

HERFY FOOD SERVICES COMPANY
(A Saudi Joint Stock Company)

**CONDENSED INTERIM FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE-MONTH AND SIX-MONTH PERIODS
ENDED JUNE 30, 2022**

HERFY FOOD SERVICES COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2022

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Independent auditors review report on review of the condensed interim financial statements

To the Shareholders of Herfy Food Services Company
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Herfy Food Services Company (the "Company") as at June 30, 2022 and the related condensed interim statement of comprehensive income for the three-month and six-month periods then ended and the related condensed interim statements of changes in equity and cash flows for the six-month period then ended and other explanatory notes (the "Condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", as 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, as 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 condensed interim financial statements are not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

PricewaterhouseCoopers

Omar M. Al Sagga
License Number 369

2 August, 2022




HERFY FOOD SERVICES COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2022
(All amounts in Saudi Riyals unless otherwise stated)

	Note	30 June 2022 (Unaudited)	31 December 2021 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	6	885,665,451	987,977,090
Right-of-use assets	7	487,181,975	496,815,140
Net investment in finance lease		6,383,965	7,158,870
Intangible assets		8,784,074	9,396,938
Investment properties	8	130,305,527	28,034,938
		<u>1,518,320,992</u>	<u>1,529,382,976</u>
Current assets			
Inventories	9	170,117,789	134,806,387
Trade, other receivables and prepayments	10	210,801,508	148,836,482
Net investment in finance lease – current portion		1,237,978	1,073,831
Investment carried at FVTPL		974,620	811,681
Cash and cash equivalents		47,384,194	30,485,715
		<u>430,516,089</u>	<u>316,014,096</u>
TOTAL ASSETS		<u>1,948,837,081</u>	<u>1,845,397,072</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	11	646,800,000	646,800,000
Statutory reserve		106,725,711	101,866,503
Retained earnings		343,275,269	299,542,397
TOTAL EQUITY		<u>1,096,800,980</u>	<u>1,048,208,900</u>
LIABILITIES			
Non-current liabilities			
Borrowings	12	7,742,513	15,306,183
Lease liabilities	7	426,732,240	457,620,877
Employees' post-employment benefits		103,758,870	101,843,814
		<u>538,233,623</u>	<u>574,770,874</u>
Current liabilities			
Borrowings	12	15,409,066	15,222,068
Lease liabilities	7	65,721,063	58,933,274
Trade and other payables	13	214,142,140	137,516,113
Provision for zakat	14	5,256,247	9,272,345
Contract liabilities	15	13,273,962	1,473,498
		<u>313,802,478</u>	<u>222,417,298</u>
TOTAL LIABILITIES		<u>852,036,101</u>	<u>797,188,172</u>
TOTAL EQUITY AND LIABILITIES		<u>1,948,837,081</u>	<u>1,845,397,072</u>

The accompanying notes 1 to 20 form part of these interim condensed financial statement


The authorized member
of the Board of Directors


Chief Executive Officer


Director of Finance


Finance manager

HERFY FOOD SERVICES COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2022
(All amounts in Saudi Riyals unless otherwise stated)

	Three-month period ended June 30,		Six-month period ended June 30,	
	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
Revenue	291,610,958	321,369,728	619,809,096	632,485,786
Cost of revenue	(226,152,298)	(240,445,440)	(471,829,847)	(469,454,588)
Gross profit	65,458,660	80,924,288	147,979,249	163,031,198
Other income, net	9,692,072	3,988,997	14,436,637	5,650,123
Realized gain on investments carried at FVTPL	-	-	-	190,570
Unrealized gain on investments carried at FVTPL	17,099	198,143	162,940	273,578
Reversal /(provision) for impairment on trade and other receivables	(300,000)	1,500,000	407,289	1,500,000
Selling and distribution expenses	(30,003,492)	(30,454,051)	(62,631,215)	(57,084,164)
General and administrative expenses	(17,831,193)	(21,547,208)	(37,982,725)	(44,716,992)
Operating profit	27,033,146	34,610,169	62,372,175	68,844,313
Finance cost	(6,494,692)	(7,221,829)	(13,950,332)	(14,721,723)
Net operating profit before zakat	20,538,454	27,388,340	49,321,843	54,122,590
Zakat	(339,999)	(716,401)	(729,763)	(1,980,826)
Net profit for the period	20,198,455	26,671,939	48,592,080	52,141,764
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	20,198,455	26,671,939	48,592,080	52,141,764
Earnings per share (SR)				
Basic and diluted earnings per share attributable to the equity shareholders of the Company	0.31	0.41	0.75	0.81
Weighted average number of shares	64,680,000	64,680,000	64,680,000	64,680,000

