

Offering Period is:

from Wednesday 21/03/1435H corresponding to 22/01/2014G

up to and including Tuesday 27/03/1435H (corresponding to 28/01/2014G)

## Saudi Marketing Company ("Farm Superstores")

- Offers 7,500,000 ordinary shares representing 30% of Farm Superstores' Capital through an Initial Public Offering at an Offer Price of SAR 36 per Share.
- A Saudi joint stock company in accordance with Ministerial Resolution No. 198/Q dated 16/05/1433H (corresponding to 08/04/1978G)
- Commercial Registration No 2050006430 issued on 02/01/1399H (corresponding to 02/12/1997G).

Saudi Marketing Company ("SAMCO" or "Farm Superstores" or "the Company") was established as a limited liability company in Dammam, Commercial Registration No 2050006430 issued on 02/01/1399H (corresponding to 02/12/1997G), with a capital of SAR 2,000,000. The Company's Capital was increased several times since its incorporation through closing the retained earnings in Prepayments account provided by the Shareholders and then capitalized its credit balances. The last capital increase was effected by the shareholders' resolution dated 12/11/1432H (corresponding to 08/08/2011G) to become SAR 250,000,000. The legal entity of the Company was converted from a limited liability company into a closed joint stock company by the Ministerial Resolution No. 198/Q, dated 16/05/1433H (corresponding to 08/04/2012G) divided into 25,000,000 shares, fully paid, at SAR 10 per shares (The Shares).

The Initial Public Offering ("IPO") of the Company comprises the offer of 7,500,000 shares ("Offer Shares" and each is an "Offer Share") at a nominal value of SAR 10 per Share. The Offering Price will be SAR 36 per share, representing 30% of the Issued Share Capital of the Company. The offering is directed at and may be accepted by 2 categories:

Tranche (A): Institutional Investors (collectively the "Institutional Investors"), comprise of certain institutions including investment funds, referred to collectively as ("Institutional Investors") (Please see Section "Definitions and Abbreviations"). The Institutional Investors are initially allocated 7,500,000 shares representing 100% of the total Offer Shares. If Retail Investors (referred to in Tranche B) subscribe for the Offer Shares, the Institutional Book Runner shall have the right, after approval of CMA, to reduce the number of shares allocated for Institutional Investors to 3,750,000 shares, representing 50% of the Offer Shares. 70% of the shares allocated for this Tranche will be allotted to investment funds, provided that such a percentage shall be subject to amendment if Institutional Investors subscribed for the full remaining percentage (30%) or in case investment funds do not subscribe for the full percentage dedicated to them (70%).

Tranche (B): Retail Investors, being Saudi Arabian nationals, including Saudi women who are divorced or widowed and who have children from a non-Saudi husband subscribing for Offer Shares in the name(s) of their children who are minors (a "Retail Investor" and collectively "Retail Investors"), providing that she produces a valid evidence of being so. A subscription on behalf of the divorced wife will be deemed invalid, and if it is proven that an applicant had subscribed in the name of his divorced wife, he will be subject to disciplinary action. 3,750,000 Offer Shares maximum, representing 50% of the public Offer Shares, will be allocated to Retail Investors. In the event that Retail Investors defined in Tranche B fail to subscribe for all the Offer Shares Offer dedicated to them, the Book Runner shall have the right, following obtaining approval from CMA, to reduce the number of Offer Shares allocated for the retail subscribers so that they shall be consistent with the number of shares they subscribed for. The Offer Shares are being sold by the Selling Shareholders whose names appear on page (N) hereof, (referred to hereinafter collectively as the "Selling Shareholders"), who own 100% of the Company's shares before the offering and will own 70% of its shares after the Offering and will consequently retain a controlling interest in the Company. The net proceeds from the Offering will be distributed to the Selling Shareholders pro-rata based on each such Selling Shareholder's percentage in the ownership in the Existing Shares being sold in the Offering. The Company will not receive any part of the proceeds from the Offering. The Offering is fully underwritten by Falcom Financial Services (See section "Underwriting").

The Offering Period is from Wednesday 21/03/1435H corresponding to 22/01/2014G and will remain open for a period of (7) days up to and including Tuesday 27/03/1435H (corresponding to 28/01/2014G) ("Offering Period"). Subscription to the Offer Shares can be made through branches of the Receiving Agents ("Receiving Agents") mentioned in pages (J and K) in this Prospectus ("the Prospectus") during the Offering Period.

