

**Abdullah Al Othaim Markets Company**  
(A Saudi Joint Stock Company)  
**Interim Consolidated Financial Statements (Un-audited)**  
**For the three months and year ended 31 December 2015**  
Together with the Review Report

**Abdullah Al Othaim Markets Company**  
(A Saudi Joint Stock Company)  
**INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Un-audited)**  
As at 31 December 2015

| <b><u>INDEX</u></b>                                    | <b><u>PAGE</u></b> |
|--|--------------------|
| Review report  |                    |
| Interim consolidated balance sheet                     | 1                  |
| Interim consolidated income statement                  | 2                  |
| Interim consolidated statement of cash flows           | 3                  |
| Interim consolidated statement of changes in equity    | 4                  |
| Notes to the interim consolidated financial statements | 5 - 17             |



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## **REVIEW REPORT ON INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

To: The Shareholders  
Abdullah Al Othaim Markets Company  
(A Saudi Joint Stock Company)  
Riyadh, Saudi Arabia

### **Scope of Review**

We have reviewed the accompanying interim consolidated balance sheet of **Abdullah Al Othaim Markets Company – A Saudi Joint Stock Company** (“the Company”) and its subsidiaries (“the Group”) as at 31 December 2015, the related interim consolidated statements of income for three-months and year then ended, the interim consolidated statements of cash flows and changes in equity for the year then ended and the attached notes 1 to 18 which form an integral part of the interim consolidated financial statements. These interim consolidated financial statements are the responsibility of Group’s management and have been prepared by them and submitted to us together with all information and explanations which we required. Our responsibility is to provide a conclusion on the review of these interim consolidated financial statements based on our review.

We conducted our review in accordance with Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A review consists principally of analytical procedure applied to financial data and information and making inquiries of Group personnel responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

### **Conclusion**

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

**For KPMG Al Fozan & Partners**

Khalil Ibrahim Al Sedais  
License No. 371



Riyadh on: 11 Rabi II 1437  
Corresponding to: 21 January 2016

**Abdullah Al Othaim Markets Company**  
(A Saudi Joint Stock Company)  
**INTERIM CONSOLIDATED BALANCE SHEET**  
As at 31 December 2015  
(Saudi Riyals)

|  | <u>Note</u> | <b>2015</b><br>(Un-audited) | 2014<br>(Audited)    |
|--|-------------|-----------------------------|----------------------|
| <b><u>ASSETS</u></b>   |             |                             |                      |
| <b>Current assets</b>  |             |                             |                      |
| Cash and cash equivalents  |             | 371,197,834                 | 183,489,491          |
| Inventories  |             | 592,831,324                 | 465,505,782          |
| Prepayments and other current assets                             |             | 238,712,254                 | 137,147,511          |
| <b>Total current assets</b>                                      |             | <b>1,202,741,412</b>        | <b>786,142,784</b>   |
| <b>Non-current assets</b>  |             |                             |                      |
| Investments in equity accounted investee                         | (5)         | 169,644,532                 | 178,831,391          |
| Investments – available for sale                                 |             | 16,645,447                  | 17,457,077           |
| Property and equipment   | (6)         | 1,226,961,725               | 865,533,013          |
| Investment properties  | (7)         | 467,994,270                 | 492,908,496          |
| Biological assets  | (8)         | 796,900                     | 1,233,266            |
| Intangible assets  |             | 11,359,330                  | 13,107,462           |
| <b>Total non-current assets</b>                                  |             | <b>1,893,402,204</b>        | <b>1,569,070,705</b> |
| <b>TOTAL ASSETS</b>  |             | <b>3,096,143,616</b>        | <b>2,355,213,489</b> |
| <b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>               |             |                             |                      |
| <b><u>LIABILITIES</u></b>  |             |                             |                      |
| <b>Current liabilities</b>                                       |             |                             |                      |
| Trade payables   |             | 984,892,029                 | 927,361,689          |
| Short term loans and Murabahas                                   | (9a)        | 20,061,386                  | 17,999,510           |
| Current portion of long term loans and Murabahas                 | (9b)        | 192,213,333                 | 100,000,000          |
| Accrued expenses and other current liabilities                   |             | 256,779,977                 | 174,023,481          |
| <b>Total current liabilities</b>                                 |             | <b>1,453,946,725</b>        | <b>1,219,384,680</b> |
| <b>Non-current liabilities</b>                                   |             |                             |                      |
| Long term loans and Murabahas                                    | (9b)        | 399,500,000                 | 125,000,000          |
| Employees' end of service benefits                               |             | 69,944,664                  | 56,578,898           |
| <b>Total non-current liabilities</b>                             |             | <b>469,444,664</b>          | <b>181,578,898</b>   |
| <b>TOTAL LIABILITIES</b>   |             | <b>1,923,391,389</b>        | <b>1,400,963,578</b> |
| <b><u>SHAREHOLDERS' EQUITY</u></b>                               |             |                             |                      |
| Share capital  |             | 450,000,000                 | 450,000,000          |
| Statutory reserve  | (11)        | 44,565,425                  | 21,477,889           |
| Other reserves   | (10)        | 717,505                     | --                   |
| Retained earnings  |             | 610,213,817                 | 481,175,991          |
| Unrealized loss from investment in available for sale securities |             | (860,639)                   | (49,012)             |
| <b>Equity attributable to shareholders</b>                       |             | <b>1,104,636,108</b>        | <b>952,604,868</b>   |
| <b>Non – controlling interest</b>                                |             | <b>68,116,119</b>           | <b>1,645,043</b>     |
| <b>Total equity</b>  |             | <b>1,172,752,227</b>        | <b>954,249,911</b>   |
| <b>TOTAL LIABILITIES AND EQUITY</b>                              |             | <b>3,096,143,616</b>        | <b>2,355,213,489</b> |

The accompanying notes (1) to (18) form an integral part of these interim consolidated financial statements.

