

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

INTERIM FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE-MONTH AND NINE-MONTH
PERIODS ENDED SEPTEMBER 30, 2015 AND
LIMITED REVIEW REPORT

HERFY FOOD SERVICES COMPANY
(A Saudi Joint Stock Company)
INTERIM FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2015

	Page
Limited review report	1
Interim balance sheet	2
Interim income statement	3
Interim cash flow statement	4
Interim statement of changes in shareholders' equity	5
Notes to the Interim financial statements	6-13

LIMITED REVIEW REPORT

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

Scope of review

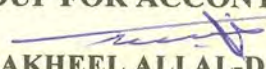
We have reviewed the accompanying interim balance sheet of Herfy Food Services Company (the "Company") as of September 30, 2015 and the interim statement of income for the three-month and nine-month periods ended September 30, 2015, and the statements of cash flows and changes in shareholders' equity for the nine-month period then ended, and the related notes which form an integral part of these interim financial statements. These interim financial statements are the responsibility of the Company's management and have been prepared by them and submitted to us together with all the information and explanations which we required

We conducted our limited review in accordance with the standard of Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. The scope of such limited review is substantially less than an audit conducted in accordance with auditing standards generally accepted in Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Review Conclusion:

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with accounting standards generally accepted in Saudi Arabia.

SAUDI GROUP FOR ACCOUNTING & AUDITING


DAKHEEL ALI AL-DAKHEEL
LIC NO. (96)

Date: 5 Muharram 1437
Corresponding to: 18 October 2015



مكتب الرياض : ص.ب ١٦٩٩٤ الرمز البريدي ١١٤٧٤ هاتف ٠٦٢٢١٢٨ / ٠٦٢٢١٢٨ (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 ٠٦٤٥١٩٨٠ / ٠٦٤٥١٩٥٠ (٠١٢) فاكس : ٦٤٥٢٣٤٠ (٠١٢)
مكتب الباحة : هاتف ٧٢٥٧٦٢٥ (٠١٧) فاكس : ٧٢٧١١٢٣ (٠١٧)

Hery Food Services Company
(A Saudi Joint Stock Company)
Interim Balance Sheet (Unaudited)
(All Amounts in Saudi Riyals Unless otherwise stated)

	Note No.	September 30	
		2015	2014
		(Unaudited)	(Unaudited)
Investment property			
<u>Assets</u>			
<u>Current assets</u>			
Cash and cash equivalents		55,375,042	39,583,045
Accounts receivable		21,355,733	19,554,729
Inventories		106,287,813	89,356,000
Prepayments and other receivables		83,202,889	105,227,440
Total Current Assets		266,221,477	253,721,214
<u>Non-current assets</u>			
Investment property		2,000,000	4,000,000
Property, plant and equipment	(4)	886,348,925	664,582,581
Total Non-Current Assets		888,348,925	668,582,581
Total Asstes		1,154,570,402	922,303,795
<u>Liabilities</u>			
<u>Current liabilities</u>			
Current maturity of long-term borrowings		84,612,000	44,195,333
Accounts payable		66,851,549	59,645,934
Accrued expenses and other liabilities		41,511,040	37,721,923
Zakat payable		4,582,370	5,015,388
Total Current Liabilities		197,556,959	146,578,578
<u>Non-current liabilities</u>			
Long-term borrowings		211,922,515	105,339,342
Employee termination benefits		54,858,309	41,274,835
		266,780,824	146,614,177
Total liabilities		464,337,783	293,192,755
<u>Shareholders' Equity</u>			
Share capital	(6)	462,000,000	462,000,000
Statutory reserve		112,696,197	92,082,041
Retained earnings		115,536,422	75,028,999
Total shareholders' equity		690,232,619	629,111,040
Total liabilities and shareholders ' equity		1,154,570,402	922,303,795
Contingencies and commitments			

The accompanying notes form (1) to (8) an integral part of these financial statements.