The accompanying notes 1 to 20 form part of these interim condensed financial statements



The authorized member
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Chief Executive Office



Director of Finance



Finance manager

HERFY FOOD SERVICES COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in Saudi Riyals unless otherwise stated)

For the Six-month period ended
June 30, 2021
 Balance as at January 1, 2021 – Audited
 Total comprehensive income for the period
 Dividends distributed*
 Transfer to statutory reserve
 Balance as at June 30, 2021 (Unaudited)




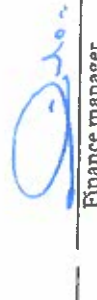
	Share capital	Statutory reserve	Retained earnings	Total equity
	646,800,000	85,782,785	226,812,051	959,394,836
	-	-	52,141,764	52,141,764
	-	-	(64,680,000)	(64,680,000)
	-	5,214,176	(5,214,176)	-
	646,800,000	90,996,961	209,059,639	946,856,600

For the Six-month period ended
June 30, 2022
 Balance as at January 1, 2022 – Audited
 Total comprehensive income for the period
 Transfer to statutory reserve
 Balance as at June 30, 2022 (Unaudited)

	Share capital	Statutory reserve	Retained earnings	Total equity
	646,800,000	101,866,503	299,542,397	1,048,208,900
	-	-	48,592,080	48,592,080
	-	4,859,208	(4,859,208)	-
	646,800,000	106,725,711	343,275,269	1,096,800,980

* On 13 Ramadan 1442H, corresponding to 25 April 2021G, the shareholders in their Annual General Meeting approved dividends of SR 1 per share which was paid on 27 Ramadan 1442H corresponding to 9 May 2021G. There were no dividends declared during the six-month period ended 30 June 2022.

The accompanying notes 1 to 20 form part of these interim condensed financial statements

The authorized member of the Board of Directors Chief Executive Officer Director of Finance Finance manager


HERFY FOOD SERVICES COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in Saudi Riyals unless otherwise stated)

	For the Six-month period ended	
	June 30, 2022	June 30, 2021
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating profit before zakat	49,321,843	54,122,590
Adjustments for:		
Depreciation on property, plant and equipment	40,843,495	44,617,412
Depreciation on right-of-use assets	37,230,466	34,339,994
Depreciation on investment property	1,312,043	1,671,883
Amortization of intangible assets	1,317,215	1,489,772
Reversal of provision for expected credit losses	(407,289)	(1,500,000)
Reversal of provision for slow-moving items	(713,302)	-
Provision for employees' post-employment benefits	7,280,602	11,631,762
Unrealized gain on investments measured at fair value	(162,939)	(273,578)
Realized gain on investments measured at fair value	-	(190,570)
Gain on disposal of property, plant and equipment	(647,239)	(280,360)
Interest income	(161,742)	(205,483)
Finance cost	13,050,332	14,721,723
Movement in working capital		
Inventories	(34,598,100)	(3,857,576)
Trade, other receivables and prepayments	(61,395,995)	(25,555,463)
Trade and other payables	76,626,027	34,334,457
Contract liabilities	11,800,464	3,847,388
Cash generated from operating activities	140,695,881	168,913,951
Zakat paid	(4,745,861)	(5,062,185)
Employees' post-employment benefits paid	(5,365,546)	(2,881,507)
Net cash generated from operating activities	130,584,474	160,970,259
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(43,428,396)	(31,879,560)
Purchase of investments carried at FVTPL	-	(90,000,000)
Sale proceeds of investments carried at FVTPL	-	92,433,773
Lease rental received	610,758	1,505,173
Proceeds from the sale of property, plant and equipment	1,256,796	1,030,140
Net cash used in investing activities	(41,560,842)	(26,910,474)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term borrowings	(7,919,578)	(14,311,950)
Repayment of short-term borrowings	-	(752,528)
Lease liabilities paid	(64,205,575)	(41,250,446)
Dividend paid	-	(64,680,000)
Net cash used in financing activities	(72,125,153)	(120,994,924)
Net change in cash and cash equivalents	16,898,479	13,064,861
Cash and cash equivalents at beginning of the period	30,485,715	118,930,514
Cash and cash equivalents at end of the period	47,384,194	131,995,375
Supplement information on non-cash items:		
Transfer from – property, plant and equipment to investment property	103,582,632	4,582,156
Transfer from – property, plant and equipment to intangible assets	704,351	-
Additions to right of use assets	27,597,301	29,710,408
Additions to lease obligation	27,597,301	29,710,408

