HERFY FOOD SERVICES COMPANY
(A Saudi Joint Stock Company)

THE CONDENSED INTERIM FINANCIAL STATEMENTS AND REVIEW REPORT FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED 30 June2018

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(A Saudi Joint Stock Company)
THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED 30 June2018

INDEPENDENT AUDITORS' REPORT
ON REVIEW OF INTERIM FINANCIAL STATEMENTS

The Shareholders
Herfy Food Services Company
"A Saudi Joint Stock Company"
Riyadh, Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying condensed interim financial statements of Herfy Food Services Company - A Saudi Joint Stock Company ("the Company") which comprises:

- the condensed statement of financial position as at 30 June 2018;
- the condensed statement of profit or loss and comprehensive income for the three-month and six-month periods ended 30 June 2018;
- the condensed statement of changes in equity for the six-month period ended 30 June 2018;
- the condensed statement of cash flows for the six-month period ended 30 June 2018; and
- the notes, comprising a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of interim Financial Information Performed by the Independent Auditor of the Entity" that are endorsed in the Kingdom of Saudi Arabia. A review of interim financial information 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 30 June 2018 condensed interim financial statements are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

SAUDI GROUP FOR ACCONTING & AUDITING

DAKHEEL ALI AL-DAKHEEL
LIC NO.(96)

Date: 11 Dhu al-Qi'dah 1439 H
Corresponding to: 24 Julay 2018

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

Herfy Food Services Company
(A Saudi Joint Stock Company)
Condensed Interim Statement of Financial Position as at 30 June 2018
(All Amounts In Saudi Riyals Unless Otherwise Stated)

	Notes	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Assets			
Non-Current Assets			
Property, Plant and Equipment		1 057 246 739	1 043 330 765
Intangible Assets		10 623 470	11 339 906
Real Estate Investments		33 386 441	30 612 722
		1 101 256 650	**1 085 283 393**
Current Assets			
Inventories		128 416 188	126 846 007
Trade, Other Receivablesand Prepayment		152 565 718	165 283 215
Investements at Fair Value through profit and loss	(5)	10 722 546	559 690
Cash and Bank Balances		19 583 423	12 704 582
		311 287 875	**305 393 494**
TOTAL ASSETS		**1 412 544 525**	**1 390 676 887**
EQUITY AND LIABILITIES			
EQUITY			
Share Capital	(6)	646 800 000	646 800 000
Statutory Reserve		48 335 254	38 972 160
Retained Earnings		192 312 896	181 043 047
TOTAL EQUITY		**887 448 150**	**866 815 207**
Liabilities			
Non-Current Liabilities			
Long Term Borrowings	(7)	136 787 345	192 528 307
Employee Benefits		62 852 793	62 453 017
		199 640 138	**254 981 324**
Current Liabilities			
Current Portion of LongTerm Borrowings	(7)	160 014 902	137 281 964
Trade and Other Payables		157 792 942	123 201 354
Zakat		7 648 393	8 397 038
TOTAL LIABILITIES		**325 456 237**	**268 880 356**
		525 096 375	**523 861 680**
TOTAL EQUITY AND LIABILITIES		**1 412 544 525**	**1 390 676 887**

The accompanying notes (1) to (14) form an integral part of these condensed interim financial statements

Herfy Food Services Company
(A Saudi Joint Stock Company)
Condensed Interim Statement of Profit or Loss and other Comprehensive Income for The Three Month and Six Month Periods Ended 30 June 2018
(All Amounts In Saudi Riyals Unless Otherwise Stated)