Hery Food Services Company
(A Saudi Joint Stock Company)
Interim Income Statement (unaudited)
(All Amounts in Saudi Riyals Unless otherwise stated)

	Note	Three-month periods ended September 30		Nine-month periods ended September 30	
		2015	2014	2015	2014
Sales (net)		279,470,709	224,709,836	804,033,282	667,355,000
Cost of sales		(194,116,689)	(152,986,593)	(556,791,264)	(447,963,792)
Gross Profit		85,354,020	71,723,243	247,242,018	219,391,208
<u>Operating expenses</u>					
Selling and marketing		(13,574,628)	(11,599,976)	(41,789,322)	(30,100,099)
General and administrative		(14,733,112)	(15,944,671)	(43,367,564)	(42,641,504)
Income from operations		57,046,280	44,178,596	162,085,132	146,649,605
<u>Other income (expenses)</u>					
Financial charges		(1,537,050)	(673,478)	(3,571,124)	(1,653,530)
Other - net		2,141,992	14,336,444	1,946,342	15,501,540
Income before zakat		57,651,222	57,841,562	160,460,350	160,497,615
Zakat		(1,000,000)	(1,125,000)	(3,000,000)	(3,375,000)
Net income for the period		56,651,222	56,716,562	157,460,350	157,122,615
<u>Earnings per share:</u>					
• Income from operations		1.23	0.96	3.51	3.17
• Net income for the period		1.23	1.23	3.41	3.40

The accompanying notes form (1) to (8) an integral part of these financial statements.

Hery Food Services Company
(A Saudi Joint Stock Company)
Interim cash flow statement (Unaudited)
(All Amounts in Saudi Riyals Unless otherwise stated)

	Note no.	For nine-month periods ended September 30	
		2015	2014
<u>Cash flow from operating activities</u>			
Net income for the period		157,460,350	157,122,615
<u>Adjustment for non-cash items</u>			
Depreciation		57,815,946	39,964,645
Provision for employee termination benefits		10,294,165	8,295,058
Provision for zakat		3,000,000	3,375,000
Provision for Impairment of Investment		2,000,000	-
Amortization		753,031	605,835
(Reversal of) I provision for doubtful debts		-	382,977
Provision for slow moving inventory		-	150,000
Loss (Gain) on sale of property, plant and equipment		(1,633,896)	(13,419,727)
Accounts receivable		(1,346,623)	(3,052,981)
Inventories		(15,151,421)	(11,496,627)
Prepayments and other receivables		7,545,079	(39,597,972)
Accounts payable		18,729,959	20,766,115
Accrued expenses and other liabilities		2,860,900	(1,081,309)
Zakat paid		(2,917,630)	(3,359,612)
Employee termination benefits paid		(2,660,080)	(5,286,090)
Net cash generated from operating activities		236,749,780	153,367,927
<u>Cash flow from investing activities</u>			
Purchase of property, plant and equipment		(214,253,077)	(143,321,209)
Proceeds from sale of property and equipment		13,006,897	17,815,135
Net cash utilized In investing activities		(201,246,180)	(125,506,074)
<u>Cash flow from financing activities</u>			
Proceeds from long-term borrowings		170,576,750	100,000,000
Repayments of long-term borrowings		(34,465,000)	(16,695,333)
Dividend paid		(145,020,000)	(128,850,000)
Net cash utilized in financing activities		(8,908,250)	(45,545,333)
Net change in cash and cash equivalents		26,595,350	(17,683,480)
Cash and cash equivalents at beginning of period		28,779,692	57,266,525
Cash and cash equivalents at end of period		55,375,042	39,583,045

The accompanying notes form (1) to (8) an integral part of these financial statements.

Hery Food Services Company
(A Saudi Joint Stock Company)
Interim Statement of Changes in Shareholders' Equity (Unaudited)
(All Amounts in Saudi Riyals Unless otherwise stated)

Description	Share Capital	Statutory Reserve	Retained earning	Total
January 1, 2015 (audited)	462,000,000	96,950,163	118,842,106	677,792,269
Net income for the period	-	-	157,460,350	157,460,350
Transfer to statutory reserve	-	15,746,034	(15,746,034)	-
Dividend paid	-	-	(145,020,000)	(145,020,000)
Septmber 30, 2015 (unaudited)	462,000,000	112,696,197	115,536,422	690,232,619
January 1, 2014 (audited)	330,000,000	76,369,779	194,468,646	600,838,425
Net income for the period	-	-	157,122,615	157,122,615
Transfer to share capital	132,000,000	-	(132,000,000)	-
Transfer to statutory reserve	-	15,712,262	(15,712,262)	-
Dividends paid	-	-	(128,850,000)	(128,850,000)
Septmber30. 2014 (unaudited)	462,000,000	92,082,041	75,028,999	629,111,040

HERFY FOOD SERVICES COMPANY
(A Saudi Joint Stock Company)
INTERIM FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2015

1- Genera information

Herfy Food Services Company (the "Company") 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 buildings and own, use, maintain and lease stores and food store fridges.