The accompanying notes 1 to 20 form part of these interim condensed financial statements


The authorized member
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Chief Executive Office


Director of Finance


Finance manager

HERFY FOOD SERVICES COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2022
(All amounts in Saudi Riyals unless otherwise stated)

1. Legal status and operations

Herfy Food Services Company ("the Company") is a Saudi Joint-Stock Company formed under the laws of the Kingdom of Saudi Arabia and registered under the commercial register under No. 7000329776 (previously No. 1010037702) on 04 Jamad-ul-Awal 1401H (corresponding to 09 March 1981).

The Company is 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.

As at June 30, 2022, the total number of restaurants owned and leased by the Company were 40 and 350 respectively (31 December 2021: 40 owned and 348 leased), operating in the Kingdom of Saudi Arabia under the trademark of "HERFY". The Company also operates bakeries and bakery shops "Herfy Bakeries / Doka"

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 Shawwal 20, 1431 H (March 29, 2010) and in accordance with industrial license number 11583/T issued on Shawwal 18, 1431 H (March 27, 2010). The cake factory commenced production in June 2012.

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

The Company's Head Office is located at the following address:

Herfy Food Services Company
Al Moroug District
P.O. Box 86958
Riyadh 11632
Kingdom of Saudi Arabia

The Company has the following branches:

S. No	Branch	C.R. No.	Date
1	Herfy Meat Processing Factory	7006522085	25/02/1441 H
2	Herfy Factory For Cake & Pasties	7012209644	25/09/1441 H

2. Basis of preparation

2.1 Statement of compliance

These condensed interim financial statements of the Company as at and for the three-month and six -month periods ended June 30, 2022 have been prepared in accordance with International Accounting Standard "Interim Financial Reporting" ("IAS-34") as endorsed in the Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IAS-34 as endorsed in KSA").

The results for the six-month period ended June 30, 2022 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2022.

These interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's financial statements for the year ended December 31, 2021.

HERFY FOOD SERVICES COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2022
(All amounts in Saudi Riyals unless otherwise stated)

2 Basis of preparation (Continued)

2.2 Basis of measurement

These condensed interim financial statements are prepared under the historical cost method except for the following:

- a) Investments are measured at fair value; and
- b) Employees' post-employment benefits are recognized at the present value of future obligations using the Projected Unit Credit Method.

2.3 Functional and presentation currency

These condensed interim financial statements are presented in Saudi Riyals ("SR") which is the Company's functional and presentation currency. All financial information presented in Saudi Riyals has been rounded to the nearest Saudi Riyal, unless otherwise mentioned.

3. Significant accounting judgements, estimates, and assumptions

In preparing these interim condensed 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. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. 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 December 31, 2021.

4. Consistent application of accounting policies

The accounting policies and methods used in the preparation of these condensed interim financial statements are consistent with those used in the preparation of the annual audited financial statements for the year ended December 31, 2021 and corresponding interim reporting period except for the new accounting policies introduced as adoption of the following amendments to IFRS which became applicable for annual reporting periods commencing on or after January 1, 2022. The management has assessed that the amendments have no significant impact on the Company's condensed interim financial statements.

HERFY FOOD SERVICES COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2022
(All amounts in Saudi Riyals unless otherwise stated)

4. Consistent application of accounting policies (continued)

New standards, interpretations and amendments adopted by the Company

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2022:

Title	Key requirements	Effective date *
Property, Plant and Equipment: Proceeds Before Intended Use – Amendments to IAS 16	The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.	January 01, 2022
Reference to the Conceptual Framework – Amendments to IFRS 3.	Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.	January 01, 2022
Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37	The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.	January 01, 2022
Annual Improvements to IFRS Standards 2018-2020	The following improvements were finalised in May 2020: <ul style="list-style-type: none"> • IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities. • IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives. • IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption. • IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis. 	January 01, 2022

HERFY FOOD SERVICES COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2022
(All amounts in Saudi Riyals unless otherwise stated)

4. Consistent application of accounting policies (continued)

New standards, interpretations and amendments issued but not yet effective (continued)

The following standards and interpretations had been issued but were not mandatory for annual reporting periods commencing on or after 1 January 2022.