**Abdullah Al Othaim Markets Company**  
(A Saudi Joint Stock Company)  
**INTERIM CONSOLIDATED STATEMENT OF INCOME**  
For the three months and year ended 31 December 2015  
(Saudi Riyals)

|  |             | <b>Three months ended</b>   |                     | <b>Year ended</b>           |                     |
|--|-------------|-----------------------------|---------------------|-----------------------------|---------------------|
|  | <u>Note</u> | <b>31 December<br/>2015</b> | 31 December<br>2014 | <b>31 December<br/>2015</b> | 31 December<br>2014 |
|  |             | <b>(Unaudited)</b>          | <b>(Unaudited)</b>  | <b>(Unaudited)</b>          | <b>(Audited)</b>    |
| Sales  |             | <b>1,553,364,788</b>        | 1,308,737,625       | <b>6,035,801,745</b>        | 5,251,902,161       |
| Cost of sales  |             | <b>(1,236,637,195)</b>      | (1,056,733,645)     | <b>(5,037,330,186)</b>      | (4,380,774,939)     |
| <b>Gross profit</b>  |             | <b>316,727,593</b>          | 252,003,980         | <b>998,471,559</b>          | 871,127,222         |
| Rental income, net   |             | <b>18,525,303</b>           | 11,015,763          | <b>62,216,356</b>           | 52,798,485          |
| Selling and distribution expenses                                |             | <b>(221,637,055)</b>        | (169,677,250)       | <b>(765,122,696)</b>        | (649,453,287)       |
| General and administrative expenses                              |             | <b>(28,347,086)</b>         | (19,753,538)        | <b>(85,791,179)</b>         | (71,935,096)        |
| <b>Income from operations</b>                                    |             | <b>85,268,755</b>           | 73,588,955          | <b>209,774,040</b>          | 202,537,324         |
| Share in profits from investments                                | (5)         | <b>6,562,947</b>            | 2,315,519           | <b>27,252,405</b>           | 20,330,101          |
| Finance expenses   |             | <b>(2,894,638)</b>          | (1,880,730)         | <b>(9,048,026)</b>          | (7,202,145)         |
| Other income, net  |             | <b>1,239,829</b>            | 1,924,616           | <b>6,496,708</b>            | 4,177,833           |
| <b>Net income before zakat, tax and non-controlling interest</b> |             | <b>90,176,893</b>           | 75,948,360          | <b>234,475,127</b>          | 219,843,113         |
| Zakat and income tax   |             | <b>(2,212,591)</b>          | (1,788,002)         | <b>(5,322,531)</b>          | (5,288,864)         |
| <b>Net income before non - controlling interest</b>              |             | <b>87,964,302</b>           | 74,160,358          | <b>229,152,596</b>          | 214,554,249         |
| Non - controlling interest in net loss of subsidiaries           |             | <b>1,268,573</b>            | 71,637              | <b>1,722,766</b>            | 224,634             |
| <b>Net income for the period / year</b>                          |             | <b>89,232,875</b>           | 74,231,995          | <b>230,875,362</b>          | 214,778,883         |
|  |             |                             |                     |                             |                     |
| <b>Earnings per share from</b>                                   | (12)        |                             |                     |                             |                     |
| Operations   |             | <b>1.89</b>                 | 1.64                | <b>4.66</b>                 | 4.50                |
| Other income   |             | <b>0.10</b>                 | 0.08                | <b>0.54</b>                 | 0.38                |
| Net income   |             | <b>1.98</b>                 | 1.65                | <b>5.13</b>                 | 4.77                |
|  |             |                             |                     |                             |                     |
| Weighted average number of shares                                |             | <b>45,000,000</b>           | 45,000,000          | <b>45,000,000</b>           | 45,000,000          |

The accompanying notes (1) to (18) form an integral part of these interim consolidated financial statements.

**Abdullah Al Othaim Markets Company**  
(A Saudi Joint Stock Company)  
**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the year ended 31 December 2015  
(Saudi Riyals)