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

At September 30, 2015, the total number of restaurants owned and leased by the Company were 35 and 255, respectively (2014 - 28 owned and 182 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 sweets, pastries, cakes, bread and rusks ("Rusk Factory"), which operated under commercial registration number 1010179007 issued on Jumad-ul-Awal 11, 1423H (July 20, 2002) and in accordance with industrial license number 1225/S issued on Dhul-Qada 6, 1422H (January 19, 2002), The Rusk Factory commenced production in April 2003. During the year ended December 31, 2013, the Company disposed the plant and equipment relating to the Rusk Factory. The production of sweets, pastries, cakes, bread and rusks is now being carried out from a new bakery. The legal formalities to cancel 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 Jumad-ul-Thani 16, 1425H (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, 1431H (September 29, 2010) and in accordance with industrial license number 11583/T issued on Shawwal 18, 1431H (September 27, 2012). 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.

These interim financial statements were authorized for issue by the Company's Board of Directors on 5 Muharram 1437 H (18 October 2015).

2- Summary of significant accounting policies

The principal accounting policies applied in the preparation of these interim financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

2-1 Basis of preparation

The accompanying interim financial statements have been prepared under the historical cost convention on the accrual basis of accounting and in compliance with accounting standards promulgated by Saudi Organization for Certified Public Accountants ("SOCPA").

The interim financial statements have been prepared in accordance with SOCPA's Standard on Interim Financial Reporting. The accounting policies used in the preparation of the interim financial statements are consistent with those used in the preparation of annual financial statements for the year ended December 31, 2014.

The interim 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 annual financial statements as at December 31, 2014. In the opinion of management, the interim financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the periods presented.

The Company's interim results may not be indicative of its annual results of the operations.

2-2 Critical accounting estimates and judgments

The preparation of interim financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported balances of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

In preparing these interim financial statements, 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 applied to the financial statements for the year ended December 31, 2014.

2-3 Investment property

Property held for long-term rental yields or for capital appreciation or both, which is not occupied by the Company classified as investment property. Investment property is stated at historical cost. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the

asset can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred. The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Gains and losses on disposals, if any, are determined by comparing the proceeds with the carrying amount and are recognized in the income statement.

2-4 Segment reporting

(a) Business segment

A business segment is a group of assets and operations:

- engaged in revenue producing activities.
- results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and
- financial information is separately available.

(b) Geographical segment

A geographical segment is a group of assets and operations engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments.

2-5 Foreign currency translations

a) Reporting currency

The interim financial statements of the Company are presented in Saudi Riyals which is the reporting currency of the Company.

b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies, which were not significant for the nine-month periods ended September 30, 2015 and 2014 are recognized in the income statement.

2-6 Cash and cash equivalents

Cash and cash equivalents include cash in hand and with banks and other short-term highly liquid investments with maturities of three months or less from the purchase date, if any.

2-7 Accounts receivable

Accounts receivable are carried at original invoice amount less provision for doubtful debts. A provision for doubtful debts is established when there's objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Such provisions are charged to the income statement and reported under "general and administrative expenses". When an account receivable is uncollectible, it is written-off against the provision for doubtful debts. Any subsequent recoveries of amounts previously written-off are credited against "general and administrative expenses" in the income statement.

2-8 Inventories

Inventories are carried at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished products include the cost of raw materials, labor and production overheads.

Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2-9 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and impairment losses, except construction in progress which is carried at cost. Land is not depreciated. Depreciation is charged to the income statement, using the straight-line method to allocate the costs of the related assets to their residual values over the following estimated useful lives:

	Number of years
Buildings	20
Machinery and equipment	4-20
Furniture and office	3-7
equipment Motor vehicles	5
IT equipment	6-7
Premises improvements	Shorter of lease term and useful life

Premises improvement costs mainly consist of pre-operating costs incurred on newly established restaurants, and rent expenses for leased premises during the pre-operating phase. which are being amortized on the straight-line basis from the date of commercial operation of the respective restaurant.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included In the income statement.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the income statement as and when incurred. Major renewals and improvements, if any, are capitalized and the assets so replaced are retired.

2-10 Impairment of non-current assets

Non-current assets are reviewed for Impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-current assets other than goodwill, if any, that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount , but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the income statement.

2-11 Borrowings

Borrowings are recognized equivalent to the proceeds received, net of transaction costs incurred. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of those assets. Other borrowing costs are charged to the income statement.

2-12 Accounts payable and accruals

Liabilities are recognized for amounts to be paid for goods and services received, whether or not billed to the Company.