Title	Key requirements	Effective date *
IFRS 17 Insurance Contracts	<p>IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of:</p> <ul style="list-style-type: none"> • discounted probability-weighted cash flows • an explicit risk adjustment, and • a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. <p>The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.</p> <p>An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.</p> <p>There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.</p> <p>The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.</p> <p>Targeted amendments made in July 2020 aimed to ease the implementation of the standard by reducing implementation costs and making it easier for entities to explain the results from applying IFRS 17 to investors and others. The amendments also deferred the application date of IFRS 17 to 1 January 2023. Further amendments made in December 2021 added a transition option that permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of IFRS 17. The classification overlay applies to all financial assets, including those held in respect of activities not connected to contracts within the scope of IFRS 17. It allows those assets to be classified in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of IFRS 9. The classification can be applied on an instrument-by-instrument basis.</p>	January 1, 2023 (deferred from January 1, 2021) *

HERFY FOOD SERVICES COMPANY
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2022
(All amounts in Saudi Riyals unless otherwise stated)

4. Consistent application of accounting policies (continued)

New standards, interpretations and amendments issued but not yet effective (continued)

Title	Key requirements	Effective date *
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g., the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. ** Since issuing these amendments, the IASB issued an exposure draft proposing further changes and the deferral of the amendments until at least 1 January 2024.	January 1, 2023 (deferred from January 1, 2021) *
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.	January 1, 2023
Definition of Accounting Estimates – Amendments to IAS 8	The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.	January 1, 2023

HERFY FOOD SERVICES COMPANY
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FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2022
(All amounts in Saudi Riyals unless otherwise stated)

4. Consistent application of accounting policies (continued)

New standards, interpretations and amendments issued but not yet effective (continued)

<p>Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12</p>	<p>The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.</p> <p>The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:</p> <ul style="list-style-type: none"> • right-of-use assets and lease liabilities, and • decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets. <p>The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.</p>	<p>January 1, 2023</p>
<p>Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 2</p>	<p>The IASB has made limited scope amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and their associates or joint ventures. They confirm that the accounting treatment depends on whether the nonmonetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively.</p> <p>*** In December 2015, the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.</p>	<p>n/a *</p>

* Applicable to reporting periods commencing on or after the given date.

These amended standards became applicable from the reporting periods commencing on or after the January 01, 2023. The Company's management has not opted for earlier adoption of any of the above-mentioned standards, interpretations and amendments issued but not yet effective. Based on the management's best estimates and judgement, the Company did not foresee any significant changes in its accounting policies or significant retrospective adjustments as a result of adopting these amendments or new standards.

HERFY FOOD SERVICES COMPANY
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2022
(All amounts in Saudi Riyals unless otherwise stated)

5. Related party transactions and balances

Transactions during the period			For the Six-month period ended	
Names of related parties	Nature of relationship	Nature of transactions	June 30, 2022	June 30, 2021
		Sales to the affiliated Company	14,535,441	14,866,222
Panda Retail company (PRC)	Affiliate	Rent charged by the affiliate to the Company	1,498,075	1,586,375
		Sales to the affiliated Company	410,780	218,040
Bazbazah Int Company		Rent to the affiliated Company	123,584	123,584
	Affiliate	Rent charged by the affiliated to the Company	217,500	217,500
Taza Restaurant Co. Ltd.	Affiliate	Sales to the affiliated Company	532,593	704,586
Green Leave Co,	Affiliate	Sales to the affiliated Company	-	18,572
		Management fees	-	695,994
Mr. Ahmed Al Saeed	Shareholder (Previous CEO)	Rent charged by the shareholder to the Company	315,000	315,000
		Salaries and other employees' benefits	-	338,223
Kinam Company	Affiliate	Rent charged by the affiliate to the Company	133,919	81,263
Qitaf Company	Affiliate	Rent charged by the affiliate to the Company	1,100,000	1,100,000
Mr. Khalid Al Saeed	Previous Board Member	Rent charged by the board member to the Company	100,000	100,000
		Board remuneration	157,336	-
Afia International Co.	Affiliate	Purchases from the affiliated Company	6,445,154	2,547,287
Mama Sauce Factory	Affiliate	Purchases from the affiliated Company	5,082,949	12,380,136
United Sugar Factory	Affiliate	Purchases from the affiliated Company	1,520,928	1,415,622
Al Marai Co.	Affiliate	Purchases from the affiliated Company	1,411,052	1,805,962
International Food Industrial Co,	Affiliate	Purchases from the affiliated Company	2,941,355	2,411,045

