements and notes of the comparatives Condensed Consolidated Interim Financial Statements have been redisplayed, regrouped and reclassified to meet with the applied accounting policies for the current period which have been prepared according to the International Financial Reporting Standards (IFRSs) that are endorsed in the Kingdom of Saudi Arabia.

30- Board Of Directors Approval

These Financial Statements were approved by the Board of Directors on 24 JumadaII 1439 H. (11 March 2018).