

**HERFY FOOD SERVICES COMPANY**  
(A Saudi Joint Stock Company)



**THE CONDENSED INTERIM FINANCIAL STATEMENTS  
AND REVIEW REPORT  
FOR THE THREE AND NINE MONTH PERIODS ENDED 30 September 2017**

**HERFY FOOD SERVICES COMPANY**  
**(A Saudi Joint Stock Company)**  
**THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE AND NINE MONTH PERIODS ENDED 30 September 2017**

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## INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

### The Shareholders

#### Herfy Food Services Company

"A Saudi Joint Stock Company"

### Introduction

We have reviewed the accompanying ٣٠ September ٢٠١٧ 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 ٣٠ September ٢٠١٧;
- the condensed statement of profit or loss for the three-month and the nine-month periods ended 30 September 2017;
- the condensed statement of comprehensive income for the three-month period and the nine-month periods ended ٣٠ September ٢٠١٧;
- the condensed statement of changes in equity for nine-month periods ended ٣٠ September 2017;
- the condensed statement of cash flows for nine-month periods ended ٣٠ September ٢٠١٧; and
- the notes to the condensed interim financial statements.

Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS ٣٤, 'Interim Financial Reporting' that is 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 the International Standard on Review Engagements 2410, "Review of interim Financial Information Performed by the Independent Auditor of the Entity" that is endorsed in the Kingdom of Saudi Arabia. A review of interim 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 ٣٠ September ٢٠١٧ condensed interim financial statements are not prepared, in all material respects, in accordance with IAS ٣٤, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

## SAUDI GROUP FOR ACCOUNTING & AUDITING

DAKHEEL ALI AL-DAKHEEL

LIC NO.(٩٦)

Date: ١١ Safar ١٤٣٨ H.

Corresponding to: ٣١ October ٢٠١٧.



مكتب الرياض : 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)  
مكتب جدة : ص.ب. ٢٢٧٨٨ الرمز البريدي ٢١٤١٦ هاتف ٦٤٥١٩٨٠ / ٦٤٥١٩٥٠ (٠١٢) فاكس : ٦٤٥٢٣٤٠ (٠١٢)  
مكتب الباحة : هاتف ٧٢٥٧٦٢٥ (٠١٧) فاكس : ٧٢٧١١٢٣ (٠١٧)

Herfy Food Services Company  
(A Saudi Joint Stock Company)  
Condensed Interim Statement of Financial Position  
As at 30 September 2017  
(All Amounts In Saudi Riyals Unless Otherwise Stated)

	Notes	30 September 2017 (Unaudited)	31 December 2016 (Audited)	1 January 2016 (Audited)
<b>Assets</b>				
<b>Non-Current Assets</b>				
Property, Plant and Equipment	4	1 030 713 286	1 001 573 372	907 086 188
Intangible Assets	5	11 741 802	4 290 017	2 991 871
Real Estate Investments	6	31 497 120	34 256 469	30 638 147
		<b>1 073 952 208</b>	<b>1 040 119 858</b>	<b>940 716 206</b>
<b>Current Assets</b>				
Inventories		111 442 319	101 762 034	108 946 148
Trade Receivables and Other Receivables		47 162 682	50 020 065	40 972 370
Prepayments		90 896 040	76 935 146	67 574 827
Cash and Bank Balances	7	76 524 390	73 225 799	22 908 312
		<b>326 025 431</b>	<b>301 943 044</b>	<b>240 401 657</b>
<b>TOTAL ASSETS</b>		<b>1 399 977 639</b>	<b>1 342 062 902</b>	<b>1 181 117 863</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Share Capital	8	646 800 000	462 000 000	462 000 000
Statutory Reserve		34 183 169	138 967 946	117 218 334
Retained Earnings		138 097 997	201 740 989	146 311 222
<b>TOTAL EQUITY</b>		<b>819 081 166</b>	<b>802 708 935</b>	<b>725 529 556</b>
<b>Liabilities</b>				
<b>Non-Current Liabilities</b>				
Long Term Borrowings	9	224 353 801	238 477 661	198 749 750
Employee Benefits	10	61 512 567	59 275 627	53 268 680
		<b>285 866 368</b>	<b>297 753 288</b>	<b>252 018 430</b>
<b>Current Liabilities</b>				
Current Portion of LongTerm Borrowings	9	143 297 849	122 076 660	87 127 034
Trade and Other Payables		139 401 987	103 572 003	103 893 999
Accrued expenses		4 790 345	9 004 794	6 966 474
Zakat	11	7 539 924	6 947 222	5 582 370
<b>TOTAL LIABILITIES</b>		<b>295 030 105</b>	<b>241 600 679</b>	<b>203 569 877</b>
		<b>580 896 473</b>	<b>539 353 967</b>	<b>455 588 307</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1 399 977 639</b>	<b>1 342 062 902</b>	<b>1 181 117 863</b>

The accompanying notes (1) to (20) 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  
For The Three and Nine Month Periods Ended 30 September 2017  
(All Amounts In Saudi Riyals Unless Otherwise Stated)