Remuneration of the Company's key management personnel

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.

The total remuneration of Company's key management personnel for the period ended June 30, 2022 amounted to SR 2,440,484 (June 30, 2021: SR 3,081,948). Such remuneration includes basic salaries, bonuses and other benefits as per the Company's policies.

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5. Related party transactions and balances (continued)

Due from related parties – Trade, other receivables and prepayments	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Panda Retail Company	6,285,331	7,690,484
Qitaf Company	565,000	-
Mr. Ahmed Al Saeed	310,824	310,824
Taza Restaurant Co. Ltd.	189,735	216,578
Mr. Khalid Ahmed Al Saeed	202,521	45,185
Bazbazah International trading Company	68,850	-
Double Coffee Company	-	33,042
Green Leave Co,	32,062	32,062
Meslan Investment Co,	-	31,671
	7,654,323	8,359,846

Due to related parties – Trade and other payables

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Mama Sauce Factory	579,525	376,020
International Food Industrial Co,	722,568	724,010
Qitaf Company	-	1,019,492
United Sugar Factory	-	414,130
Al Marai Co.	284,872	30,299
Kinan Company	-	222,130
Afia International Co.	404,838	995,106
Bazbazah International trading Company	-	527,319
	1,991,803	4,308,506

Due from related parties – Net investment in finance lease

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Bazbazah International Trading Company	122,000	200,000

Due from related parties – Other receivables

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Key management personnel	800,000	800,000

Due to related parties – Lease liabilities

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Qetaf Company for Investment and Real Estate development	23,810,025	24,327,525
Panda Retail Company	2,529,442	2,529,442
Bazbazah International Trading Company	440,595	440,595
Mr. Ahmed Al Saeed	630,000	630,000
	27,410,062	27,927,562

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6. Property, plant and equipment and investment in properties

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Net book value at the beginning of the period/year	987,977,090	999,147,629
Additions	43,428,396	83,809,107
Disposals	(609,557)	(5,225,988)
Transfer to investment properties (note 8)	(103,582,632)	(4,200,707)
Transfer to intangible assets	(704,351)	-
Depreciation for the period/year	(40,843,495)	(85,552,951)
Net book value at the end of the period/year	885,665,451	987,977,090

7. Right-of-use assets and lease liabilities

7.1 Right-of-use assets

	Land	Buildings	Total
Cost:			
At January 1, 2022	301,817,102	390,908,556	692,725,658
Additions	12,418,785	15,178,516	27,597,301
At June 30, 2022 (Unaudited)	314,235,887	406,087,072	720,322,959
Accumulated depreciation:			
At January 1, 2022	91,695,106	104,215,412	195,910,518
Charge during the period	17,425,565	19,804,901	37,230,466
At June 30, 2022 (Unaudited)	109,120,671	124,020,313	233,140,984
Net book value:			
At June 30, 2022 (Unaudited)	205,115,216	282,066,759	487,181,975
At December 31, 2021 (Audited)	210,121,996	286,693,144	496,815,140

7.2 Lease liabilities

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
At the beginning of the period/year	516,554,151	549,903,395
Additions during the period/year	27,597,301	29,710,408
Finance cost for the period/year	12,507,426	26,308,435
Lease payment during the period/year	(64,205,575)	(89,368,087)
	492,453,303	516,554,151
Current portion	65,721,063	58,933,274
Non-current portion	426,732,240	457,620,877

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8. Investment properties

	June 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Net book value at the beginning of the period/year	28,034,938	26,676,726
Transfers from Property plant and equipment *	103,582,632	4,200,707
Depreciation for the period/year	(1,312,043)	(2,842,495)
Net book value at the end of the period/year	130,305,527	28,034,938

* An amount of SAR 103.6 million was reclassified from property, plant and equipment related to Herfy Tower. Previously, the management's intent was to use the tower as a head office for the Company. However during January 2022, management's intention changed and agreed to enter into a rent agreement for the Tower with a third party on 1 March 2022.