Each individual subscriber to the Offer Shares must apply for a minimum of 10 Offer Shares and may not apply for more than 250,000 Offer Shares. Each Subscriber will be allocated a minimum of 10 Offer Shares with the remaining Offer Shares, if any, being allocated on a pro-rata basis with the number of shares requested by every subscriber. The Company does not guarantee the minimum allocation of 10 Offer Shares in the event that the number of Subscribers exceeds 375,000. In that case, the Offer Shares will be allocated equally among all Subscribers. If the number of Subscribers exceeds 3,750,000 subscribers, the allocation will be left to the discretion of CMA. Excess of subscription monies, if any, will be refunded to Subscribers without any charge or withholding by the Receiving Agents. Notification of the final allotment and refund of subscription monies, if any, will be made no later than Tuesday 04/04/1435H (corresponding to 04/02/2014G) (See "Subscription Terms and conditions" in this Prospectus).

The Company will have one class of Shares, all Ordinary, including the Founding Shareholders' Shares and Offer Shares. No shares have any preferential rights. Each Share entitles the holder to one vote and each shareholder ("Shareholder") holding at least 20 Shares has the right to attend and vote at each general assembly meeting of the Company ("General Assembly"). The Offer Shares will be entitled to receive dividends declared by the Company from the date of this Prospectus and for subsequent fiscal years (see Section "Dividend Policy" in this Prospectus).

Prior to the Offering, there has been no public market for the Shares in Saudi Arabia or elsewhere. An application has been made to the CMA for the admission of the Shares to the Official List and all relevant approvals pertaining to this Prospectus and all other supporting documents requested by the CMA in addition to all relevant regulatory approvals required to conduct the Offering have been granted. Trading in the Shares is expected to commence on the Exchange soon after the final allocation of the Shares and finalization of all formalities (See Page (P) "Key Dates for Investors" section). Following admission of the Shares to the Official List, Saudis and Gulf Cooperation Council (GCC) member country nationals as well non-Saudi individuals having a valid Iqama (resident permit) in the KSA, and Saudi and GCC companies, banks and funds, will be permitted to trade in the Shares. Non-Saudi nationals residing outside Saudi Arabia and institutions registered outside the Kingdom (referred to as "Foreign Investors") will be permitted to invest indirectly to obtain economic benefit from the Company Shares through Swap Agreements (see section "definitions and Abbreviations" in this Prospectus) through one of the persons authorized by CMA. The "Important Notice" and "Risk Factors" sections in this Prospectus should be considered carefully prior to making an investment decision in the Shares offered hereby.

## Financial Advisor, Lead Manager, Lead Underwriter and Book Runner for Institutional Subscribers



Receiving Agents



This Prospectus includes details given in compliance with the listing rules of the Capital Market Authority of Saudi Arabia ("CMA"). Directors whose names appear on page F collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. CMA and the Saudi Arabian Stock Exchange take no responsibility for the contents of this Prospectus, make no representations as to its accuracy or completeness and expressly disclaim whatsoever for any loss arising from or incurred in reliance upon any part of this document

This Prospectus is issued on 21/02/1435H (corresponding to 24/12/2013G)

## Important Notice

This Prospectus provides full details of information relating to the Saudi Marketing Company (“Farm Superstores”) and the Offer Shares. When applying for Offer Shares, Subscribers will be treated as applying solely on the basis of the information contained in this Prospectus, copies of which are available for collection from the Company, Lead Manager, and the Receiving Agents or by visiting either the Company’s website ([www.farm.com.sa](http://www.farm.com.sa)), Falcom’s website ([www.Falcom.com.sa](http://www.Falcom.com.sa)), or CMA’s website ([www.cma.org.sa](http://www.cma.org.sa)).

This Prospectus includes details given in compliance with the Listing Rules of the CMA (“CMA”). The directors, whose names appear on page F of this Prospectus, collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries and to the best of their knowledge and belief, that there are no other facts the omission of which would make any statement herein misleading.