	Notes	Three-month periods ended September 30		Nine-month periods ended September 30	
		2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
Revenue		311 722 043	315 169 576	858 834 285	876 453 081
Cost of Revenue		( 221 662 845)	( 219 953 714)	( 606 491 466)	( 619 216 241)
<b>Gross Profit</b>		<b>90 059 198</b>	<b>95 215 862</b>	<b>252 342 819</b>	<b>257 236 820</b>
Other Revenue	12	2 980 104	18 782	8 967 812	6 648 025
Selling and Distribution Expenses		( 14 212 537)	( 14 254 750)	( 44 077 826)	( 39 730 429)
General and Administration Expenses		( 16 916 821)	( 18 324 582)	( 54 328 225)	( 53 829 238)
<b>Operating Profit</b>		<b>59 909 944</b>	<b>62 655 312</b>	<b>162 904 580</b>	<b>170 325 176</b>
Finance Cost		( 3 024 835)	( 2 188 957)	( 8 002 349)	( 4 948 595)
<b>Profit before zakat</b>		<b>56 885 109</b>	<b>60 466 355</b>	<b>154 902 231</b>	<b>165 376 583</b>
Zakat	11	( 850 000)	( 1 175 000)	( 2 750 000)	( 3 250 000)
<b>Profit for the period</b>		<b>56 035 109</b>	<b>59 291 355</b>	<b>152 152 231</b>	<b>162 126 583</b>
Earnings per Share (SAR), based on Profit for the period	13				
- Basic		0.87	0.92	2.35	2.51
- Diluted		0.87	0.92	2.35	2.51

The accompanying notes (1) to (20) form an integral part of these condensed interim financial statements

Herfy Food Services Company  
(A Saudi Joint Stock Company)  
Condensed Interim Statement Of Comprehensive Income  
For The Three and Nine Month Periods Ended 30 September 2017  
(All Amounts In Saudi Riyals Unless Otherwise Stated)

	Notes	Three-month periods ended September 30		Nine-month periods ended September 30	
		2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
Profit for the period		56 035 109	59 291 355	152 152 231	162 126 583
Total Other Comprehensive Income for the period		-	-	-	-
Total Comprehensive Income for the period		56 035 109	59 291 355	152 152 231	162 126 583

The accompanying notes (1) to (20) form an integral part of these condensed interim financial statements

Herfy Food Services Company  
(A Saudi Joint Stock Company)  
Condensed Interim Statement of Changes In Equity  
For The Nine Month Period Ended 30 September 2017  
(All Amounts in Saudi Riyals Unless Otherwise Stated)

	Share Capital	Statutory Reserve	Retained Earnings	TOTAL EQUITY
<b>Balance at 1 January 2016 (Audited)</b>	462 000 000	117 218 334	146 311 222	725 529 556
Profit for the period	-	-	162 126 583	162 126 583
Other Comprehensive Loss for the period	-	-	-	-
<b>Total Comprehensive Income</b>	-	-	162 126 583	162 126 583
Transfer to statutory reserve	-	16 212 610	( 16 212 610)	-
<i>Dividends distributed</i>	-	-	( 140 400 000)	( 140 400 000)
<b>Balance at 30 September 2016 (Unaudited )</b>	462 000 000	133 430 944	151 825 195	747 256 139
<b>Balance at 01 January 2017 (Audited)</b>	462 000 000	138 967 946	201 740 989	802 708 935
Repayment of capital	184 800 000	( 120 000 000)	( 64 800 000)	-
Profit for the period	-	-	152 152 231	152 152 231
Other Comprehensive Income for the period	-	-	-	-
<b>Total Comprehensive Income</b>	-	-	152 152 231	152 152 231
<i>Dividends distributed</i>	-	-	( 135 780 000)	( 135 780 000)
Transfer to statutory reserve	-	15 215 223	( 15 215 223)	-
<b>Balance at 30 September 2017 (Unaudited )</b>	646 800 000	34 183 169	138 097 997	819 081 166

The accompanying notes (1) to (20) form an integral part of these condensed interim financial statements

Herfy Food Services Company  
(A Saudi Joint Stock Company)  
Condensed Statement Of Cash Flows  
For The Nine Month Period Ended 30 September 2017  
(All Amounts In Saudi Riyals Unless Otherwise Stated)

<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>	<b>Notes</b>	<b>30 September 2017</b> <b>(Unaudited)</b>	<b>30 September 2016</b> <b>(Unaudited)</b>
Profit for the period		152 152 231	162 126 101
Depreciation and Amortization		53 111 574	64 613 446
Provision for Employee Benefits	10	7 903 327	7 900 000
Provision for slow moving inventory		-	( 8 081)
(Gain) on sale of property, plant and equipment	12	17 972	( 288 186)
Financial charges		8 002 349	4 948 595
Zakat	11	2 750 000	3 250 000
		<b>223 937 453</b>	<b>242 541 875</b>
<b><u>Changes in</u></b>			
Inventories		( 9 680 285)	16 898 444
Trade Receivables		2 857 383	( 2 623 149)
Prepayments and Other Receivables		( 13 960 894)	( 21 958 297)
Accrued Expenses		( 5 199 828)	33 739 885
Trade and Other Payables		35 829 984	2 488 976
<b>Cash Used in Operating Activities</b>		<b>233 783 813</b>	<b>271 087 734</b>
Employee Benefits Paid		( 5 666 387)	( 3 523 290)
Zakat payments	11	( 2 157 298)	( 2 885 148)
<b>Net Cash Generated from Operating Activities</b>		<b>225 960 128</b>	<b>264 679 296</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Additions to Property, Plant and Equipment	4	( 85 242 785)	( 143 290 210)
Proceeds from sale from property, plant and equipment		257 764	13 915 074
<b>Net Cash Used in Investing Activities</b>		<b>( 84 985 021)</b>	<b>( 129 375 136)</b>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Increase in Loans	9	109 996 812	174 566 314
Finance Cost Paid		( 8 940 306)	( 4 978 799)
Repayment of loans and borrowings	9	( 102 953 022)	( 69 515 727)
Dividends distributed		( 135 780 000)	( 140 400 000)
<b>Net cash flows from / (used in) financing activities</b>		<b>( 137 676 516)</b>	<b>( 40 328 212)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>3 298 591</b>	<b>94 975 948</b>
<b>Cash and Cash Equivalents at 01 January</b>		<b>73 225 799</b>	<b>22 908 312</b>
<b>Cash and Cash Equivalents at 30 September</b>	7	<b>76 524 390</b>	<b>117 884 260</b>