	Notes	April - June 2018 (Unaudited)	April - June 2017 (Unaudited)	January- June 2018 (Unaudited)	January- June 2017 (Unaudited)
Revenue		286 613 168	272 100 826	572 910 231	547 112 242
Cost of Revenue		(207 886 711)	(196 679 065)	(415 204 857)	(384 828 621)
Gross Profit		**78 726 457**	**75 421 761**	**157 705 374**	**162 283 621**
Other Revenue		3 336 589	3 071 021	6 301 300	5 987 708
Selling and Distribution Expenses		(13 094 173)	(13 838 477)	(24 794 273)	(29 865 289)
General and Administration Expenses		(18 854 958)	(17 937 029)	(37 126 293)	(35 411 404)
Operating Profit		**50 113 915**	**46 717 276**	**102 086 108**	**102 994 636**
Finance Cost		(3 428 293)	(2 516 822)	(6 855 165)	(4 977 514)
Profit before zakat		**46 685 622**	**44 200 454**	**95 230 943**	**98 017 122**
Zakat		(800 000)	(800 000)	(1 600 000)	(1 900 000)
Profit for the period		**45 885 622**	**43 400 454**	**93 630 943**	**96 117 122**
Other Comprehensive Income					
Items that will not be classified to profit or loss					
Remeasurement of defined Benefit liabilities		-	-	-	-
Total Other Comprehensive Income for the year		-	-	-	-
Total Comprehensive Income for the year		**45 885 622**	**43 400 454**	**93 630 943**	**96 117 122**
Earnings per Share (SAR). based on Profit for the period	(8)				
- Basic		0.71	0.67	1.45	1.49
- Diluted		0.71	0.67	1.45	1.49

The accompanying notes (1) to (14) form an integral part of these condensed interim financial statements

Condensed Interim Statement of Changes In Equity For The Six Month
Period Ended 30 June 2018
(All Amounts In Saudi Riyals Unless Otherwise Stated)

	Share Capital	Statutory Reserve	Retained Earnings	TOTAL EQUITY
Balance at 1 January 2017 (Audited)	**462 000 000**	**138 967 946**	**201 740 989**	**802 708 935**
Profit for the period	-	-	96 117 122	96 117 122
Repayment of capital	184 800 000	(120 000 000)	(64 800 000)	-
Other Comprehensive Loss for the period	-	-	-	-
Total Comprehensive Income	-	-	96 117 122	96 117 122
Transfer to statutory reserve	-	9 611 712	(9 611 712)	-
Dividends distributed	-	-	(71 100 000)	(71 100 000)
Balance at 30 June 2017 (Unaudited)	**646 800 000**	**28 579 658**	**152 346 399**	**827 726 057**
Balance at 01 January 2018 (Audited)	**646 800 000**	**38 972 160**	**181 043 047**	866 815 207
Profit for the period	-	-	93 630 943	93 630 943
Other Comprehensive Income for the period	-	-	-	-
Total Comprehensive Income	-	-	93 630 943	**93 630 943**
Dividends distributed	-	-	(72 998 000)	(72 998 000)
Transfer to statutory reserve	-	9 363 094	(9 363 094)	-
Balance at 30 June 2018 (Unaudited)	**646 800 000**	**48 335 254**	**192 312 896**	**887 448 150**

The accompanying notes (1) to (14) form an integral part of these condensed interim financial statements

Herfy Food Services Company
(A Saudi Joint Stock Company)
Condensed Interim Statement of Cash Flows For The Six Month Period Ended 30 June 2018
(All Amounts In Saudi Riyals Unless Otherwise Stated)

	Notes	30/06/2018 (Unaudited)	30/06/2017 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		93 630 943	96 117 122
Depreciation and Amortization		37 171 527	35 140 984
Provision for Employee Benefits		6 285 754	6 756 790
(Gain) on sale of property, plant and equipment		(68 673)	65 500
Financial charges		6 855 165	4 977 514
Zakat		1 600 000	1 900 000
		145 474 716	**144 957 910**
Changes in			
Inventories		(1 570 181)	(12 098 718)
Trade Receivables.Prepayments and Other Receivables		12 717 497	(1 651 778)
Trade, Other Payables, and ,Accrued Expenses,		34 591 588	18 867 712
Cash Used in Operating Activities		**191 213 620**	**150 075 126**
Employee Benefits Paid		(5 885 978)	(6 049 704)
Zakat Paid		(2 348 645)	(2 157 484)
Net Cash Generated from Operating Activities		**182 978 997**	**141 867 938**
CASH FLOWS FROM I NVESTING ACTIVITIES			
Additions to Property, Plant and Equipment		(52 271 985)	(63 198 992)
Investements at Fair Value through profit and loss	(5)	(10 162 856)	-
Real Estate Investments		(1 059 284)	-
Intangible Assets		(119 605)	(1 318 500)
Proceeds from sale from property, plant and equipment		501 221	98 250
Net Cash Used in Investing Activities		**(63 112 509)**	**(64 419 242)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in Loans	(7)	35 599 508	39 999 852
Financial charges paid		(6 981 622)	(6 088 803)
Repayment of loans and borrowings	(7)	(68 607 533)	(60 073 008)
Dividends distributed paid		(72 998 000)	(71 100 000)
Net cash flows from / (used in) financing activities		**(112 987 647)**	**(97 261 959)**
Net increase / (decrease) in cash and cash equivalents		**6 878 841**	**(19 813 263)**
Cash and Cash Equivalents at 01January		12 704 582	73 225 799
Cash and Cash Equivalents at 30 June		**19 583 423**	**53 412 536**