The Company has appointed Falcom Financial Services to act as the Financial Advisor (“Financial Advisor”), Institutional Book Runner (“Institutional Book Runner”), Underwriter (“Underwriter”) and Lead Manager (“Lead Manager”) with regard to subscription for the Offer Shares.

The Company has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as at the date hereof. Substantial portions of the market and industry information herein are derived from external sources, and while neither the Company, Founding Shareholders, Board Members and Falcom Financial Services, nor any of the Company’s advisors whose names appear on pages H & I of this Prospectus have any reason to believe that any of the market and industry information is materially inaccurate, such information has not been independently verified and no representation is made with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus as at the date hereof is subject to change, in particular, the actual financial condition of the Company. The value of the Shares may be adversely affected by future developments in inflation, interest rates, taxation, or other economic, political or other factors, over which the Company has no control (see “Risk Factors” section in this Prospectus). Neither the delivery of this Prospectus nor any oral, written or printed interaction in relation to the Offer Shares is intended to be, or should be construed as or relied upon in any way as, a promise or representation as to future earnings, results or events.

The Prospectus is not to be regarded as a recommendation on the part of the Company, the Selling Shareholders, or any of their advisors involved in the Offering. Moreover, information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, financial situation or particular investment needs or any subscriber in the Offer Shares. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice in relation to the Offering and for considering the appropriateness of the information herein with regard to his individual objectives, financial situations and needs.

The Offering is being made to, and is only capable of acceptance by **tranche (A) Institutional Investors**, including a number of institutional investors and investment funds and **tranche (B) Retail Investors**, covering Saudi natural citizens, Saudi investors including Saudi women who are divorced or widowed and who have children from a non-Saudi husband subscribing for Offer Shares in the name(s) of their children who are minors providing that she produces a valid evidence of being so. A subscription on behalf of the divorced wife will be deemed invalid, and if it is proven that an applicant had subscribed in the name of his divorced wife, he will be subject to disciplinary action.

The distribution of this Prospectus and the sale of the Offer Shares in any jurisdiction other than the Kingdom of Saudi Arabia are expressly prohibited. The Company, Selling Shareholders and the Financial Advisor require each recipient of this Prospectus to inform himself about and to observe all such restrictions regarding the Offer and the sale of the Offer Shares.

## Industry and Market Data

Data and information contained in this Prospectus, relating to retail sector and market was obtained basically from the market study provided by the Market Advisor, PricewaterhouseCoopers (PWC) exclusively for the benefit of the Company. Part of the market information depended on some reports published by third parties. It is believed that the information and data contained in the market study has been obtained from reliable sources. However, none of the Company, Falcom or the Company advisors whose names appear on pages H & I of this Prospectus has verified such information independently and therefore cannot give any assurance as to the correctness or completion of information.

Sector and Market information included in this Prospectus depended mainly on the following sources:

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1- Price Waterhouse Coopers  
Riyadh, Kingdom Center, Floor 21  
P.O. Box 13933, Riyadh 11414  
Kingdom of Saudi Arabia  
Tel: +966 11 211 0400  
Fax: +966 11 211 0401  
Website: [www.pwc.com](http://www.pwc.com)



PWC is an independent consulting firm working in professional consulting, conducting scientific research, design and implementation of field surveys and feasibility studies for investors, through an integrated team featuring a selection of national and foreign competent professionals. None of PWC, its subsidiaries, shareholders, directors or their relatives has any shares or interests in the Company. PWC has given its written approval to use the Market Study data in the form and context in which they appear, and has not withdrawn such consent until the date of this Prospectus.

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2-SAMA:  
P.O. Box 2992 Riyadh 11169  
Kingdom of Saudi Arabia  
Tel.: +96611 4633000  
Fax: +96611 4663966  
Web site : [www.sama.gov.sa](http://www.sama.gov.sa)



Saudi Arabian Monetary Agency ("SAMA"), the Saudi Arabian Central Bank, was established in 1372H, corresponding to 1952. SAMA assumes the following main tasks:

- Minting and printing the national currency (the Saudi Riyal);
- To deal with the banking affairs of the Government;
- Supervising commercial banks;
- Managing the Kingdom's foreign exchange reserves;
- Managing the monetary policy for maintaining the stability of prices and exchange rate;
- Promoting the growth of the financial system and ensuring its soundness;
- Supervising commercial banks and exchange dealers;

The information prepared by SAMA, which was used in this study, particularly with regard to the information on the Saudi economy, is general information and are publicly available and can be obtained without the need for prior approval.