The accompanying notes (1) to (20) 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, maintain and lease stores and food store fridges.

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

At September 30, 2017, the total number of restaurants owned and leased by the Company were 40 and 310 respectively ( 31 December 2016: 39 owned and 289 leased 1 January 2016: 36 owned and 264 leased), operating in the Kingdom of Saudi Arabia under the trademark of "HERFY". The Company also operates bakeries and bakery shops "Bakeries".

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

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

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

The accompanying 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"). Up to and including the year ended December 31, 2016, the Company prepared and presented statutory Financial Statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by SOCPA and the requirements of the Saudi Arabian Regulations for Companies and the Company's By-laws in so far as they relate to the preparation and presentation of the Financial Statements. In these Condensed Interim Financial Statements, the term "SOCPA Standards" refers to SOCPA Standards before the adoption of International Financial Reporting Standards ("IFRSs").

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

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

As these Condensed Interim Financial Statements prepared in accordance with IAS 34 Interim Financial Reporting are part of a period covered by its first IFRS Financial Statements, IFRS 1 First time Adoption of International Financial Reporting Standards has been applied. (The accounting policies followed in these Condensed Interim Financial Statements are the same as those applied in the Company's Condensed Interim Financial Statements for the period ended March 31, 2017 and June 30, 2017. The Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect).

An explanation of how the transition to IFRS has affected the previously reported equity as at December 31, 2016, September 30, 2016 and January 01, 2016; and comprehensive income of the Company for the year ended December 31, 2016 and for the three and nine months ended September 30, 2016, including the nature and effect of significant changes in accounting policies from those used in the Company's Financial Statements for the year ended December 31, 2016 is provided in Note 14.

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

## **2-2 Basic of Preparation of The Financial Statements**

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

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

## **2-3 FUNCTIONAL AND PRESENTATION CURRENCY**

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

## **3 Significant accounting policies**

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

#### **New Standards, Amendment to Standards and Interpretations:**

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

#### **(1) Disclosure Initiative (Amendments to IAS 7)**

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

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

#### **Standards issued but not yet effective**

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

#### **(1) IFRS 15 Revenue from Contracts with Customers**

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

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

**(2) IFRS 9 Financial Instruments**

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

**(3) IFRS 16 Leases**

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

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

**3-2 Summary of significant accounting policies**

The following are the principal accounting policies used in the preparation of the interim financial statements:

**3-2-1 Property, Plant and Equipment**

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

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

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

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

Buildings On owned lands	25 Years
Buildings On leased lands	the Lower of 20 years or the rent period
Plant, Machinery and Equipment	4-20 years
Furniture and Office Equipment	6-7 years
Motor Vehicles	5- 10 years

Land and Capital Work in Progress are not depreciated..

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

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

**3-2-2 Provisions**

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

**3-2-3 Zakat**

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

**3-2-4 Employee Benefits**

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

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

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

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

**3-2-5 Statutory Reserve**

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

**3-2-6 Revenue Recognition**

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

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

The Company's revenue generating activities are as follows:

**(1) Restaurants Sales**

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

**(2) Factories, Bakeries and Catering services**

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

**(3) Other Income**

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

**(4) Supplier Rebate**

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

**3-2-7 Foreign Currencies**

**Transactions and balances**

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

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Foreign currency differences are generally recognised in statement of income.

**3-2-8 Investment property**

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

### **3-2-9 Operating Leases**

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

### **3-2-10 Borrowing costs**

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

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

### **3-2-11 Intangible Assets**

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

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

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

### **3-2-12 Inventories**

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the weighted average method. Cost includes all direct manufacturing expenditure based on the normal level of activity and transportation and handling costs. Net realizable value comprises estimated selling price less further production costs to completion and appropriate selling and distribution costs. Allowance is made, where necessary, for obsolete, slow moving and defective stocks.