The accompanying notes (1) to (14) form an integral part of these condensed interim 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, maintaining, and leases 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 June 30, 2018, the total number of restaurants owned and leased by the Company were 41 and 321 respectively (31 Decamber 2017: 41 owned and 307 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 interim 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 Condensed Interim Financial Statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for 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 Condensed Interim Financial Statements where IFRS 15 and IFRS 9 have been applied. Changes to significant accounting policies are described in Note 4-2.

2-2 Preparation of The Financial Statements

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

- Investments at Fair Value through profit or loss is recognised in the statement of profit or loss.
- The defined benefit obligation is recognised at the present value of future obligations using the Projected Unit Credit Method.

2-3 Use of Judgments and Estimates

In preparing these Condensed Interim Financial Statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual Financial Statements, 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 4-2.

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.

4- Significant accounting policies

4-1 New Standards, Amendments and Standards issued and not yet effective:

New Standards, Amendment to Standards and Interpretations:

The Company has adopted IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments from 1 January 2018, the effect of application of these standards have been fully explained in note 4-2. A number of other new standards, amendments to standards are effective from 1 January 2019 but they do not have a material effect on the Company's Financial Statements.

Standards issued but not yet effective

Following are the new standards and amendments to standards which are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Company has not early adopted them in preparing these Condensed Interim Financial Statements.

(1) IFRS 16 Leases

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019 and earlier adoption is permitted.

Determining whether an arrangement contains a lease

On transition to IFRS 16, the Company can choose whether to:

- Apply the IFRS 16 definition of a lease to all its contracts; or
- Apply a practical expedient and not reassess whether a contract is, or contains, a lease.

Transition

As a lessee, the Company can either apply the standard using a:

- Retrospective approach; or
- Modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases. The Company currently plans to apply IFRS 16 initially on 1 January 2019. The Company has not yet determined which transition approach to apply.

(All Amounts In Saudi Riyals Unless Otherwise Stated)

4-2 Changes in significant accounting policies:

Except as described below, the accounting policies applied in these Condensed Consolidated Interim Financial Statements are the same as those applied in the last annual Financial Statements as at and for the year ended 31 December 2017. The changes in accounting policies are also expected to be reflected in the last annual Financial Statements as at and for the year ending 31 December 2018.

The Company has initially adopted IFRS 15 Revenue from Contracts with Customers (see 4-2-1) and IFRS 9 Financial Instruments (see 4-2-2) from 1 January 2018.

The effect of initially applying these standards is mainly attributed to the following:

- Presentation of Revenue net off sales return (see a below).
- an increase in impairment losses recognised on financial assests (see below).

4-2-1 IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Company recognizes revenue when a customer obtains controls of the goods at a point in time i.e. on delivery and acknowledgement of goods, which is in line with the requirements of IFRS 15. Accordingly, there is no material effect of adopting 'IFRS 15 Revenue from Contracts with Customers' on the recognition of Revenue of the Company.

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Company's sale of goods are set out below.

Type of Product	Nature, timing of satisfaction of performance obligations, significant payment terms	Nature of change in accounting policy
Consumer Products of Food, Meat, and Bakery.	Customers obtain control of products when the goods are delivered to them and have been accepted by them. Invoices are generated and revenue is recognised at that point in time. Credit invoices are usually payable within 45 - 90 days. Invoice is generated and recognised as revenue net off applicable discounts which relate to the items sold. No customer loyalty points are offered to customers and therefore there is no deferred revenue to be recognised for the items sold.	Under IAS 18, revenue for contracts with customers was also recognised when the goods were delivered to and were accepted by the customers and a reasonable estimate of sales return could be made. However, estimated sales return was recognised under Cost of Sales, instead of netting off against Revenue, with a corresponding liability in 'Other Payables' for cash sales and a provision for sales return against 'Trade receivables' for credit loss.
	For contracts that permit the customer to return an item, under IFRS 15 revenue is recognised to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data.	The impact of this change is that revenue is decreased with the amount of expected sales return.