2-13 Provisions

Provisions are recognized, when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

2-14 Zakat

The Company is subject to zakat in accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"). Provision for zakat for the Company is charged to the income statement. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

2-15 Employee termination benefits

Employee termination benefits required by Saudi Labor and Workman Law are accrued by the Company and charged to the income statement. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should the employee leave at the balance sheet date. Termination payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia.

2-16 Revenues

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the company's activities. The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met. The amount of revenue is not considered to be reliably measurable until all significant contingencies relating to the sale have been resolved.

Restaurant sales are made on a cash basis and are recognized on a receipt basis. Revenues from factories, bakeries, catering services and other sales are recognized upon delivery of goods to the customers. Revenues are shown net of discounts and transportation expenses.

2-17 Selling, marketing, general and administrative expenses

Selling, marketing, general and administrative expenses include direct and indirect costs not specifically part of costs of sales as required under generally accepted accounting principles. Allocations between selling, marketing and general and administrative expenses and cost of sales, when required, are made on a consistent basis.

2-18 Dividends

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

2-19 Operating leases

Rental expenses under operating leases are charged to the income statement over the period of the respective lease. Rental income is recognized on the accruals basis in accordance with the terms of the contracts.

3- 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.

Selected financial information as of September 30 and for the nine-month periods then ended, summarized by the above business segments, was as follows (in Saudi Riyals 000's)

2015 (unaudited)	Restaurants	Meat factory	Bakeries and other	Total
Total segment sales	694.298	89.855	113.501	897.654
Inter-segment sales	-	(69.132)	(24.489)	(93.621)
Sales from external customers	694.298	20.723	89.012	804.033
Net income	115.393	23.018	19.049	157.460
Financial charges	3.486	85	-	3.571
Depreciation and amortization	44.525	3.737	9.554	57.816
Property, plant and equipment	658.174	37.823	190.352	886.349
Total assets	826.023	84.857	243.690	1.154.570
2014 (unaudited)	Restaurants	Meat factory	Bakeries and other	Total
Total segment sales	570,490	79,905	100,181	750,576
Inter-segment sales	-	57,725	25,496	83,221
Sales from external customers	570,490	22,180	74,685	667,355
Net income	121,152	20,843	15,128	157,123
Financial charges	1,558	96	-	1,654
Depreciation and amortization	28,091	3,107	8,766	39,964
Property, plant and equipment	480,875	39,817	143,891	664,583
Total assets	659,816	79,123	183,365	922,304

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

4- Investment property

	September 30,	
	2015	2014
January 1, (Audited)	4,000,000	4,000,000
Deducts		
Provision for Impairment of Investment	2,000,000	-
September 30, (unaudited)	2,000,000	4,000,000

5- Operating leases

The Company has various operating leases for its restaurants, employees' accommodations and vehicles. Rental expenses for the nine-month period ended September 30, 2015 were Saudi Riyals 43.8 million (2014: Saudi Riyals 34.8 million).

Future rental commitments under non-cancelable operating leases with terms expiring within one year and in excess of one year are as follows:

	September 30	
	2015	2014
Within one year	73,848,520	47,221,833
Between two and five years	229,821,705	166,745,790
Greater than five years	422,462,137	351,093,318
	726,132,362	565,060,941

6- Earnings per share

The issued and fully paid share capital of the Company consists of 46,2 million shares with a par value of Saudi Riyals 10 each (September 30, 2014: 46,2 million shares with a par value of Saudi Riyals 10 each).

In accordance with the accounting standards generally accepted in Saudi Arabia, the earnings per share for the three-month and nine-month periods ended September 30, 2015 and 2014 has been computed by dividing the income from operations and net income for such periods by 46.2 million shares.

7- Contingencies and commitments

- (i) The Company is contingently liable for bank guarantees issued on behalf of the Company amounting to Saudi Riyals 1.1 million (2014: Saudi Riyals 3 million) in the normal course of business.
- (ii) The capital expenditure contracted by the Company but not incurred till September 30, 2015 is approximately Saudi Riyals 51.7 million (2014: Saudi Riyals 36.2 million).
- (iii) Also see Note 5 with respect to lease commitments.

8- Comparative Figures

Some comparative figures related to 2014 have been changed in order to conform with the current presentation of the financial statement.

Regarding to the financial statements 31/12/2014 have been reviewed by another External Auditors and his reports have been issued dated by February18, 2015 with unqualified opinion.