HERFY FOOD SERVICES COMPANY
(A Saudi Joint Stock Company)

THE CONDENSED INTERIM FINANCIAL STATEMENTS
AND REVIEW REPORT
FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 September2018

HERFY FOOD SERVICES COMPANY
(A Saudi Joint Stock Company)
THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 September2018

SAUDI GROUP FOR ACCOUNTING
& AUDITING CO.
AL-JASSER & AL-DAKHEEL
Certified Public Accountants
REG. NO. (1/11/232)

بسم الله الرحمن الرحيم

غرفة تجارية ٣٤٣٦٧٤

المجموعة السعودية للمحاسبة والمراجعة
الجاسر والدخيل
محاسبون ومراجعون قانونيون
سجل رقم (١/١١/٣٢٣)

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") as at 30 September 2018 which comprises:

- the condensed statement of financial position as at 30 September 2018;
- the condensed statement of profit or loss and comprehensive income for the three-month and nine -month periods ended 30 September 2018;
- the condensed statement of changes in equity for the nine-month period ended 30 September 2018;
- the condensed statement of cash flows for the nine-month period ended 30 September 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 September 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

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

DAKHEEL ALI AL-DAKHEEL
LIC NO.(96)

Date: 20 Safar 1440 H
Corresponding to:29October2018

مكتب الرئيسي : ص.ب ١٦٩٩٤ الرمز البريدي ١١٤٧٤ هاتف ٢٠٦٢١٢٨/٤٧٧٧٧٠٦ (٠١١) فاكس : ٤٧٧٧٦٥٣ (٠١١)
مكتب الدمام : ص.ب ٦٧٢٠ الرمز البريدي ٣١٤٥٢ هاتف : ٨٣٤٤٩٣٦ (٠١٣) فاكس : ٨٣٤٤٨٩٥ (٠١٣)
مكتب بريدة : ص.ب ٢٥٧١ الرمز البريدي ٥١٤٦١ - هاتف : ٣٢٤٩٩٢٢ (٠١٦) فاكس : ٣٢٤٩٩٥٥ (٠١٦)
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Herfy Food Services Company
(A Saudi Joint Stock Company)
Condensed Interim Statement of Financial Position as at 30 September 2018
(All Amounts In Saudi Riyals Unless Otherwise Stated)

	Notes	30 September 2018 (Unaudited)	31 December 2017 (Audited)
Assets			
Non-Current Assets			
Property, Plant and Equipment		1 063 827 603	1 043 330 765
Intangible Assets		10 334 288	11 339 906
Real Estate Investments		33 643 947	30 612 722
		1 107 805 838	1 085 283 393
Current Assets			
Inventories		119 747 408	126 846 007
Trade, Other Receivables and Prepayment		173 937 097	165 283 215
Investements at Fair Value through profit and loss	(5)	802 368	559 690
Cash and Bank Balances		5 253 315	12 704 582
		299 740 188	305 393 494
TOTAL ASSETS		1 407 546 026	1 390 676 887
EQUITY AND LIABILITIES			
EQUITY			
Share Capital	(6)	646 800 000	646 800 000
Statutory Reserve		54 146 171	38 972 160
Retained Earnings		179 931 149	181 043 047
TOTAL EQUITY		880 877 320	866 815 207
Liabilities			
Non-Current Liabilities			
Long Term Borrowings	(7)	160 633 117	192 528 307
Employee Benefits		63 520 743	62 453 017
		224 153 860	254 981 324
Current Liabilities			
Current Portion of LongTerm Borrowings	(7)	109 832 195	137 281 964
Trade and Other Payables		184 233 258	123 201 354
Zakat		8 449 393	8 397 038
		302 514 846	268 880 356
TOTAL LIABILITIES		526 668 706	523 861 680
TOTAL EQUITY AND LIABILITIES		1 407 546 026	1 390 676 887

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

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 Nine Month Periods Ended 30 September 2018
(All Amounts In Saudi Riyals Unless Otherwise Stated)

	Notes	July - September 2018 (Unaudited)	July - September 2017 (Unaudited)	January- Septemper 2018 (Unaudited)	January- Septemper 2017 (Unaudited)
Revenue		329 163 325	311 722 043	902 073 556	858 834 285
Cost of Revenue		(232 470 715)	(221 662 845)	(647 675 572)	(606 491 466)
Gross Profit		96 692 610	90 059 198	254 397 984	252 342 819
Other Revenue		2 337 102	2 980 104	8 638 402	8 967 812
Selling and Distribution Expenses		(18 696 338)	(14 212 537)	(43 490 611)	(44 077 826)
General and Administration Expenses		(18 386 630)	(18 916 821)	(55 512 923)	(54 328 225)
Operating Profit		61 946 744	59 909 944	164 032 852	162 904 580
Finance Cost		(3 036 574)	(3 024 835)	(9 891 739)	(8 002 349)
Profit before zakat		58 910 170	56 885 109	154 141 113	154 902 231
Zakat		(801 000)	(850 000)	(2 401 000)	(2 750 000)
Profit for the period		58 109 170	56 035 109	151 740 113	152 152 231
Other Comprehensive Income					
Items that will not be classified to profit or					
Remeasurement of defined Benefit liabilities		-	-	-	-
Total Other Comprehensive Income for the year		-	-	-	-
Total Comprehensive Income for the year		58 109 170	56 035 109	151 740 113	152 152 231
Earnings per Share (SAR). based on Profit for the period	(8)				
- Basic		0.90	0.87	2.35	2.35
- Diluted		0.90	0.87	2.35	2.35