3-General Department of Statistics and Information:  
P.O. Box 3735, Riyadh 11481  
Kingdom of Saudi Arabia  
Email: [info@cds.gov.sa](mailto:info@cds.gov.sa)  
Website: [www.cdsi.gov.sa](http://www.cdsi.gov.sa)



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General Department of Statistics and Information (GDSI) was established under the General Statistics Law of Saudi Arabia, promulgated by Royal Decree No. 23, dated 07/12/1379H. GDSI is affiliated to the Ministry of Planning, and is considered to be the only official source of statistics in the kingdom. GDSI is responsible for supplying government departments and public and private institutions and individuals with information and official statistical data.

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4-Ministry of Finance – Kingdom of Saudi Arabia  
Riyadh 11177 - Saudi Arabia  
Tel: +96611 4050000  
Website: [www.mof.gov.sa](http://www.mof.gov.sa)



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Ministry of Finance (MOF) was the second ministry that had been formed in Saudi Arabia in 1351. MOF performs the following duties:

- Supervising implementation of the government's fiscal policy and monitoring its implementation by the relevant agencies.
- Preparing the government's budget, discussing it with government agencies, and monitoring its implementation.
- Controlling the current accounts between the Ministry of Finance and all other government agencies.
- Monitoring the pre-disbursement phase of budgetary funds for all government agencies.
- Supervising government revenue collection activities and ensuring that they comply with the relevant rules and regulations.
- Supervising the annual closing of the government's accounts and expenditures.
- Supervising and protecting government's properties.
- Representing the government in international and regional economic and financial institutions, monitoring international financial and economic developments, and preparing the necessary studies and reports.
- Implementing the government's resolutions with respect to external assistance.
- Monitoring implementation of the government's policy for providing loans to individuals and national corporations for various developmental activities through its banks and funds, including the Agricultural Bank, the Credit Bank, the Industrial Development Fund, the Real Estate Development Fund, and the Public Investment Fund.

## **Financial Information**

The audited financial statements for the years ended 31 December 2010, 2011 and 2012 and the first half of the year ending on 30 June 2013 and the notes thereto, which are incorporated elsewhere in the Prospectus, have been prepared in conformity with the accounting principles issued by the Saudi Organization for Certified Public Accountants (“SOCPA”) The Company publishes its financial statements in Saudi Arabian Riyals.

## **Forecasts and Forward Looking Statements**

Forecasts set forth in this Prospectus have been prepared on the basis of certain stated assumptions. Future operating conditions may differ from the assumptions used and consequently no representation or warranty is made with respect to the accuracy or completeness of any of these forecasts.

Certain statements in this Prospectus constitute “forward-looking-statements”. Such statements can generally be identified by their use of forward-looking words such as “plans”, “estimates”, “believes”, “expects”, “may”, “will”, “should”, or “are expected”, “would be”, “anticipates” or the negative or other variation of such terms or comparable terminology. These forward-looking statements reflect the current views of the Company with respect to future events, and are not a guarantee of future performance. Many factors could cause the actual results, performance or achievements of the Company to be significantly different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an effect are described in more detail in other sections of this Prospectus (see section, “Risk Factors”). Should any one or more of the risks or uncertainties materialize or any underlying assumptions prove to be inaccurate or incorrect, actual results may vary materially from those described in this Prospectus.

Subject to the requirements of the Listing Rules, the Company will submit a supplementary Prospectus to CMA if at any time after this Prospectus has been approved by CMA and before admission to the Official List, the Company becomes aware that (a) there has been a significant change in material matters contained in the Prospectus or any document required by the Listing Rules; or (b) additional significant matters have become known which would have been required to be included in the Prospectus. Except for the foregoing, the Company does not intend to update or otherwise revise any industry or market information or forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects, or at all. Prospective investors should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements.