|  | <b>2015</b><br><b>(Un-audited)</b> | <b>2014</b><br><b>(Audited)</b> |
|--|------------------------------------|---------------------------------|
| <b>OPERATING ACTIVITIES</b>  |                                    |                                 |
| Net income for the year before zakat, tax and non-controlling interest                       | <b>234,475,127</b>                 | 219,843,113                     |
| <i>Adjustments to reconcile net income to net cash generated from operating activities</i>   |                                    |                                 |
| Depreciation   | <b>127,345,794</b>                 | 101,127,996                     |
| Amortization   | <b>1,748,132</b>                   | 1,798,227                       |
| (Gain)/loss on disposal of property and equipment  | <b>(7,179)</b>                     | 229,557                         |
| Loss / (gain) on disposal of biological assets   | <b>139,577</b>                     | (339,053)                       |
| Company's share in the net profits of associated companies                                   | <b>(26,884,447)</b>                | (20,330,101)                    |
| Non-controlling interest due to Acquisition of interest in subsidiary                        | <b>33,050,857</b>                  | --                              |
| End of service benefits provision, net   | <b>9,387,504</b>                   | 8,087,862                       |
| <i>Changes in working capital:</i>   |                                    |                                 |
| Inventories  | <b>(83,175,354)</b>                | (97,495,671)                    |
| Prepayments and other current assets   | <b>(57,829,866)</b>                | (46,842,219)                    |
| Trade payables, Accrued expenses and other current liabilities                               | <b>88,503,429</b>                  | 210,875,197                     |
| Impact of subsidiaries consolidated during the year  | <b>--</b>                          | 618,314                         |
| Zakat paid   | <b>(4,767,478)</b>                 | (3,102,136)                     |
| <b>Net cash generated by operating activities</b>  | <b>321,986,096</b>                 | 374,471,086                     |
| <b>INVESTING ACTIVITIES</b>  |                                    |                                 |
| Purchase of property and equipment   | <b>(402,197,581)</b>               | (235,143,824)                   |
| Purchase of investment properties  | <b>(132,206)</b>                   | (2,762,978)                     |
| Investments in equity accounted investees  | <b>(26,124,563)</b>                | (10,818,399)                    |
| Purchase of biological assets  | <b>(2,544)</b>                     | (435,733)                       |
| Dividends received from investments  | <b>27,625,000</b>                  | 27,625,000                      |
| Proceeds from sale of property and equipment   | <b>3,810,101</b>                   | 1,439,906                       |
| Proceeds from sale of biological assets  | <b>--</b>                          | 1,127,487                       |
| <b>Net cash used in investing activities</b>   | <b>(397,021,793)</b>               | (218,968,541)                   |
| <b>FINANCING ACTIVITIES</b>  |                                    |                                 |
| Cash dividends   | <b>(78,750,000)</b>                | (67,500,000)                    |
| Proceeds from Loans and Murabaha   | <b>2,215,813,368</b>               | 1,218,661,285                   |
| Repayments of Loans and Murabaha   | <b>(1,874,724,996)</b>             | (1,233,505,327)                 |
| <b>Net cash generated by / (used) in financing activities</b>                                | <b>262,338,372</b>                 | (82,344,042)                    |
| Net increase in cash and cash equivalents  | <b>187,302,675</b>                 | 73,158,503                      |
| Cash and cash equivalents at beginning of the year   | <b>183,489,491</b>                 | 110,330,988                     |
| Cash acquired from acquisition of subsidiary   | <b>405,668</b>                     | --                              |
| <b>Cash and cash equivalents at end of the year</b>  | <b>371,197,834</b>                 | 183,489,491                     |
| <b>Non - cash transactions</b>   |                                    |                                 |
| Unrealized loss from investment in available for sale securities                             | <b>(811,627)</b>                   | (184,600)                       |
| Increase in share capital through retained earnings, statutory reserve and voluntary reserve | <b>--</b>                          | 225,000,000                     |
| Other reserves (Note 5)  | <b>717,508</b>                     | --                              |

The accompanying notes (1) to (18) form an integral part of these interim consolidated financial statements.

**Abdullah Al Othaim Markets Company**  
(A Saudi Joint Stock Company)  
**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the year ended 31 December 2015

|   | <u>Share<br/>Capital</u> | <u>Statutory<br/>reserve</u> | <u>Voluntary<br/>reserve</u> | <u>Retained<br/>earnings</u> | <u>Investments<br/>in available<br/>for sale<br/>securities</u> | <u>Other<br/>reserves</u> | <u>Equity<br/>Attributable<br/>to the<br/>shareholders<br/>of company</u> | <u>Non-<br/>controlling<br/>interest</u> | <u>Total</u>         |
|---|--------------------------|------------------------------|------------------------------|------------------------------|---|---------------------------|---|--|----------------------|
| <b>Balance at 1 January 2015</b>                                  | <b>450,000,000</b>       | <b>21,477,889</b>            | --                           | <b>481,175,991</b>           | <b>(49,012)</b>   | --                        | <b>952,604,868</b>  | <b>1,645,043</b>                         | <b>954,249,911</b>   |
| Net income for the year   | --                       | --                           | --                           | <b>230,875,362</b>           | --  | --                        | <b>230,875,362</b>  | <b>(1,722,766)</b>                       | <b>229,152,596</b>   |
| Transfer to statutory reserve                                     | --                       | <b>23,087,536</b>            | --                           | <b>(23,087,536)</b>          | --  | --                        | --  | --                                       | --                   |
| Unrealized loss on investment in<br>available for sale securities | --                       | --                           | --                           | --                           | <b>(811,627)</b>  | --                        | <b>(811,627)</b>  | --                                       | <b>(811,627)</b>     |
| Cash dividends  | --                       | --                           | --                           | <b>(78,750,000)</b>          | --  | --                        | <b>(78,750,000)</b>   | --                                       | <b>(78,750,000)</b>  |
| Other reserves – (note 5)   | --                       | --                           | --                           | --                           | --  | <b>717,505</b>            | <b>717,505</b>  | --                                       | <b>717,505</b>       |
| Acquisition of interest in subsidiary                             | --                       | --                           | --                           | --                           | --  | --                        | --  | <b>68,193,842</b>                        | <b>68,193,842</b>    |
| <b>Balance at 31 December 2015</b>                                | <b>450,000,000</b>       | <b>44,565,425</b>            | --                           | <b>610,213,817</b>           | <b>(860,639)</b>  | <b>717,505</b>            | <b>1,104,636,108</b>  | <b>68,116,119</b>                        | <b>1,172,752,227</b> |
| <b>Balance at 1 January 2014</b>                                  | 225,000,000              | 93,409,588                   | 12,453,336                   | 474,512,073                  | 135,588   | --                        | 805,510,585   | 1,869,676                                | 807,380,261          |
| Net income for the year   | --                       | --                           | --                           | 214,778,883                  | --  | --                        | 214,778,883   | (224,633)                                | 214,554,250          |
| Transfer to statutory reserve                                     | --                       | 21,477,889                   | --                           | (21,477,889)                 | --  | --                        | --  | --                                       | --                   |
| Cash dividends  | --                       | --                           | --                           | (67,500,000)                 | --  | --                        | (67,500,000)  | --                                       | (67,500,000)         |
| Issuance of Bonus shares  | 225,000,000              | (93,409,588)                 | (12,453,336)                 | (119,137,076)                | --  | --                        | --  | --                                       | --                   |
| Unrealized loss on investment in<br>available for sale securities | --                       | --                           | --                           | --                           | (184,600)   | --                        | (184,600)   | --                                       | (184,600)            |
| <b>Balance at 31 December 2014</b>                                | <b>450,000,000</b>       | <b>21,477,889</b>            | --                           | <b>481,175,991</b>           | <b>(49,012)</b>   | --                        | <b>952,604,868</b>  | <b>1,645,043</b>                         | <b>954,249,911</b>   |