### **3-2-13 Cash and Cash Equivalents**

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

### **3-2-14 Impairment of Non-Financial Assets**

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

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

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

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

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

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

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

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



**3-2-16 Segmental Reporting**

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

**3-2-17 Use of Judgements and Estimates**

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

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

4	PROPERTY, PLANT AND EQUIPMENT	Notes	30 September 2017 (Unaudited)	31 December 2016 (Audited)	1 January 2016 (Audited)
	Property, Plant And Equipment	4.1	760 884 248	775 400 786	784 218 417
	Construction under progress	4.2	269 829 038	226 172 586	122 867 771
			<b>1 030 713 286</b>	<b>1 001 573 372</b>	<b>907 086 188</b>

4.1 Property, Plant And Equipment

	30 September 2017					
	Land	Buildings	Machinery and Equipment	Furniture and Office Equipment	Motor Vehicles	(Unaudited)
<b>Cost:</b>						
At the beginning of the period	178 427 855	498 225 403	414 939 909	69 678 165	71 244 200	1 232 515 532
Additions	-	39 378	7 157 187	5 146 557	6 505 899	18 849 021
Disposal and Transfer	-	( 356 011)	( 774 464)	( 177 039)	( 625 021)	( 1 932 535)
Transfer from Projects under construction	-	8 748 371	6 449 519	36 277	725 000	15 959 167
At the end of period	<b>178 427 855</b>	<b>506 657 141</b>	<b>427 772 151</b>	<b>74 683 960</b>	<b>77 850 078</b>	<b>1 285 391 185</b>
<b>Depreciation:</b>						
At the beginning of the period	-	195 329 864	178 796 437	35 276 954	47 711 491	457 114 746
Depreciation for the period	-	20 434 546	22 093 069	5 870 423	3 551 944	51 949 982
Disposal and Transfer	-	( 3 110 802)	( 739 906)	( 145 620)	( 561 863)	( 4 557 791)
At the end of period	-	<b>212 653 808</b>	<b>200 149 600</b>	<b>41 001 757</b>	<b>50 701 772</b>	<b>504 506 937</b>
<b>Net Book Values:</b>						
At 31 September 2017 (Unaudited)	<b>178 427 855</b>	<b>294 003 333</b>	<b>227 622 551</b>	<b>33 682 203</b>	<b>27 148 306</b>	<b>760 884 248</b>
At 31 December 2016 (Audited)	<b>178 427 855</b>	<b>302 895 539</b>	<b>236 143 472</b>	<b>34 401 211</b>	<b>23 532 709</b>	<b>775 400 786</b>
At 01 January 2016 (Audited)	<b>182 899 371</b>	<b>331 457 125</b>	<b>202 779 493</b>	<b>40 676 295</b>	<b>26 406 133</b>	<b>784 218 417</b>

4.2 Projects under construction during the period are as follows:

	30 September 2017 (Unaudited)	31 December 2016 (Audited)	1 January 2016 (Audited)
At the beginning of the period	226 172 586	122 867 771	87 551 557
Additions	86 220 594	148 607 322	52 825 022
Capitalized financing Cost	1 923 336	2 956 630	1 272 114
Transfer From Property, Plant And Equipment	( 24 487 479)	( 48 259 137)	( 18 780 922)
At the end of period	<b>269 829 038</b>	<b>226 172 586</b>	<b>122 867 771</b>

<b>5 Intangible Assets And Software</b>	<b>30 September 2017</b>	<b>31 December 2016</b>	<b>1 January 2016</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>	<b>(Audited)</b>
<b>Cost:</b>			
At the beginning of the period	8 871 538	6 836 843	5 421 206
Additions	92 618	2 114 816	1 512 537
Transfer from Projects under construction	8 528 311	-	-
Disposal	( 76 495)	( 80 121)	( 96 900)
At the end of period	<b>17 415 972</b>	<b>8 871 538</b>	<b>6 836 843</b>
<b>Amortization</b>			
At the beginning of the period	4 581 521	3 844 972	3 390 238
Depreciation for the period	1 161 592	750 166	533 356
Disposal	( 68 944)	( 13 617)	( 78 622)
At the end of period	<b>5 674 169</b>	<b>4 581 521</b>	<b>3 844 972</b>
<b>Net Book Values</b>	<b>11 741 802</b>	<b>4 290 017</b>	<b>2 991 871</b>

<b>6 Investment Property</b>	<b>30 September 2017</b>	<b>31 December 2016</b>	<b>1 January 2016</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>	<b>(Audited)</b>
<b>Cost:</b>			
At the beginning of the period	50 766 816	37 907 104	4 000 000
Additions	22 508	12 859 712	33 907 104
At the end of period	<b>50 789 324</b>	<b>50 766 816</b>	<b>37 907 104</b>
<b>Depreciation:</b>			
At the beginning of the period	12 510 347	3 268 957	-
Depreciation for the period	2 781 857	-	-
IFRS adjustments	-	9 241 390	3 268 957
At the end of period	<b>15 292 204</b>	<b>12 510 347</b>	<b>3 268 957</b>
Provision for impairment of investments	4 000 000	4 000 000	4 000 000
<b>Net Book Values</b>	<b>31 497 120</b>	<b>34 256 469</b>	<b>30 638 147</b>

The above investment properties also include buildings or part thereof, which have been kept for the purposes of earning rental income. In accordance with the requirements of IAS 40, these are reclassified from Property, Plant & Equipment to Investment Properties and are recorded at cost.

**7 Cash and Cash Equivalents**

	30 September 2017 (Unaudited)	31 December 2016 (Audited)	1 January 2016 (Audited)
Cash in Bank	69 803 739	63 628 169	16 708 936
Cash in Hand	6 720 651	9 597 630	6 199 376
	<b>76 524 390</b>	<b>73 225 799</b>	<b>22 908 312</b>

Cash in bank include SR 35 502 722 investment in Commodities Mudaraba Fund - SAR

**8 Share Capital**

The Company's paid-up capital consists of 64,680 million shares (31 December 2016 : 46.2 million shares- 1 Jan 2016: 46.2 million shares) 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.