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

(A Saudi Joint Stock Company)
Condensed Interim Statement of Changes In Equity For The Nine Month Period Ended 30 September 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	-	-	152 152 231	152 152 231
Repayment of capital	184 800 000	(120 000 000)	(64 800 000)	-
Other Comprehensive Loss for the period	-	-	-	-
Total Comprehensive Income	-	-	152 152 231	152 152 231
Transfer to statutory reserve	-	15 215 223	(15 215 223)	-
Dividends distributed	-	-	(135 780 000)	(135 780 000)
Balance at 30 September 2017 (Unaudited)	646 800 000	34 183 169	138 097 997	819 081 166
Balance at 01 January 2018 (Audited)	646 800 000	38 972 160	181 043 047	866 815 207
Profit for the period	-	-	151 740 113	151 740 113
Other Comprehensive Income for the period	-	-	-	-
Total Comprehensive Income	-	-	151 740 113	151 740 113
Dividends distributed	-	-	(137 678 000)	(137 678 000)
Transfer to statutory reserve	-	15 174 011	(15 174 011)	-
Balance at 30 September 2018 (Unaudited)	646 800 000	54 146 171	179 931 149	880 877 320

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 Nine Month Period Ended30 September 2018
(All Amounts In Saudi Riyals Unless Otherwise Stated)

	Notes	30/09/2018 (Unaudited)	30/09/2017 (Unaudited)
CA'H FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		151 740 113	152 152 231
Depreciation and Amortization		56 807 299	53 111 574
Provision for Employee Benefits		11 354 665	7 903 327
(Gain) on sale of property, plant and equipment		(114 916)	17 972
Financial charges		9 891 739	8 002 349
Zakat		2 401 000	2 750 000
		232 079 900	223 937 453
Changes in			
Inventories		7 098 599	(9 680 284)
Trade Receivables.Prepayments and Other Receivables		(8 653 882)	(11 103 511)
Trade, Other Payables, and ,Accrued Expenses,		61 031 904	30 630 156
Cash Used in Operating Activities		**291 556 521**	**233 783 814**
Employee Benefits Paid		(10 286 939)	(5 666 387)
Zakat Paid		(2 348 645)	(2 157 298)
Net Cash Generated from Operating Activities		**278 920 937**	**225 960 129**
CASH FLOWS FROM I NVESTING ACTIVITIES			
Additions to Property, Plant and Equipment		(78 283 006)	(85 127 659)
Investements at Fair Value through profit and loss	(5)	(242 678)	-
Real Estate Investments		(1 059 284)	(22 508)
Intangible Assets		(246 685)	(92 618)
Proceeds from sale from property, plant and equipment		500 605	257 764
Net Cash Used in Investing Activities		**(79 331 048)**	**(84 985 021)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in Loans	(7)	39 199 508	109 996 812
Financial charges paid		(10 018 196)	(8 940 306)
Repayment of loans and borrowings	(7)	(98 544 468)	(102 953 022)
Dividends distributed paid		(137 678 000)	(135 780 000)
Net cash flows from/ (used in) financing activities		**(207 041 156)**	**(137 676 516)**
Net increase/ (decrease) in cash and cash equivalents		**(7 451 267)**	**3 298 592**
Cash and Cash Equivalents at01January		**12 704 582**	**73 225 799**
Cash and Cash Equivalents at30 september		**5 253 315**	**76 524 391**

FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED30 September2018

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 September 30, 2018, the total number of restaurants owned and leased by the Company were 41 and 324 respectively (31 December 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
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,

FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED 30 September2018

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.

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).

(All Amounts In Saudi Riyals Unless Otherwise Stated)

Impact on the Condensed Consolidated Statement of Profit or Loss.

For the three months period

Janly - September 2018

	As Reported	Adjustment	Amounts without adoption of IFRS 15
Revenue	329 163 325	-	329 163 325
Cost of Sales	(232 470 715)	-	(232 470 715)
Gross Profit	96 692 610	-	96 692 610

For the Nine months period

January - September 2018

	As Reported	Adjustment	Amounts without adoption of IFRS 15
Revenue	902 073 556	-	902 073 556
Cost of Sales	(647 675 572)	-	(647 675 572)
Gross Profit	254 397 984	-	254 397 984

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.