The accompanying notes (1) to (18) form an integral part of these interim consolidated financial statements

**Abdullah Al Othaim Markets Company**  
(A Saudi Joint Stock Company)  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Un-audited)**  
For the year ended 31 December 2015

**1. ORGANIZATION AND ACTIVITIES**

Abdullah Al Othaim Markets Company (the “Company”) is a Saudi joint stock company registered in Riyadh on Rajab 7, 1400 (May 21, 1980) under Commercial Registration Number 1010031185. The Company was converted from a limited liability company into a joint stock company according to the ministerial decree No. 227/G on Ramadan 3, 1428 (corresponding to September 15, 2007).

The main activities of the Company is to deal in wholesale, retail of food supplies, electronics through their commercial outlets across the Kingdom of Saudi Arabia.

These interim consolidated financial statements comprise of the financial statements of the Company and its subsidiaries, together referred to as the “Group”.

| <b><u>Name of the Subsidiaries</u></b>         | <b>Effective ownership (%) at 31 December</b> |                    |
|--|---|--------------------|
|  | <b><u>2015</u></b>                            | <b><u>2014</u></b> |
| Haley Holding Company                          | <b>100 %</b>                                  | 100%               |
| Universal Marketing Centre Company             | <b>100 %</b>                                  | 100%               |
| Seven Services Company                         | <b>100 %</b>                                  | 100%               |
| Bayt Alwatan Company                           | <b>100 %</b>                                  | 100%               |
| Marafeq Al Tashgheel Company                   | <b>100 %</b>                                  | 100%               |
| Haley Holding Company – Turkey                 | <b>100 %</b>                                  | 100%               |
| Haley Holding Company – Bosnia and Herzegovina | <b>100 %</b>                                  | 100%               |
| Al Othaim Markets Egypt                        | <b>100 %</b>                                  | 100%               |
| Thamarat Al Qassim Company                     | <b>90 %</b>                                   | 90%                |
| Riyadh Foods Industries Company                | <b>55 %</b>                                   | 50%                |
| Mueen Recruitment Company                      | <b>68 %</b>                                   | --                 |

**2. BASIS OF PREPARATION**

***a- Statement of compliance***

These interim consolidated financial statements have been presented in accordance with the requirements of accounting standards on interim financial reporting issued by the Saudi Organization of Certified Public Accountants (SOCPA). These interim financial statements do not include all the information presented in the annual financial statements; therefore, these interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2014.

***b- Basis of measurement***

The interim consolidated financial statements have been prepared on the historical cost bases, except for available for sale investments and derivative financial instruments which are stated at fair value using the accrual basis of accounting and the going concern concept



**Abdullah Al Othaim Markets Company**  
(A Saudi Joint Stock Company)  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Un-audited)**  
For the year ended 31 December 2015

**2. BASIS OF PREPARATION (Continued)**

**c- *Use of estimates and judgments***

The interim consolidated financial statements prepared by the management require the use of estimates and assumptions which has an effect on the financial position and results of operation. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

**d- *Basis of consolidation***

The interim consolidated financial statements include the financial statements of the Company and its subsidiaries as disclosed in note (1) above. Subsidiaries are entities controlled by the Group. Control exist when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are excisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commence until the date control ceases.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted by the Group for the preparation of these interim consolidated financial statements are consistent with those of the Group's annual consolidated financial statements. These accounting policies have been applied consistently to all the periods presented in the interim consolidated financial statements.

**a- *Revenue recognition***

- Revenue from sale of goods is recognized at the time of check-out sales where there is no continuing management involvement with the goods.
- Opening fees, based on agreements with the suppliers, are recognized at the time of opening of the store and are presented net of cost of sales.
- Income from rebates and other supplier's benefits are recognized on accrual basis according to the agreements with the suppliers. For the presentation purposes, cost of sales is stated net of rebates.

**Abdullah Al Othaim Markets Company**  
(A Saudi Joint Stock Company)  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Un-audited)**  
For the year ended 31 December 2015  
(Saudi Riyals)

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***b- Expenses***

Selling and distribution expenses principally comprise of costs incurred in the distribution and sale of the Group's products. All other expenses are classified as general and administrative expenses.

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

***c- Investments***

*Equity accounted investees*

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Associates are accounted for using the equity method (equity accounted investee) and are initially recognized at cost. The financial statements include the Group's share of income and expenses and equity movement of the equity accounted investees from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate. The Group's share of profits or losses of the investee companies is credited or charged to the interim consolidation statement of income and its share in post-acquisition movement in other reserves is recognized in the Group's Equity.