## Corporate Directory

### Board Members

Name	Capacity	Nationality	Age	Capacity	Direct Ownership (%)		Date of Mmbership
					Before Offering	After Offering	
Hazem Fayeز Al Aswad	Chairman of the Board	Saudi	68	Non-Executive	75%	52.50%	16/05/1433H
Maher Hazem Fayeز Al Aswad	Managing Director and CEO	Saudi	42	Executive	5%	3.50%	16/05/1433H
Tareq Hazem Fayeز Al Aswad	Board Member	Saudi	40	Executive	5%	3.50%	16/05/1433H
Mohammad Hazem Fayeز Al Aswad	Board Member	Saudi	29	Executive	5%	3.50%	16/05/1433H
Vacant (Board nominees after IPO)	Board Member	-	-	Non-Executive Independent	None	None	-
Vacant (Board nominees after IPO)	Board Member	-	-	Non-Executive Independent	None	None	-
Vacant (Board nominees after IPO)	Board Member	-	-	Non-Executive Independent	None	None	-

\* The Company is managed currently by a 4-member Board of Directors. In Line with the Corporate Governance Regulations (Article 12), the Company will increase its board members to 7. The new nominated non-executive and independent board members will be presented to and voted by the Ordinary Shareholders Assembly which will be held during a period of 6 months maximum after completion of the IPO.

\* According to the Companies Regulations, 1000 shares ("Membership Guaranties Shares") will be transferred by the Company to every appointed Director.

\*\*None of the directors has any indirect ownership before or after the Offering.

## Company Address

### Saudi Marketing Company (Farm Superstores) or (SAMCO)

Dammam – Mohammad bin Saud District

P.O. Box 4605, Dammam 31412

Kingdom of Saudi Arabia

Tel.:+966 (13) 8262358

Fax:+966 (13) 8267779

Email: info@farm.com.sa

Website:www.farm.com.sa



## Company Representatives Authorized by CMA

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### 1- Maher Hazem Fayez Al Aswad (Managing Director and CEO)

Dammam – Mohammad bin Saud District

P.O. Box 4605, Dammam 31412

Kingdom of Saudi Arabia

Tel.:+966 (13) 8262358

Fax:+966 (13) 8267779

Email: info@farm.com.sa

Website:www.farm.com.sa Website:

### 2- Abdul Jalil Attia

Saudi Marketing Company (Farm Superstores)

CFO, Vice President Finance and Board Secretary

Dammam – Mohammad bin Saud District

P.O. Box 4605, Dammam 31412

Kingdom of Saudi Arabia

Tel.:+966 (13) 8262358

Fax:+966 (13) 8267779

Email: info@farm.com.sa

Website:www.farm.com.sa

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## Share Registrar

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### Saudi Stock Exchange (Tadawul)

Abraj Attuwenya, Northern Tower

700 King Fahad Road

P.O.Box 60612, Riyadh 11555

Kingdom of Saudi Arabia

Tel: + 966 1 218 9999

Fax: + 966 1 218 9090

Email: webinfo@tadawul.com.sa

Website: www.tadawul.com.sa



## Advisors

### Financial Advisor and Book Runner

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#### **Falcom Financial Services**

Riyadh, Olaya Street  
P.O. Box 884, Riyadh 11421  
Kingdom of Saudi Arabia  
Tel: 8004298888  
Fax: + 966 11 211 8455  
Email: moath.alkhasawneh@falcom.com.sa  
Website: www.falcom.com.sa



### Legal Advisor

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#### **Loa'y bin Mohammad Al Akkas Law and Legal Consulting Office in Cooperation with Vinson & Elkins LLP**

Riyadh, Kingdom Tower, level 49  
P.O. Box 9597, Riyadh 12214  
Kingdom of Saudi Arabia  
Tel: + 966 11 250 0800  
Fax: + 966 11 211 0387  
Email: lalakkas@velaw.com  
Website: www.velaw.com

Vinson & Elkins LLP

### Certified Public Accountants

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#### **Deloitte & Touche Bakr Abulhair & Co.**

Chartered Accountants - License No. 96  
(A subsidiary of Deloitte & Touche)  
Building ABN T - News  
P.O. Box 182, Dammam 31411  
Kingdom of Saudi Arabia  
Tel: +966 13 887 3937  
Fax: +966 13 887 3931  
Email: nsagga@deloitte.com  
Website: www.deloitte.com

Deloitte.