9. Inventories

	June 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Raw materials	77,993,722	55,308,265
Finished Goods	32,981,430	28,431,342
Packing materials	18,216,384	13,863,203
Spare parts, not held for sale	26,376,580	26,853,315
Operational supplies	29,965,281	26,479,172
	185,533,397	150,935,297
Less: provision for slow moving inventory	(15,415,608)	(16,128,910)
	170,117,789	134,806,387

9.1 Movement in provision for slow moving inventory is as follows:

	June 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Balance at the beginning of the period/year	16,128,910	15,408,692
(Reversal) / provided during the period/year	(713,302)	720,218
Balance at the end of the period/year	15,415,608	16,128,910

10. TRADE, OTHER RECEIVABLE AND PREPAYMENTS

		June 30, 2022	December 31, 2021
	Note	(Unaudited)	(Audited)
Trade receivables – related parties	5	7,654,323	8,359,846
Trade receivables – Others		71,455,124	71,698,966
		79,109,447	80,058,812
Less: provision for expected credit losses	10.2	(14,575,053)	(14,982,342)
Trade receivables, net		64,534,394	65,076,470
Prepayments		66,387,628	56,365,604
Advance for investment	10.1	-	-
Advances to suppliers		68,574,662	15,154,840
Other receivables		11,304,824	12,239,568
		210,801,508	148,836,482

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10. TRADE, OTHER RECEIVABLE AND PREPAYMENTS (continued)

10.1 Advance for investment

	Note	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Advance for investment	10.1.1	4,000,000	4,000,000
Less: Provision for impairment		(4,000,000)	(4,000,000)
		<u>-</u>	<u>-</u>

10.1.1 This represents amount paid to Khaled Al Saeed, a related party for the partnership agreement in investment in land units dated 16 January 2005 for the purpose of utilizing it as a warehouse.

10.1.2 On the recommendation of audit committee on 24 May 2015 to implement the Board's decision in its meeting on 14 July 2014 for the provision of SR 2 million was estimated to meet the potential decline in the value of investment and due to the current faltering possession with increased probability of failure in recovery, the amount has been fully provided.

10.2 Movement in allowance for impairments of trade receivables is as follows:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Balance at the beginning of the period/year	14,982,342	15,305,335
Reversal during the period/year	(407,289)	(322,993)
Balance at the end of the period/year	<u>14,575,053</u>	<u>14,982,342</u>

11. SHARE CAPITAL

The Company's paid-up capital consists of 64.680 million shares (December 31, 2021: 64.680 million shares) of SAR 10 each.

12. Long term borrowings

Unsecured long-term borrowings at amortized cost	Note	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Murabaha	12.1	<u>23,151,579</u>	<u>30,528,251</u>
Current portion		<u>15,409,066</u>	<u>15,222,068</u>
Non-current portion		<u>7,742,513</u>	<u>15,306,183</u>

12.1. The Company has obtained facilities with Al Rajhi bank. These unsecured facilities are payable in semi-annual installments over the period of six years. These bank facilities bear finance costs at market prevailing rates.

12.2 The facility agreements include covenants which require the Company to maintain certain financial ratios. As of June 30, 2022, the Company was in compliance with all covenants of the financing agreements.

12.2. The long-term loans include finance cost payable amounting to SR 445,096 (2021: SR 598,143).

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13. Trade and other payables

	Note	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Trade payable – related parties	5	1,991,803	4,308,506
Trade payable – third parties		128,453,687	56,171,292
Accrued expenses		63,726,018	59,951,179
Other payables		19,970,632	17,085,136
		<u>214,142,140</u>	<u>137,516,113</u>

14. Provision for zakat

The movement in the provision for zakat is as follows:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Balance at the beginning of the period / year	9,272,345	13,667,451
Provided during the period / year	729,763	667,079
Payment during the period / year	(4,745,861)	(5,062,185)
Balance at the end of the period / year	<u>5,256,247</u>	<u>9,272,345</u>

14.1. Status of assessments

Zakat return for the year ended 31 December 2021 has been filed and the Invoice issued as per system of General Authority of Zakat and Tax ("GAZT") was settled during the period ended 30 June 2022.