*Available for sale investments*

Available for sale investments principally consist of shareholding of less than 20% in quoted and unquoted equity investments including mutual funds investments, which are not held for trading purposes and where the Group does not have any significant influence or control. These are initially recognized and subsequently re-measured at fair value. Any changes in fair value are recognized in equity as fair value reserve until the investment is disposed. Any significant and prolonged decline in value of the available for sales investments, if any, is charged to the consolidated statement of income. The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the consolidated balance sheet date.

***d- Inventories***

Inventories are stated at the lower of cost or market value. Cost is determined using the moving average cost method.

***e- Provisions and contingent liabilities***

Provisions are recognized for liabilities of uncertain timing or amount, when the Group has legal or constructive obligation arising as a result of a past event, it is probable, that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

**Abdullah Al Othaim Markets Company**  
(A Saudi Joint Stock Company)  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Un-audited)**  
For the year ended 31 December 2015  
(Saudi Riyals)

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***f- Property and equipment***

Property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment loss. Cost includes expenditure that is directly attributable to the acquisition of the asset. Finance costs on borrowings to finance the construction of the assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognized in the income statement when incurred.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of individual item of property, plant and equipment. The estimated lives of the principal classes of assets are as follows:

|                         | <u>Years</u> |
|-------------------------|--------------|
| Machinery and equipment | 10           |
| Buildings               | 5 – 25       |
| Vehicles                | 5 – 7        |
| Computers               | 5 – 7        |
| Furniture and fixtures  | 7            |
| Leasehold improvements  | 10           |

***g- Investment property***

Investment properties in the form of buildings and land held by the Group to earn rentals or for capital appreciation is recognized at cost less accumulated depreciation, and impairment if any. land is not depreciated. The estimated lives of buildings are 5 – 25 years.

***h- Impairment of non-current assets***

The Group reviews on regular basis the carrying amount of its non-current assets to determine whether there is any indication that those assets have suffered impairment in value. In case such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where it is not possible to estimate the recoverable amount of individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

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 so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior periods. A reversal of an impairment loss is recognized as income in the interim consolidated statement of income immediately.

***i- Biological Assets***

Biological assets are stated at cost of purchase or at the cost of rearing or growing to the point of commercial production, less accumulated depreciation. The costs of immature biological assets are determined by the cost of rearing or growing to their respective age. Biological assets are depreciated on a straight line basis to their estimated life of 5 years.

**Abdullah Al Othaim Markets Company**  
(A Saudi Joint Stock Company)  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Un-audited)**  
For the year ended 31 December 2015  
(Saudi Riyals)

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***j- Intangible assets***

Intangible assets represent costs incurred for the purpose of using rented stores (key money). These assets are amortized over the term of the related lease contracts.

***k- Borrowing costs***

Borrowing costs directly attributable to acquisitions or constructions of qualifying assets, which are the assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until the assets are substantially ready for their intended use or sale. All other borrowing costs are charged to the interim consolidated statement of income in the period in which they are incurred.

***l- Foreign currency translation***

Items included in the financial statements of each of the group's entities are measured using the functional currency of the entity. The consolidated financial statements are presented in Saudi Arabian Riyal ("SAR") which is the group's presentation currency. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at that date. Transactions denominated in foreign currencies are translated to SAR at a weighted average exchange rates for the period. Gains and losses from settlement and translation of foreign currency transactions are included in the interim consolidated statement of income if any.

***m- Rental Income.***

Rental income is recognized in on a straight-line basis over the term of the lease.

***n- Employee end-of-service benefits***

Employees' end of service benefits, calculated in accordance with Saudi Arabian labour regulations, are accrued and charged to the consolidated statement of income. The liability is calculated at the current value of the vested benefits reduced by any prepayments in advance to employees to which the employee is entitled, should his services be terminated at the balance sheet date.

***o- Zakat and tax***

The Company and its subsidiaries registered in Saudi Arabia are subject to the regulations of the Directorate of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. The zakat charge is computed on the zakat base. All the overseas subsidiaries are subject to the tax regulation in the registered countries. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

**Abdullah Al Othaim Markets Company**  
(A Saudi Joint Stock Company)  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Un-audited)**  
For the year ended 31 December 2015  
(Saudi Riyals)

**4. RELATED PARTIES TRANSACTIONS AND BALANCES**

Related parties of the Group comprises of its shareholders, subsidiaries, equity accounted investees and other affiliated companies under common control.

During the year, the company transacted mainly with Al Othaim Holding Company (founding shareholder) and Abdullah Al Othaim Real Estate Investment Development Company (equity accounted investee).

The Company transacts with related parties on mutually agreed prices and terms which are approved by the management.

| <u>Name</u>   | <u>Relationship</u>        | <u>Nature of transactions</u> | <u>Amount of transactions</u> |                   |
|---|----------------------------|-------------------------------|-------------------------------|-------------------|
|   |                            |                               | <u>2015</u>                   | <u>2014</u>       |
| Riyadh Foods Company  | Subsidiary                 | Purchases                     | --                            | 60,600,765        |
| Abdullah Al Othaim Real Estate Investment Development Company | Equity Accounting Investee | Rent expense                  | <u>10,644,267</u>             | <u>11,132,377</u> |
| Abdullah Al Othaim Real Estate Investment Development Company | Equity Accounting Investee | Rent income                   | <u>37,364,525</u>             | <u>37,318,474</u> |
| Al Othaim Holding Company                                     | Founding Shareholder       | Rent expense                  | <u>10,000</u>                 | 10,000            |
| Al Othaim Holding Company                                     | Founding Shareholder       | Rent income                   | <u>728,800</u>                | <u>735,050</u>    |

- 4.1** Prepayments include an amount of SR 2.99 million (2014: SR 5.92 million) which represent rents paid to Abdullah Al Othaim Real Estate Investment Development Company as advance against early payment discount.