### Due care and Working Capital Statement Advisor

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#### **Price Waterhouse Coopers**

Riyadh, Kingdom Center, Floor 21  
P.O.Box 13933, Riyadh 11414  
Kingdom of Saudi Arabia  
Tel: +966 11 211 0400  
Fax: +966 112110401  
Email: omar.aL-sagga@sa.pwc.com  
Website: www.pwc.com



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## Market Adviser

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### Price Waterhouse Coopers

Riyadh, Kingdom Center, Floor 21  
P.O. Box 13933, Riyadh 11414  
Kingdom of Saudi Arabia  
Tel: +966 11 211 0400  
Fax: +966 11 211 0401  
Email: omar.aL-sagga@sa.pwc.com  
Website: www.pwc.com



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## Underwriters

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### Falcom Financial Services

Riyadh, Olaya Street  
P.O. Box 884, Riyadh 11421  
Kingdom of Saudi Arabia  
Tel: 8004298888  
Fax: + 966 11 211 8455  
Email: moath.alkhasawneh@falcom.com.sa  
Website: www.falcom.com.sa



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## Media Advisor

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### Advert One

Shawaf International Company  
Safwa Commercial Center  
P.O. Box 43307, Riyadh 11561  
Kingdom of Saudi Arabia  
Tel: +966 11 288 6632  
Fax: + 966 11 288 6631  
Email: infor@advert1.com  
Website: www.advert1.com

### Note:

Each of the above listed advisors has consented to the inclusion in the Prospectus of the references made to their names and logos in the form and context in which they appear, and has not withdrawn such consent until the date of the Prospectus. It is also worth noting that neither the parties, nor their employees and relatives have any kind of interest of what so ever or shares in the Company or any of its affiliates/subsidiaries.

## Receiving Agents

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### Falcom Financial Services

Riyadh, Olaya Street  
P.O. Box 884, Riyadh 11421  
Kingdom of Saudi Arabia  
Tel: 8004298888  
Fax: + 966 11 211 8455  
Email: moath.alkhasawneh@falcom.com.sa  
Website: [www.falcom.com.sa](http://www.falcom.com.sa)



### The National Commercial Bank

King Abdulaziz Road  
P.O. Box 3555, Jeddah 21481  
Kingdom of Saudi Arabia  
Tel: +966 (12) 649 3333  
Fax: +966 (12) 6437429  
Email: contactus@alahli.com  
Website: [www.alahli.com](http://www.alahli.com)



### Riyad Bank

King Abdul Aziz Road  
P.O. Box 22622, Riyadh 11614  
Kingdom of Saudi Arabia  
Tel: +966 11 401 3030  
Fax: +966 11 404 2618  
Email: [customercare@riyadbank.com](mailto:customercare@riyadbank.com)  
Website: [www.riyadbank.com](http://www.riyadbank.com)



### Banque Saudi Fransi

Maathar Street  
P.O. Box 56006, Riyadh 11554  
Kingdom of Saudi Arabia  
Tel: +966 11 404 2222  
Fax: +966 11 4042311  
Email: [communications@alfransi.com.sa](mailto:communications@alfransi.com.sa)  
Website: [www.alfransi.com.sa](http://www.alfransi.com.sa)



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**Arab National Bank**

King Faisal Street  
P.O. Box 56921, Riyadh 11564  
Kingdom of Saudi Arabia  
Tel: +966 11 4029000  
Fax: +966 11 4027747  
Email: abinayba@anb.com.sa  
Website: www.anb.com.sa



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**Al Rajhi Banking and Investment Corporation**

Olaya Street  
P.O. Box 28, Riyadh 11411  
Kingdom of Saudi Arabia  
Tel: +966 11 211 6000  
Fax: +966 11 460 0705  
Email: alrayesrn@alrajhi-capital.com  
Website: www.alrajhibank.com.sa



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**Samba Financial Group**

King Abdul-Aziz Street  
P.O. Box 833, Riyadh 11421  
Kingdom of Saudi Arabia  
Tel: +966 (11) 477 4770  
Fax: +966 (11) 477 9402  
E-mail: CustomerCare@samba.com  
Website: [www.samba.com](http://www.samba.com)



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**Main Bankers of the Company**