(1) 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

(All Amounts In Saudi Riyals Unless Otherwise Stated)

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.

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.

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- 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.

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	802 368	802 368
Trade Receivables	Loans and Receivables	Amortaised cost	47 557 805	47 557 805
Cash and bank	Loans and	Amortaised	5 253 315	5 253 315
Total			53 613 488	53 613 488

(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.

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

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:

	September 30 2018	**December 31 2017**
	(Unaudited)	**(Audited)**
Opening balance	559 690	-
Purshasing	146 005 228	128 220 788
Redmpetion	(145 764 635)	(127 661 098)
Change in fair value	2 085	-
Closing balance	**802 368**	**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.

(All Amounts In Saudi Riyals Unless Otherwise Stated)

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

	September 30 2018 (Unaudited)	December 31 2017 (Audited)
Total	270 465 312	329 810 271
	270 465 312	**329 810 271**
Non-Current	160 633 117	192 528 307
Current	109 832 195	137 281 964
	270 465 312	**329 810 271**

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 Septemper 30, 2018 the Company repaid an amount of Saudi Riyals 99.17 million (December 31, 2017 : Saudi Riyals 139.07 million).

SABB Bank

The Company has a Murabaha Liquidity Finance by Metal (Tawarruq) agreement with SABB Bank for five years, which is repriced evrey three monthes, during the period ending 30 September 2018, the Company received SAR 15.6 million.

Riyadh Bank

The Company has a Murabaha Liquidity Finance by Metal (Tawarruq) agreement with Riyadh Bank, which is repriced evrey three monthes, during the period ending 30 September 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

(All Amounts In Saudi Riyals Unless Otherwise Stated)

8- EARNING PER SHARE

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

	July- Septemper 2018 (Unaudited)	July- Septemper 2017 (Unaudited)	January - September 2018 (Unaudited)	January - September 2017 (Unaudited)
Profit for the Period	58 109 170	56 035 109	151 740 113	152 152 231
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	0.90	0.87	2.35	2.35
- Diluted	0.90	0.87	2.35	2.35

Earnings per share for the two periods ended 30 September 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).

(All Amounts In Saudi Riyals Unless Otherwise Stated)

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 September 30 and for the Period ended, summarized by the above business segments, was as follows

	Restaurants and Catering service		Meat factory		Bakeries and other		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Total segment revanue	777 327	741 754	90 134	90 925	115 756	111 299	983 217	943 978
Inter-segment revanue	-	-	(67 168)	(69 848)	(13 975)	(15 296)	(81 143)	(85 144)
Revanue net	777 327	741 754	22 966	21 077	101 781	96 003	902 074	858 834
Net income	102 579	108 159	28 431	25 758	20 730	18 235	151 740	152 152
Finance cost	9 593	7 320	64	295	235	387	9 892	8 002
Depreciation and amortizatio	41 569	39 036	4 577	3 842	10 662	10 234	56 808	53 112
Property, plant and equipmei	886 660	800 840	46 547	50 635	174 599	179 238	1 107 806	1 030 713
Total assets	1 086 380	1 074 374	81 723	86 606	239 443	238 997	1 407 546	1 399 977
Total liabilities	459 452	504 256	13 026	19 674	54 190	56 966	526 668	580 896

10- Contingencies and commitments

1) The Company is contingently liable for bank guarantees issued on behalf of the Company amounting to Saudi Riyals 4.13 million (31 December 2017: S.R 0.36 million) and letters of credit issued on behalf of the Company amounting to Saudi Riyals 1.87 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 September 30, 2018 is approximately Saudi Riyals 13.3 million (31 December 2017: S.R 22.4 million)

3) Lease commitments : Saudi Riyal 793.95 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)

	30-Sep-18						
	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	802 368	-	802 368	802 368	-	-	802 368
	802 368	-	802 368	802 368	-	-	802 368
Financial Assets not measured at fair value							
Trade and Other Receivables	173 937 097	-	173 937 097	-	-	-	-
Cash and Bank Balances	5 253 315	-	5 253 315	-	-	-	-
	179 190 412	-	179 190 412	-	-	-	-
Financial Liabilities not measured at fair value							
Loans and borrowings	-	270 465 312	-	-	270 465 312	-	270 465 312
Trade and Other Payables	-	184 233 258	-	-	184 233 258	-	184 233 258
	-	454 698 570	-	-	454 698 570	-	454 698 570

(All Amounts In Saudi Riyals Unless Otherwise Stated)

:r2018

	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 2018/01/31, 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 30 July 2018 the Board decided to distribute adividend of SR 64.480 milliom for the first half of 2018 at SR 1 per share. These all Based on the mandate given to the Board by the Assembly.

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 20 Safar1440 H. (29 October 2018).