**5. INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES**

|   | <u>2015</u>         | <u>2014</u>         |
|---|---------------------|---------------------|
| Balance at 1 January  | 178,831,391         | 185,926,204         |
| Company's share in net profits of associated company                | 26,884,447          | 20,330,101          |
| Additions during the year (5.2)                                     | 26,124,563          | 818,400             |
| Company's share in other comprehensive income of associated company | 717,508             | --                  |
| Disposal (note 14)  | 35,288,377          | (618,314)           |
| Cash dividends received   | <u>(27,625,000)</u> | <u>(27,625,000)</u> |
| Balance at 31 December  | <u>169,644,532</u>  | <u>178,831,391</u>  |

**Abdullah Al Othaim Markets Company**  
(A Saudi Joint Stock Company)  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Un-audited)**  
For the year ended 31 December 2015  
(Saudi Riyals)

**5. INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES (CONTINUED)**

- 5.1** The investment in associated company includes 13.65% of the share capital of Abdullah Al Othaim Real Estate Investment and Development Company. Other shares of the said associated company is owned by the Othaim Holding Company and Mr. Abdullah Saleh Al Othaim and his family members.
- 5.2** The additions during the year includes 25% of the share capital of the Al – Woustah Food Services Company amounting to SR 25 million incorporated during the year having a share capital SR 100 million

**Abdullah Al Othaim Markets Company**  
(A Saudi Joint Stock Company)  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Un-audited)**  
For the year ended 31 December 2015  
(Saudi Riyals)

**6. PROPERTY AND EQUIPMENT**

|  | Land               | Machinery<br>and equipment | Buildings          | Vehicles          | Computers          | Furniture and<br>fixtures | Leasehold<br>improvements | Capital Work<br>in progress | Total                |
|--|--------------------|----------------------------|--------------------|-------------------|--------------------|---------------------------|---------------------------|-----------------------------|----------------------|
| <b>Cost</b>                            |                    |                            |                    |                   |                    |                           |                           |                             |                      |
| <b>1 January 2015</b>                  | <b>279,451,999</b> | <b>278,606,504</b>         | <b>194,351,925</b> | <b>82,255,457</b> | <b>96,087,588</b>  | <b>150,307,191</b>        | <b>161,856,078</b>        | <b>90,858,854</b>           | <b>1,333,775,596</b> |
| Effect of business combination         | 14,219,310         | 25,402,549                 | 20,724,828         | 2,092,485         | 1,370,460          | 1,224,450                 | --                        | --                          | 65,034,082           |
| Additions                              | 79,277,323         | 46,158,733                 | 14,185,197         | 18,562,469        | 14,218,219         | 14,395,060                | 6,953,768                 | 208,446,812                 | 402,197,581          |
| Transferred from CWIP                  | --                 | 7,929,133                  | 60,730,167         | --                | 1,237,484          | 8,793,826                 | 12,377,905                | (91,068,515)                | --                   |
| Transfer from Investment<br>properties | --                 | --                         | 2,477,828          | --                | --                 | --                        | --                        | --                          | 2,477,828            |
| Disposals                              | --                 | (3,645,766)                | --                 | (4,026,860)       | (3,881,633)        | (3,537,344)               | (978,695)                 | --                          | (16,070,298)         |
| <b>31 December 2015</b>                | <b>372,948,632</b> | <b>354,451,153</b>         | <b>292,469,945</b> | <b>98,883,551</b> | <b>109,032,118</b> | <b>171,183,183</b>        | <b>180,209,056</b>        | <b>208,237,151</b>          | <b>1,787,414,789</b> |
| <b>Accumulated depreciation</b>        |                    |                            |                    |                   |                    |                           |                           |                             |                      |
| 1 January 2015                         | --                 | 139,044,425                | 55,060,211         | 51,118,439        | 49,298,243         | 92,055,908                | 81,665,357                | --                          | 468,242,583          |
| Charge for the year                    | --                 | 33,331,094                 | 18,715,682         | 8,682,648         | 12,847,946         | 14,727,093                | 15,492,676                | --                          | 103,797,139          |
| Transfer from Investment<br>properties | --                 | --                         | 680,718            | --                | --                 | --                        | --                        | --                          | 680,718              |
| Disposals                              | --                 | (2,547,600)                | --                 | (2,474,515)       | (3,266,244)        | (3,218,901)               | (760,116)                 | --                          | (12,267,376)         |
| <b>31 December 2015</b>                | <b>--</b>          | <b>169,827,919</b>         | <b>74,456,611</b>  | <b>57,326,572</b> | <b>58,879,945</b>  | <b>103,564,100</b>        | <b>96,397,917</b>         | <b>--</b>                   | <b>560,453,064</b>   |
| <b>Net book value</b>                  |                    |                            |                    |                   |                    |                           |                           |                             |                      |
| <b>31 December 2015</b>                | <b>372,948,632</b> | <b>184,623,234</b>         | <b>218,013,334</b> | <b>41,556,979</b> | <b>50,152,173</b>  | <b>67,619,083</b>         | <b>83,811,139</b>         | <b>208,237,151</b>          | <b>1,226,961,725</b> |
| 31 December 2014                       | 279,451,999        | 139,562,079                | 139,291,714        | 31,137,018        | 46,789,345         | 58,251,283                | 80,190,721                | 90,858,854                  | 865,533,013          |

- 6-1 Title deeds of certain lands amounting to SR 37 million are still under progress to be transferred to the Group and are under the name of Abdullah Al Othaim Real Estate Investment and Development Company.
- 6-2 Land mentioned above amounting to SR 275 million (2014: SR 67.6 million) is mortgaged to some local banks as collateral against bank facilities (Note 9b). No capital commitments associated with these projects existed as at the interim consolidated balance sheet date.
- 6-3 During the year, the Group has started capitalizing the borrowing cost related to the construction of projects amounting to SR 3.1 million, calculated using a capitalization rate of 2.8%.