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**Saudi Fransi Bank**

P.O. Box 397, Al Khobar 31952  
Kingdom of Saudi Arabia  
Tel: +966 13 8103164  
Fax: +966 13 882 3810  
Email: malmtawaah@alfransi.com.sa  
Website: [www.alfransi.com.sa](http://www.alfransi.com.sa)



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**Saudi Hollandi Bank**

P.O. Box 70, Dammam 31411  
Kingdom of Saudi Arabia  
Tel: +966 (13)8957505  
Fax: +966 (13) 38941712  
Email: kalqassab@shb.com.sa  
Website: [www.shb.com.sa](http://www.shb.com.sa)



## The Offering

<b>The Company</b>	Saudi Marketing Company (“Farm Superstores”) was established as a limited liability company under Commercial Registration No 2050006430 dated 02/01/1399H (corresponding to 02/12/1997G), then it was converted into a Saudi closed joint stock company in accordance with Ministerial Resolution No. 198/Q dated 16/05/1433H (corresponding to 08/04/2012G).																																				
<b>Company Activities</b>	The principal activity of the Company is trading in foodstuff, household consumables items, textiles, stationery retail and wholesale. The activities of the Company also include marketing services on behalf of others and for their own sake, and management and operations of bakeries. The Company includes Farm Superstore, Wholesale Division, Farm Mini Market and AdventureWorld. This is in addition to leasing activity and lease management.																																				
<b>Major Shareholders</b>	<p>The following five Shareholders, each holds more than 5%:</p> <table border="1"> <thead> <tr> <th>رد</th> <th>Shareholder</th> <th>No ofShares prior to Offering</th> <th>%</th> <th>No ofShares after Offering</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Hazem Fayeز Al Aswad</td> <td>18,750,000</td> <td>75%</td> <td>13,125,000</td> <td>52.50%</td> </tr> <tr> <td>2</td> <td>Sahar Abdul Kareem Al Madani</td> <td>1,250,000</td> <td>5%</td> <td>875,000</td> <td>3.50%</td> </tr> <tr> <td>3</td> <td>Maher Hazem Fayeز Al Aswad</td> <td>1,250,000</td> <td>5%</td> <td>875,000</td> <td>3.50%</td> </tr> <tr> <td>4</td> <td>Tareq Hazem Fayeز Al Aswad</td> <td>1,250,000</td> <td>5%</td> <td>875,000</td> <td>3.50%</td> </tr> <tr> <td>5</td> <td>Mohammad Hazem Fayeز Al Aswad</td> <td>1,250,000</td> <td>5%</td> <td>875,000</td> <td>3.50%</td> </tr> </tbody> </table> <p>Source: Company</p>	رد	Shareholder	No ofShares prior to Offering	%	No ofShares after Offering	%	1	Hazem Fayeز Al Aswad	18,750,000	75%	13,125,000	52.50%	2	Sahar Abdul Kareem Al Madani	1,250,000	5%	875,000	3.50%	3	Maher Hazem Fayeز Al Aswad	1,250,000	5%	875,000	3.50%	4	Tareq Hazem Fayeز Al Aswad	1,250,000	5%	875,000	3.50%	5	Mohammad Hazem Fayeز Al Aswad	1,250,000	5%	875,000	3.50%
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<b>Capital</b>	SAR 250,000,000																																				
<b>Total Number of Issued Shares</b>	25,000,000 shares																																				
<b>Nominal Value</b>	SAR 10 per Offer Share																																				
<b>Total Number of Offer Shares</b>	7,500,000 shares																																				
<b>Ratio of Offer Shares to Issued Shares</b>	30%																																				
<b>Offer Price</b>	SAR36 per Offer Share																																				
<b>Total Amount of Offer Shares at Offer Price</b>	SAR 270,000,000																																				
<b>Use of Proceeds</b>	The Offering Net Proceeds totalling to SAR 257,000,000 net of Offering expenses will be paid to the Selling Shareholders pro-rata based on each such Selling Shareholder’s percentage of ownership in the Shares being sold in the Offering. The Company will not incur any of the Offering expenses amounting to SAR 13,000,000 The Company will not receive any part of the proceeds from the Offering.																																				
<b>Number of Offer Shares Underwritten</b>	7,500,000 Offer Shares																																				
<b>Total Amount of Shares Underwritten</b>	SAR 270,000,000																																				