**9 Loans and borrowings**

	30 September 2017 (Unaudited)	31 December 2016 (Audited)	1 January 2016 (Audited)
<b>Loans</b>	<b>367 651 650</b>	<b>360 554 321</b>	<b>285 876 784</b>
Non-Current	224 353 801	238 477 661	198 749 750
Current	143 297 849	122 076 660	87 127 034
	<b>367 651 650</b>	<b>360 554 321</b>	<b>285 876 784</b>

**9-1 Details of long term loans**

**Commercial loans**

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 30 September 2017 the Company repaid an amount of Saudi Riyals 96.32 million (December 31, 2016 : Saudi Riyals 96.7 million, 1 January 2016: Saudi Riyals 55.6 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

The Company has an undrawn facility amounting to Saudi Riyadh 15 million.

The information about liquidity risk is explained in note 17-2

**10 EMPLOYEE BENEFITS**

<b>10-1 Defined benefit liability</b>	<b>30 September 2017</b> <b>(Unaudited)</b>	<b>31 December 2016</b> <b>(Audited)</b>	<b>1 January 2016</b> <b>(Audited)</b>
Net defined benefit liability	61 512 567	59 275 627	53 268 680
<b>Total Net defined benefit liability</b>	<b>61 512 567</b>	<b>59 275 627</b>	<b>53 268 680</b>

**10-1-1 Movement in present value of defined benefit obligation**

	<b>30 September 2017</b> <b>(Unaudited)</b>	<b>31 December 2016</b> <b>(Audited)</b>	<b>1 January 2016</b> <b>(Audited)</b>
Opening balance - present value of defined benefit obligation	59 275 627	53 268 680	47 224 224
Current service cost	7 903 327	10 290 484	11 795 036
Benefits paid	( 5 666 387)	( 3 784 025)	( 5 963 701)
Actuarial loss / (gain) on obligation	-	( 499 512)	213 121
<b>Closing balance - present value of defined benefit obligation</b>	<b>61 512 567</b>	<b>59 275 627</b>	<b>53 268 680</b>

**11 Zakat**

**11-1 Movement in provision for zakat**

	<b>30 September 2017</b> <b>(Unaudited)</b>	<b>31 December 2016</b> <b>(Audited)</b>	<b>1 January 2016</b> <b>(Audited)</b>
Opening Balance	6 947 222	5 582 370	4 500 000
Provision for Current period	2 750 000	4 250 000	4 000 000
Payments	( 2 157 298)	( 2 885 148)	( 2 917 630)
<b>Closing balance</b>	<b>7 539 924</b>	<b>6 947 222</b>	<b>5 582 370</b>

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

**12 Other income**

	<b>30 September 2017</b> <b>(Unaudited)</b>	<b>30 September 2016</b> <b>(Unaudited)</b>
Rental income	6 438 116	3 772 502
Franchise income	867 821	1 675 818
Other	1 679 847	911 519
Gain on sale of Property, plant and equipment	( 17 972)	288 186
<b>Total</b>	<b>8 967 812</b>	<b>6 648 025</b>

**13 EARNING PER SHARE**

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

	Three-month periods ended		Nine-month periods ended September	
	September 30		30	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Profit for the period</b>	56 035 109	59 291 355	152 152 231	162 126 583
<b>Number of shares</b>				
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 for the two periods ended 30 June 2017 and 2016 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 period ended 30 June 2017 (note 7)

#### 14 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.

14-1 Selected financial information as of September 30 and for the Period ended, summarized by the above business segments, was as follows (in 000 Saudi Riyals)

	Restaurants and Catering service		Meat factory		Bakeries and other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Total segment revenue	741 754	760 417	90 925	89 277	111 299	122 751	943 978	972 445
Inter-segment revenue	-	-	( 69 848)	( 70 194)	( 15 296)	( 25 798)	( 85 144)	( 95 992)
Revenue net	<b>741 754</b>	<b>760 417</b>	<b>21 077</b>	<b>19 083</b>	<b>96 003</b>	<b>96 953</b>	<b>858 834</b>	<b>876 453</b>
Net income	108 159	115 911	25 758	23 347	18 235	22 869	152 152	162 127
Finance cost	7 320	4 736	295	213	387	-	8 002	4 949
Depreciation and amortization	39 036	50 268	3 842	3 684	10 234	10 661	53 112	64 613
Property, plant and equipment	800 840	749 565	50 635	36 513	179 238	187 232	1 030 713	973 310
Total assets	1 074 374	1 003 872	86 606	72 586	238 997	272 641	1 399 977	1 349 099

#### 15 Effect of IFRSs Standards Adoption

As stated in note 2.1 these are the Company's first financial statements for the period ended 30 September 2017 prepared in accordance with IFRS Standards.

The accounting policies set out in note 5 have been applied in preparing these Financial Statements for the period ended 31 September 2017.

In preparing these financial statements, the Company's opening Statement of Financial Position was prepared as at 1 January 2016, being the date of transition to IFRS Standards.

In preparing its opening Condensed Consolidated Statement of Financial Position in accordance with IFRS Standards, the Company has adjusted amounts reported previously in Financial Statements prepared in accordance with SOCPA Standards. An explanation of how the transition from SOCPA Standards to IFRS Standards has affected the Company's financial position and financial performance is set out in Note 15-1 to 15-5.