**Abdullah Al - Othaim Markets Company**  
(A Saudi Joint Stock Company)  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Un-audited)**  
For the year ended 31 December 2015  
(Saudi Riyals)

**7. INVESTMENT PROPERTIES**

|                                      | <u>2015</u>        | <u>2014</u>        |
|--------------------------------------|--------------------|--------------------|
| <b>Cost</b>                          |                    |                    |
| 1 January                            | 588,457,694        | 583,071,888        |
| Additions                            | 132,206            | 2,762,978          |
| Transfer from property and equipment | -                  | 2,622,828          |
| Transfer to property and equipment   | (2,477,828)        | --                 |
| <b>Balance at 31 December</b>        | <u>586,112,072</u> | <u>588,457,694</u> |
| <b>Accumulated depreciation</b>      |                    |                    |
| 1 January                            | 95,549,198         | 71,685,135         |
| Charge for the year                  | 23,249,322         | 23,130,889         |
| Transfer from property and equipment |                    | 733,174            |
| Transfer to property and equipment   | (680,718)          | --                 |
| <b>Balance at 31 December</b>        | <u>118,117,802</u> | <u>95,549,198</u>  |
| <b>Net Book value</b>                | <u>467,994,270</u> | <u>492,908,496</u> |

**8. BIOLOGICAL ASSETS**

The biological assets represent the livestock owned by one of the subsidiaries (Thamarat Al Qassim) and the movement during the year ended 31 December:

|                                 | <u>2015</u>      | <u>2014</u>      |
|---------------------------------|------------------|------------------|
| <b>Cost</b>                     |                  |                  |
| 1 January                       | 1,603,667        | 2,250,813        |
| Additions                       | 2,544            | 435,733          |
| Disposals                       | (237,691)        | (1,082,879)      |
| <b>Balance at 31 December</b>   | <u>1,368,520</u> | <u>1,603,667</u> |
| <b>Accumulated depreciation</b> |                  |                  |
| 1 January                       | 370,401          | 227,739          |
| Charge for the year             | 299,333          | 437,107          |
| Disposals                       | (98,114)         | (294,445)        |
| <b>Balance at 31 December</b>   | <u>571,625</u>   | <u>370,401</u>   |
| <b>Net Book value</b>           | <u>796,900</u>   | <u>1,233,266</u> |



**Abdullah Al - Othaim Markets Company**  
(A Saudi Joint Stock Company)  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Un-audited)**  
For the year ended 31 December 2015  
(Saudi Riyals)

**9. LOANS AND MURABAHAS**

a) Short-term murabahas:

The Company has facilities from local commercial banks in the form of short-term murabahas to finance working capital. Unutilized balance of these murabahas loans as at 31 December 2015 amounted to SR 270 million (31 December 2014: SR 252 million).

b) Long-term loans and murabahas:

|                     | <u>2015</u>               | <u>2014</u>               |
|---------------------|---------------------------|---------------------------|
| Current portion     | <b>192,213,333</b>        | 100,000,000               |
| Non-current portion | <b>399,500,000</b>        | 125,000,000               |
| Total               | <b><u>591,713,333</u></b> | <b><u>225,000,000</u></b> |

These facilities are secured by personal guarantees of chairman of the company and mortgage of land title deeds owned by the Company with a book value of SR 275million as at 31 December 2015 (31 December 2014: SR 67.6 million).

**10. OTHER RESERVES**

It represents the Group's share in the changes in fair value of derivative financial instruments of the associated company which are taken to other reserves in shareholders' equity.

**11. STATUTORY RESERVE**

In accordance with the Regulations for Companies in Saudi Arabia and the Company's bylaws, the Company has established a statutory reserve by the appropriation of 10% of net income for the year until the reserve reaches 50% of the share capital. This reserve is not available for dividend distribution.

In the shareholders' General Assembly meeting held on 6 April 2014 the shareholders approved the transfer of the statutory reserve balance as of 31 December, 2013 to the share capital of the company.

**12. EARNINGS PER SHARE**

Earnings per share are calculated based on net income for the year, income from operations and income from other sources retroactively (which includes: Share in profits of equity accounted investees, Finance expenses and Other income, net) divided by the weighted average number of shares in issue which are amounting to 45 million shares.

**13. DIVIDENDS**

On 13 April 2015 the shareholders' General Assembly approved the distribution of cash dividends of SR 78.75 million represents SR 1.75 per share for the year ended 31 December 2014.

**Abdullah Al - Othaim Markets Company**  
(A Saudi Joint Stock Company)  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Un-audited)**  
For the year ended 31 December 2015  
(Saudi Riyals)

**14. BUSINESS COMBINATION**

On 1 October 2015, the Group increased its shareholding in Riyadh Foods Industries Company from 50% to 55% for a consideration amount of SAR 10 million. This step acquisition results in the Group consolidating Riyadh Foods Industries Company financial statements as a subsidiary instead of accounting for it as an equity accounted investee.