The Company has adopted IFRS 15 using the cumulative effect method, with the effect of applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for previous year has not been restated, as previously reported, under IAS 18 and related interpretations.

(All Amounts In Saudi Riyals Unless Otherwise Stated)

The following table summarises the impact of adopting IFRS 15 on the Company's Condensed Statement of Profit or Loss for the three months period ended 31 March 2018, for the relevant Financial Statement line items affected.

Impact on the Condensed Consolidated Statement of Profit or Loss.

For the three months period
April - June 2018

	As Reported	Adjustment	Amounts without adoption of IFRS 15
Revenue	286 613 168	-	286 613 168
Cost of Sales	(207 886 711)	-	(207 886 711)
Gross Profit	**78 726 457**	-	**78 726 457**

For the Six months period
January - June 2018

	As Reported	Adjustment	Amounts without adoption of IFRS 15
Revenue	572 910 231	-	572 910 231
Cost of Sales	(415 204 857)	-	(415 204 857)
Gross Profit	**157 705 374**	-	**157 705 374**

4-2-2 IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

(I) Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

(All Amounts In Saudi Riyals Unless Otherwise Stated)

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see (2) below). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements, as described further below.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for the class of the Company's financial assets as at 1 January 2018.

	Original Classification Under IAS 39	**New Classification Under IFRS 9**	**Original Carrying Amount under IAS 39**	**New Carrying amount Under IFRS 9**
Financial Assets				
Investements at FVTPL	Investements at FVTPL	Investements at FVTPL	10 722 546	10 722 546
Trade Receivables	Loans and Receivables	Amortaised cost	45 905 132	45 905 132
Cash and bank	Receivables	Amortaised cost	19 583 423	19 583 423
Total			**76 211 101**	**76 211 101**

(2) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and investments at FVTPL. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impairment losses related to trade receivables are presented separately in the Condensed Statement of Profit or Loss and OCI.

(All Amounts In Saudi Riyals Unless Otherwise Stated)

Transition

The Company has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are not recognised in retained earnings as at 1 January 2018 as amount was not material. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets

5- Investements at Fair Value through profit and loss

Investements at Fair Value through profit and loss is investment in Commodities Mudaraba Al-Rajhi Fund - SAR, The movement in Investments FVTPL as follows:

	June 30 2018 (Unaudited)	December 31 2017 (Audited)
Opening balance	559 690	-
Purshasing	100 000 000	128 220 788
Redmpetion	(89 842 430)	(127 661 098)
Change in fair value	5 286	-
Closing balance	**10 722 546**	**559 690**

6- 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.

7- Loans and borrowings

	June 30 2018 (Unaudited)	December 31 2017 (Audited)
Total	296 802 247	329 810 271
	296 802 247	**329 810 271**
Non-Current	136 787 345	192 528 307
Current	160 014 902	137 281 964
	296 802 247	**329 810 271**

(All Amounts In Saudi Riyals Unless Otherwise Stated)

7-1 Details of long term loans

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 period ended June 30, 2018 the Company repaid an amount of Saudi Riyals 69.78 million (December 31, 2017 : Saudi Riyals 139.07 million).

SABB Bank

The Company has a Murabaha sale agreement and a wakala agreement with SABB Bank, which is repayable in semi-annual installments and payable semi-annually, during the period ending 30 June 2018, the Company received SAR 15.6 million.

SABB Bank

The Company has a Murabaha sale agreement and a wakala agreement with Riyadh Bank, which is repayable in semi-annual installments and payable semi-annually, during the period ending 30 June 2018, the Company received SAR 20 million.

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

8- EARNING PER SHARE

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

	April- June 30 2018 (Unaudited)	April- June 30 2017 (Unaudited)	January - June 2018 (Unaudited)	April- June 2017 (Unaudited)
Profit for the Period	45 885 622	43 400 454	93 630 943	96 117 122
Number of shares				
Weighted average number of ordinary shares for the purposes of basic earnings.	64 680 000	64 680 000	64 680 000	64 680 000
Earnings per Share (SAR). based on Profit for the year				
- Basic	0.71	0.67	1.45	1.49
- Diluted	0.71	0.67	1.45	1.49

Earnings per share for the two periods ended 30 June 2018 and 2017 were calculated by dividing the net income for the two Periods 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 6).