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15-1 Reconciliation of the Statement Of Financial Position

	As at 31 December 2016			As at 30 September 2016			As at 01 January 2016		
	SOCPA Standards	Effect of transition to IFRS Standards	IFRS Standards	SOCPA Standards	Effect of transition to IFRS Standards	IFRS Standards	SOCPA Standards	Effect of transition to IFRS Standards	IFRS Standards
<b>Non-Current Assets</b>									
Property, Plant and Equipment	1 033 964 549	( 32 391 177)	1 001 573 372	1 000 854 077	( 27 544 112)	973 309 965	936 382 041	( 29 296 153)	907 086 188
Intangible Assets	4 290 017	-	4 290 017	3 570 012	-	3 570 012	2 991 871	-	2 991 871
Investment Property	-	34 256 469	34 256 469	-	29 402 480	29 402 480	-	30 633 147	30 633 147
	<b>1 038 254 566</b>	<b>1 865 292</b>	<b>1 040 119 858</b>	<b>1 004 424 089</b>	<b>1 858 368</b>	<b>1 006 282 456</b>	<b>939 374 212</b>	<b>1 341 994</b>	<b>940 716 206</b>
<b>Current Assets</b>									
Inventories	101 762 034	-	101 762 034	92 065 785	-	92 065 785	108 946 148	-	108 946 148
Trade Receivables	50 020 065	-	50 020 065	31 963 919	-	31 963 919	40 972 370	-	40 972 370
Prepayments	68 927 996	( 11 992 850)	76 935 146	112 820 989	( 11 908 703)	100 912 286	79 231 092	( 11 656 295)	67 574 827
Cash and Bank Balances	73 225 799	-	73 225 799	117 884 260	-	117 884 260	22 908 312	-	22 908 312
	<b>313 935 894</b>	<b>( 11 992 850)</b>	<b>301 943 044</b>	<b>354 724 953</b>	<b>( 11 908 703)</b>	<b>342 816 250</b>	<b>252 057 922</b>	<b>( 11 656 295)</b>	<b>240 401 627</b>
<b>Total Assets</b>	<b>1 352 190 460</b>	<b>( 10 127 558)</b>	<b>1 342 062 902</b>	<b>1 359 149 042</b>	<b>( 10 890 335)</b>	<b>1 348 256 706</b>	<b>1 191 432 134</b>	<b>( 10 314 271)</b>	<b>1 181 117 863</b>
<b>Equity And Liabilities</b>									
<b>Equity</b>									
Share Capital	462 000 000	-	462 000 000	462 000 000	-	462 000 000	462 000 000	-	462 000 000
Statutory Reserve	136 967 946	-	136 967 946	133 430 944	-	133 430 944	117 218 334	-	117 218 334
Retained Earnings	211 582 156	( 9 841 167)	201 740 989	161 749 139	( 9 823 944)	151 925 195	150 235 048	( 9 924 426)	140 311 222
<b>TOTAL EQUITY</b>	<b>810 550 102</b>	<b>( 9 841 167)</b>	<b>800 708 935</b>	<b>757 180 083</b>	<b>( 9 823 944)</b>	<b>747 356 139</b>	<b>729 453 382</b>	<b>( 9 924 426)</b>	<b>725 529 556</b>
<b>Non-Current Liabilities</b>									
Long Term Borrowings	238 477 661	-	238 477 661	270 378 495	-	270 378 495	198 749 750	-	198 749 750
Employee Benefits	50 962 018	( 286 391)	49 675 627	57 432 269	( 126 391)	56 305 878	53 056 559	213 121	53 269 680
	<b>289 439 679</b>	<b>( 286 391)</b>	<b>289 153 288</b>	<b>327 810 764</b>	<b>( 126 391)</b>	<b>327 684 373</b>	<b>251 806 309</b>	<b>213 121</b>	<b>252 019 430</b>
<b>Current Liabilities</b>									
Short Term Borrowings	122 076 660	-	122 076 660	121 151 842	-	121 151 842	87 730 000	( 802 966)	87 127 034
Zakat Payable	6 947 222	-	6 947 222	5 947 222	-	5 947 222	5 582 370	-	5 582 370
Trade Payables	107 376 969	-	107 376 969	106 363 529	-	106 363 529	105 698 004	-	105 698 004
Accrued expenses and other payable	5 199 826	-	5 199 826	40 695 602	-	40 695 602	5 191 860	-	5 191 860
	<b>241 600 677</b>	<b>-</b>	<b>241 600 677</b>	<b>274 158 195</b>	<b>-</b>	<b>274 158 195</b>	<b>204 172 843</b>	<b>( 802 966)</b>	<b>203 369 077</b>
<b>Total Liabilities</b>	<b>530 640 358</b>	<b>( 286 391)</b>	<b>529 353 967</b>	<b>601 968 959</b>	<b>( 126 391)</b>	<b>601 842 568</b>	<b>455 976 152</b>	<b>( 389 845)</b>	<b>455 586 307</b>
<b>Total Liabilities And Equity</b>	<b>1 352 190 460</b>	<b>( 10 127 558)</b>	<b>1 342 062 902</b>	<b>1 359 149 042</b>	<b>( 10 890 335)</b>	<b>1 348 256 707</b>	<b>1 191 432 134</b>	<b>( 10 314 271)</b>	<b>1 181 117 863</b>



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#### 15-2 Reconciliation of Equity