The fair value of the Riyadh Foods Industries Company has been measured provisionally, pending completion of an independent valuation. If new information obtained within one year of the date of acquisition about the facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that exist at the date of acquisition, then the accounting for the acquisition will be revised. Any difference between the consideration paid and the fair value of the net assets acquired will be recognized as goodwill or negative goodwill as appropriate. However, the Company has initially accounted for the transaction based on the carrying values of the assets and liabilities as of the acquisition date which are summarized below:

|   | <b><u>Carrying Value<br/>Recognized on<br/>Acquisition</u></b> |
|---|--|
| <b><u>Assets</u></b>  |  |
| Cash and bank balances  | 405,668  |
| Account receivable  | 26,182,599   |
| Prepaid expenses and other current assets   | 17,552,279   |
| Inventories   | 44,150,188   |
| Property, plants and equipment  | 65,034,082   |
|   | <b><u>153,324,816</u></b>                                      |
| <b><u>Liabilities</u></b>   |  |
| Accounts payable  | 27,899,895   |
| Notes payable   | 27,686,837   |
| Accrued expenses & other liabilities  | 9,656,275  |
| Accrued zakat   | 1,450,916  |
| Other liabilities   | 12,221,268   |
| End of service benefits   | 3,978,263  |
|   | <b><u>82,893,454</u></b>                                       |
| <b>Net Assets</b>   | 70,431,362   |
| Non – Controlling interest in the net losses of the subsidiary of the Riyadh Foods Industries Company | 145,392  |
| Total identifiable net assets at carrying value   | <b><u>70,576,754</u></b>                                       |
| Additional capital  | 10,000,000   |
| Non-controlling interest - 45%  | (36,259,539)   |
| Controlling interest - 55%  | <b><u>44,317,215</u></b>                                       |
| <b><u>Total Acquisition Cost:</u></b>   |  |
| Cash consideration paid   | 10,000,000   |
| Carrying value of previously held equity interest   | 35,288,377   |
| Total   | <b><u>45,288,377</u></b>                                       |

**Abdullah Al - Othaim Markets Company**  
(A Saudi Joint Stock Company)  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Un-audited)**  
For the year ended 31 December 2015  
*(Saudi Riyals)*

**15. IMPAIRMENT OF ASSETS**

During the year, a fire incident occurred at one of the manufacturing facilities of subsidiary, Riyadh Foods Industries Company Limited which was an associated company. The fire resulted in damage to certain property & equipment and inventories having a carrying value of SR 20.6 million.

**16. SEGMENTAL INFORMATION**

The Group's activities are focused on retail and wholesale of food stuff and carries out its operations in the Kingdom of Saudi Arabia. The Group also invest in developing of commercial malls. Some selected information was summarized for each business segment as at 31 December:

|                             | <b>For the year ended<br/>31 December 2015</b> |  |
|-----------------------------|--|--|
|                             | <b><u>Retail and<br/>wholesale</u></b>         | <b><u>Real estate and<br/>leasing (Rent)</u></b> |
| Sales                       | <b>6,035,801,745</b>                           | <b>--</b>  |
| Rental revenue              | <b>--</b>                                      | <b>111,198,353</b>                               |
| Gross Profit                | <b>998,471,559</b>                             | <b>62,216,356</b>                                |
| Property and equipment, net | <b>1,226,961,725</b>                           | <b>467,994,270</b>                               |
| Biological Assets, net      | <b>796,900</b>                                 | <b>--</b>  |
|                             | <b>For the year ended<br/>31 December 2014</b> |  |
|                             | <b><u>Retail and<br/>wholesale</u></b>         | <b><u>Real estate and<br/>leasing (Rent)</u></b> |
| Sales                       | <b>5,251,902,161</b>                           | <b>--</b>  |
| Rental revenue              | <b>--</b>                                      | <b>95,930,206</b>                                |
| Gross Profit                | <b>871,127,222</b>                             | <b>52,798,485</b>                                |
| Property and equipment, net | <b>865,533,013</b>                             | <b>492,908,496</b>                               |
| Biological Assets           | <b>1,233,266</b>                               | <b>--</b>  |

**Abdullah Al - Othaim Markets Company**  
(A Saudi Joint Stock Company)  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Un-audited)**  
For the year ended 31 December 2015  
*(Saudi Riyals)*

**17. CONTINGENCIES AND COMMITMENTS**

- a) As at 31 December, the Group has the following commitments and contingent liabilities:

|   | <u>2015</u>        | <u>2014</u>       |
|---|--------------------|-------------------|
| Letters of credit                           | <u>35,286,228</u>  | <u>28,762,027</u> |
| Letters of guarantee                        | <u>8,946,175</u>   | <u>10,037,080</u> |
| Capital commitments on projects in progress | <u>128,980,594</u> | <u>68,712,729</u> |

- b) Commitment against operating lease agreements:

The outstanding lease commitments of the Group related to non-cancelable long term operating leases for the Group's branches and malls as at 31 December were as follows:

|                                       | <u>2015</u>        | <u>2014</u>        |
|---------------------------------------|--------------------|--------------------|
| Up to one year                        | <u>65,658,571</u>  | <u>71,112,409</u>  |
| More than one year, and up to 5 years | <u>208,995,042</u> | <u>216,724,682</u> |
| More than 5 years, and up to 30 years | <u>241,136,839</u> | <u>241,608,890</u> |

**18. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by audit committee on behalf of board of directors on 10 Rabi II 1437 corresponding to 20 January 2016.