9- 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.

9-1 Selected financial information as of June 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	
	2018	2017	2018	2017	2018	2017	2018	2017
Total segment revanue	492 411	468 684	57 425	59 153	74 875	74 092	624 711	601 929
Inter-segment revanue	-	-	(42 811)	(44 974)	(8 989)	(9 843)	(51 800)	(54 817)
Revanue net	**492 411**	**468 684**	**14 614**	**14 179**	**65 886**	**64 249**	**572 911**	**547 112**
Net income	62 045	65 507	18 517	18 254	13 069	12 356	**93 631**	**96 117**
Finance cost	6 562	4 522	64	200	229	255	**6 855**	**4 977**
Depreciation and amortization	27 116	25 920	3 044	2 445	7 012	6 776	**37 172**	**35 141**
Property, plant and equipment	867 525	795 295	47 741	48 228	175 367	182 678	**1 090 633**	**1 026 201**
Total assets	1 082 980	1 035 121	87 308	91 970	242 257	239 324	**1 412 545**	**1 366 415**
Total liabilities	455 277	468 426	8 148	15 489	61 671	54 774	**525 096**	**538 689**

10- Contingencies and commitments

1) The Company is contingently liable for bank guarantees issued on behalf of the Company amounting to Saudi Riyals 4.6 million (31 December 2017: S.R 0.36 million) and letters of credit issued on behalf of the Company amounting to Saudi Riyals 1.33 million (31 December 2017: S.R 0.78 million) in the normal course of business.

2) The capital expenditure contracted by the Company but not incurred till June 30, 2018 is approximately Saudi Riyals 22.8 million (31 December 2017: S.R 22.4 million)

3) Lease commitments : Saudi Riyal 822.3 Milion (31 December 2017: S.R 817.48 million)

11- Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When measuring the fair value the Group uses market observable data as far as possible. Fair values are categorised 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 that can be accessed at the measurement date

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

(All Amounts In Saudi Riyals Unless Otherwise Stated)

	31 June 2018						
	Carrying amount			Fair Value			
	Amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial Assets measured at fair value							
Invesments in FVTPL	10 722 546	-	10 722 546	10 722 546	-	-	10 722 546
	10 722 546	-	**10 722 546**	**10 722 546**	-	-	**10 722 546**
Financial Assets not measured at fair value							
Trade and Other Receivables	152 565 718	-	152 565 718	-	-	-	-
Cash and Bank Balances	19 583 423	-	19 583 423	-	-	-	-
	172 149 141	-	**172 149 141**	-	-	-	-
Financial Liabilities not measured at fair value							
Loans and borrowings	-	296 802 247	-	-	296 802 247	-	296 802 247
Trade and Other Payables	-	157 792 942	-	-	157 792 942	-	157 792 942
	-	**454 595 189**	-	-	**454 595 189**	-	**454 595 189**

(All Amounts In Saudi Riyals Unless Otherwise Stated)

	31-Dec-17						
	Carrying amount			Fair Value			
	Amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial Assets measured at fair value							
Invesments in FVTPL	559 690	-	559 690	559 690	-	-	559 690
	559 690	-	**559 690**	**559 690**	-	-	**559 690**
Financial Assets not measured at fair value							
Trade and Other Receivables	165 283 215	-	165 283 215	-	-	-	-
Cash and Bank Balances	12 704 582	-	12 704 582	-	-	-	-
	177 987 797	-	**177 987 797**	-	-	-	-
Financial Liabilities not measured at fair value							
Loans and borrowings	-	329 810 271	-	-	329 810 271	-	329 810 271
Trade and Other Payables	-	123 201 354	-	-	123 201 354	-	123 201 354
	-	**453 011 625**	-	-	**453 011 625**	-	**453 011 625**

12- Dividends

The Board of Directors of the Company, at its meeting held on 2018/131, recommended the distribution of cash dividends for the second half of 2017 in the amount of SR 71.148 million, at SR 1.1 per share. On April 23, 2018, the shareholders approved in their meeting the Ordinary General Assembly meeting this dividends.

13- Subsequent Events

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

14- Board Of Directors Approval

These Financial Statements were approved by the Board of Directors on 11 Dhu al-Qi'dah 1439 H. (24 Julay 2018).