	As at 31 December 2016	As at 30 September 2016	As at 01 January 2016
Total Equity under SOCPA Standards	812 550 102	757 180 083	735 453 982
<b>Effect of IFRSs Standards Adoption</b>			
Actuarial Valuation Charge	286 391	126 301	( 213 121)
Expenses capitalized as pre-operating expenses	-	-	( 492 419)
Impact of grace period in rent until 2015	( 11 454 704)	( 11 808 703)	( 11 650 285)
Capitalization of cost and accumulated depreciation of rental	529 954	739 228	866 530
Write-off of ineligible expenses capitalized along with fixed assets	( 2 040 288)	( 2 040 288)	( 2 040 288)
Impact of capitalization of borrowing cost	2 837 458	3 158 406	3 008 140
Unamortized deferred charge as per effective interest rate method	-	-	602 900
	( 9 841 187)	( 9 923 944)	( 9 924 426)
<b>Total Equity under IFRS Standards</b>	<b>802 708 935</b>	<b>747 256 139</b>	<b>725 529 556</b>

#### 15-3 Reconciliation of Statement of Profit or Loss

	For the Year ended 31 December 2016			For the Period ended 30 September 2016		
	SOCPA Standards	Effect of transition to IFRSs Standards	IFRSs Standards	SOCPA Standards	Effect of transition to IFRSs Standards	IFRSs Standards
Revenue	1 156 863 409	-	1 156 863 409	876 453 061	-	876 453 061
Cost of Revenue	( 809 080 184)	( 6 680 147)	( 815 760 331)	( 620 452 392)	1 236 151	( 619 216 241)
<b>Gross Profit</b>	<b>347 803 225</b>	<b>( 6 680 147)</b>	<b>340 923 078</b>	<b>256 000 669</b>	<b>1 236 151</b>	<b>257 236 820</b>
Selling and Distribution Expenses	( 58 273 972)	-	( 58 273 972)	( 39 730 429)	-	( 39 730 429)
General and Administration Expenses	( 63 676 131)	-	( 63 676 131)	( 48 651 506)	( 5 277 732)	( 53 929 238)
<b>Operating Profit</b>	<b>225 853 122</b>	<b>( 6 680 147)</b>	<b>219 072 975</b>	<b>167 718 734</b>	<b>( 4 041 581)</b>	<b>163 677 153</b>
Other Revenue	3 404 383	7 368 372	10 772 755	2 005 952	4 042 053	6 648 025
Finance Cost	( 7 311 385)	( 602 900)	( 7 914 285)	( 4 948 595)	-	( 4 948 595)
<b>Profit before zakat</b>	<b>221 746 120</b>	<b>83 259</b>	<b>221 829 379</b>	<b>165 376 101</b>	<b>482</b>	<b>165 376 583</b>
Zakat	( 4 250 000)	-	( 4 250 000)	( 3 250 000)	-	( 3 250 000)
<b>Profit for the year / period</b>	<b>217 496 120</b>	<b>83 259</b>	<b>217 579 379</b>	<b>162 126 101</b>	<b>482</b>	<b>162 126 583</b>

#### 15-4 Reconciliation of Statement of Comprehensive Income

	For the Year ended 31 December 2016			For the Period ended 30 September 2016		
	SOCPA Standards	Effect of transition to IFRS Standards	IFRS Standards	SOCPA Standards	Effect of transition to IFRS Standards	IFRS Standards
Income for the period	217 496 120	83 259	217 579 379	162 126 101	482	162 126 583
Items that will not be reclassified to profit or loss:						
Other Comprehensive Income for the year / period	-	-	-	-	-	-
Total Comprehensive Income for the year / period	217 496 120	83 259	217 579 379	162 126 101	482	162 126 583

#### 15-5 Reconciliation of Profit

	For the Year ended 31 December 2016		For the Period ended 30 September 2016	
	Profit before tax	Profit for the year	Profit before tax	Profit for the Period
As per SOCPA Standards	221 746 120	217 496 120	165 376 101	162 126 101
Cost of Revenue	( 6 680 147)	( 6 680 147)	1 236 151	1 236 151
General and Administration Expenses	-	-	( 5 277 732)	( 5 277 732)
Other Revenue	7 366 372	7 366 372	4 042 003	4 042 003
Finance Cost	( 602 965)	( 602 965)	-	-
Total adjustment to Profit or Loss	83 259	83 259	482	482
Profit or Loss as per IFRS Standards	221 629 379	217 579 379	165 376 583	162 126 583
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income as per IFRS Standards	221 629 379	217 579 379	165 376 583	162 126 583

#### 15-6 EFFECT OF IFRS ADOPTION

##### 15-6-1 Employee Benefits

The Defined benefit liability was revised due to actuarial valuation under projected unit credit method, as required by IFRS. The impact of this adjustment reduced the balance of defined benefit liability as at 31 December 2016 by SAR 0.29 million (30 September 2016: SAR 0.12 million; 1 January 2016: increase of SAR 0.21 million) with a corresponding impact on retained earnings.

##### 15-6-2 Pre-operating expenses

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

##### 15-6-3 Concession period allowed under rental contracts

The concession period allowed under certain rent contracts for premises rented by the Company was included as part of the total duration of rent. This resulted in a decrease in retained earnings by SAR 11.45 million as at 31 December 2016 (30 September 2016: SAR 11.91 million; 1 January 2016: SAR 11.66 million). The decrease in prepayments was SAR 11.45 million as at 31 December 2016 (30 September 2016: SAR 11.91 million; 1 January 2016: SAR 11.66 million).