Zakat assessments have been raised by the ZATCA for the years 2014 to 2020 assessing additional zakat liability of SR 21.15 million against which the Company has filed an appeal. The management believes that the Company's position is strong and accordingly no provision were booked as at 30 June 2022.

The Company has obtained a certificate from the GAZT valid 18 Ramadan 1442H corresponding to 30 April 2023.

15. Contract liabilities

Contract liabilities represents advances received from the Company's tenants which amounted to SAR 13,273,962 as at 30 June 2022 (31 December 2021: SAR 1,473,498).

16. Contingencies and commitments

16.1 Contingencies

The Company is liable for the bank guarantees issued on behalf of the Company amounting to SR 9.9 million (December 31, 2021: SR 9.9 million) and letters of credit issued on behalf of the Company amounting 0.93 million (December 31, 2021: SR 1.4 million) in the normal course of business.

16.2 Commitments

The capital expenditure committed by the Company but not incurred till June 30, 2022 SR 10.8 million (December 31, 2021: SR 5.6 million)

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17. Earnings per share

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

	For the three- month period ended June 30, 2022 (Unaudited)	For the three- month period ended June 30, 2021 (Unaudited)	For the Six- month period ended June 30, 2022 (Unaudited)	For the Six- month period ended June 30, 2021 (Unaudited)
Net profit for the period	20,198,455	26,671,939	48,592,080	52,141,764
Weighted average number of ordinary shares for the purpose of basic / diluted earnings	64,680,000	64,680,000	64,680,000	64,680,000
Earnings per share (SR)				
-Basic	0.31	0.41	0.75	0.81
-Diluted	0.31	0.41	0.75	0.81

Earnings per share for the period was calculated by dividing the net profit for the period with 64.68 million shares.

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18. 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 from the Meat Factory; and
3. Manufacturing and selling of pastries and bakery products from the Bakeries and other

These operating segments are identified based on internal reports that the entity's management regularly reviews in allocating resources to segments and 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 the Company at the end of every reporting period, review the above segments for quantitative threshold as well as criteria for presenting the revenues and expenses for the segments.

18.1. Selected financial information for the three months and six months period ended June 30, 2022, and June 30, 2021, summarized by the above business segments, was as follows: (in thousand Saudi Riyal)

	Restaurants and catering		Meat factory		Bakeries and other		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
For the Three-month period ended June 30 (Unaudited)								
Total segment revenue	230,868	270,187	46,047	42,895	47,837	45,913	324,752	358,995
Inter-segment revenue	-	-	(28,218)	(31,632)	(4,923)	(5,993)	(33,141)	(37,625)
Net revenue	230,868	270,187	17,829	11,263	42,914	39,920	291,611	321,370
Net income	4,985	6,394	11,601	14,848	3,612	5,430	20,198	26,672
For the Six-month period ended June 30 (Unaudited)								
Total segment revenue	491,480	522,328	99,745	84,853	100,793	95,972	692,018	703,153
Inter-segment revenue	-	-	(61,578)	(59,326)	(10,631)	(11,341)	(72,209)	(70,667)
Net revenue	491,480	522,328	38,167	25,527	90,162	84,631	619,809	632,486
Net income	9,270	6,893	28,427	28,599	10,895	16,650	48,592	52,142
Restaurants and catering								
30 June 2022 (Unaudited)	1,537,077	1,476,000	150,952	118,235	260,808	251,162	1,948,837	1,845,397
31 December 2021 (Audited)	704,673	683,385	44,600	35,506	102,763	78,297	852,036	797,188
Bakeries and other								
30 June 2022 (Unaudited)								
31 December 2021 (Audited)								
Total								
30 June 2022 (Unaudited)								
31 December 2021 (Audited)								

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19. Subsequent events

There have been no significant subsequent events since the period-ended that would require additional disclosure or adjustment in these interim condensed financial statements.

20. Approval of the interim condensed Financial Statements

These condensed interim financial statements were approved and authorized for issue on 2 August 2022G (corresponding to 4 Muharram 1444H) by the Board of Directors of the Company.