**15-6-4 Rent expenses of premises utilized for construction of fixed assets**

Under IFRS, rental expenses of premises that were under construction were capitalized until the construction was completed and the premises were ready for use. The said treatment resulted in increase in retained earnings amounting to SAR 0.53 million as at 31 December 2016 (30 September 2016: SAR 0.74 million; 1 January 2016: 0.87 million).

Further, during the year the rent expenses relating to sites under construction was capitalized as allowed under IFRS. This resulted in an upward adjustment to fixed assets, with a net impact of SAR 1.86 million as at 31 December 2016 ( 30 September 2016: SAR 1.8 million; 1 January 2016: SAR 1.34 million).

**15-6-5 Inadmissible expenses incurred during acquisition or construction of fixed assets**

Under IFRS, expenses incurred during construction and acquisition of fixed assets that were not allowed were written off. The impact of this write-off was SAR 2.04 million during year ended 31 December 2016 (30 September 2016: SAR 2.04 million; 1 January 2016: SAR 2.04 million).

The impact of the above expenses was also reversed from the depreciation charged to cost of sales during 2016 and recorded as other income. Net impact on cost of sales was SAR 6.6 million for year ended 31 December 2016 (30 September 2016: increase of SAR 1.23 million), whereas impact on other income was SAR 7.36 million for the year ended 31 December 2016 (30 September 2016: SAR 4.04 million).

**15-6-6 Capitalization of borrowing costs**

Under IFRS, borrowing costs incurred during the construction of fixed assets were capitalized. The fixed assets as well as the equity of the Company had a positive impact of SAR 2.8 million as at 31 December 2016 (30 September 2016: SAR 3.2 million; 1 January 2016: SAR 3,008 million)

**15-6-7 Calculation of loan charges using effective interest rate method**

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

**15-6-8 Investment properties**

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

Description	31-Dec-16 SR . 000	30-Sep-16 SR . 000	01-Jan-16 SR . 000
Cost	46 766	33 907	33 907
Accumulated depreciation	( 12 510)	( 4 505)	( 3 269)
Net book value	<u>34 256</u>	<u>29 402</u>	<u>30 638</u>

**16 Contingencies and commitments**

- 1) The Company is contingently liable for bank guarantees issued on behalf of the Company amounting to Saudi Riyals 2.01 million (31 December 2016: S R 0.49 million , 1 January 2016 S R 1.5 million) and letters of credit issued on behalf of the Company amounting to Saudi Riyals 0.28 million (31 December 2016: S R 3 million , 1 January 2016 S R 5 million ) in the normal course of business.
- 2) The capital expenditure contracted by the Company but not incurred till September 30, 2016 is approximately Saudi Riyals 48.2 million (31 December 2016: S R 56.1 million , 1 January 2016 S R 54.4 million )
- 3) Lease commitments : Saudi Riyal 864.94 Milion (31 December 2016: S R 781,86 million , 1 January 2016 S R 813.34 million )

**17 Risk Management of Financial Instruments**

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

**17-1 Credit Risk:**

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

	30 September 2017 (Unaudited)	31 December 2016 (Audited)	1 January 2016 (Audited)
Cash at Bank	69 803 739	63 628 169	16 708 936
Trade Receivables - Other Parties	14 616 717	15 334 168	12 394 573
Trade Receivables - Related Parties	19 990 247	14 179 125	10 809 825
	<b>104 410 703</b>	<b>93 141 462</b>	<b>39 913 334</b>

The carrying amount of financial assets represents the maximum credit exposure

Credit risk on receivable and bank balances is limited as:

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

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

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

Trade receivables outstanding balance comprises of 100% in KSA at 30 September 2017.

## 17-2 Liquidity Risk:

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

30 September 2017 (Unaudited)				
Carrying Amount	Less than 1 year	1 year to 5 years	More than 5 years	
Borrowings	367 651 650	143 297 849	224 353 801	-
Trade and other payables	138 686 406	138 686 406	-	-
Trade Payables to Related Parties	715 581	715 581	-	-
	<b>507 053 636</b>	<b>282 699 835</b>	<b>224 353 801</b>	<b>-</b>
31 December 2016 (Audited)				
Carrying Amount	Less than 1 year	1 year to 5 years	More than 5 years	
Borrowings	360 554 321	122 076 660	238 477 661	-
Trade and other payables	100 074 458	100 074 458	-	-
Trade Payables to Related Parties	3 497 545	3 497 545	-	-
	<b>464 126 324</b>	<b>225 648 663</b>	<b>238 477 661</b>	<b>-</b>
01 January 2016 (Audited)				
Carrying Amount	Less than 1 year	1 year to 5 years	More than 5 years	
Borrowings	285 876 784	87 127 034	198 749 750	-
Trade and other payables	98 321 817	98 321 817	-	-
Trade Payables to Related Parties	5 572 182	5 572 182	-	-
	<b>389 770 783</b>	<b>191 021 033</b>	<b>198 749 750</b>	<b>-</b>

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

## 17-3 Market Risk:

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

## 17-4 Currency Risk

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

**17-5 Interest rate risk**

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

**17-6 Capital Management**

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

The Company's objectives when managing capital are:

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

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

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

**18 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.

**19 Comparative Figures**

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

**20 Board Of Directors Approval**

These Financial Statements were approved by the Board of Directors on 11 Safar 1438 H. (31 October 2017).