<b>Targetted Investors</b>	Institutional investors: certain institutions including investment funds. Retail Investors: Saudi Arabian nationals, including Saudi women who are divorced or widowed and who have children from a non-Saudi husband subscribing for Offer Shares in the name(s) of their children who are minors providing that she produces a valid evidence of being so. A subscription for the divorced wife will be deemed invalid, and if it is proven that an applicant had subscribed in the name of his divorced wife, he will be subject to disciplinary action.
<b>Number of Shares Offered for Institutional Investors</b>	7,500,000 Offer Shares, representing 100% of the total Offer Shares.
<b>Number of Shares Offered for Retail Investors</b>	3,750,000 Offer Shares, representing maximum 50% of the total Offer Shares.
<b>How Institutional Subscribers Apply</b>	The Institutional Book Runner will provide Subscription Application Forms to the Institutional Investors.
<b>How Retail Subscribers Apply</b>	Retail Subscribers can obtain Subscription Application Forms during the Offering Period at the branches of Lead Manager and the Receiving Agents and from the website of the Lead Manager. The subscription will be open through the internet, telephone and automated teller machines at the branches of the Receiving Agents that provide some or all of these channels. Such services will be available to Subscribers who have participated in recent initial public offerings provided that (1) the subscriber maintains a current account allowing access to these services at the relevant Receiving Bank; and (2) No amendment is made to the subscriber's details since such subscriber last subscribed in recent initial public offerings
<b>Minimum Number of Offer Shares to be applied for by an Institutional subscriber</b>	100,000 Offer Shares
<b>Minimum Number of Offer Shares to be applied for by a retail subscriber</b>	10 Offer Shares
<b>Minimum Subscription Amount by an institutional subscribe</b>	SAR 3,600,000
<b>Minimum Subscription Amount by a retail subscribe</b>	SAR 360
<b>Maximum Number of Offer Shares to be applied for by an Institutional subscriber</b>	1,249,999 shares
<b>Maximum Number of Offer Shares to be applied for by a retail subscriber</b>	250,000 shares
<b>Maximum Amount of Offer Shares to be applied for by an Institutional subscriber</b>	SAR 44,999,964
<b>Maximum Amount of Offer Shares to be applied for by a retail subscriber</b>	SAR 9,000,000
<b>Allocation of Institutional Offer Shares</b>	Offer Shares for the Institutional Investors will be finally allotted through the Institutional Book Runner after completion of Retail Subscription process.

<b>Allocation of Retail Offer Shares</b>	Allocation will be announced by a maximum of Tuesday 04/04/1435H (corresponding to 04/02/2014G). A minimum of 10 Offer Shares will be allocated for every retail subscriber. The remaining Offer Shares will be allocated on a pro-rata basis with the number of shares requested by every subscriber. If the number of subscribers exceeds 375,000, the Company does not guarantee the minimum allocation of 10 Offer Shares and allocation will be on equal basis among subscribers. If the number of subscribers exceeds the number of Offer Shares, allocation will be made at the discretion of CMA. (Please refer to “Subscription Shares and Conditions” and “Allocation and Refund” sections of this Prospectus).
<b>Refunding Excess Subscription Monies</b>	Excess subscription monies, if any, will be returned to Subscribers without any commission, charge or withholding by the relevant Receiving Agents. Notification of the final allotment and refund of subscription monies, if any, will be made by Tuesday 04/04/1435H (corresponding to 04/02/2014G).. (Please refer to “Subscription Shares and Conditions” and “Allocation and Refund” sections of this Prospectus).
<b>Offering Period</b>	Offering Period is from Wednesday 21/03/1435H corresponding to 22/01/2014G and will last for 7 days up to and including Tuesday 27/03/1435H (corresponding to 28/01/2014G)
<b>Dividends</b>	The Offer Shares will be entitled to receive dividends declared by the Company from the date of this Prospectus and for subsequent fiscal years. (Please see, “ <i>Dividends Policy</i> ” in this Prospectus).
<b>Voting Rights</b>	The Company will have one class of Shares. No shares have any preferential rights. Each Share entitles the holder to one vote and each Shareholder holding at least 20 Shares has the right to attend and vote at the General Assembly Meeting. For a discussion of the Company’s voting rights, see “ <i>Description of Shares</i> ” and – <i>Company By-Laws</i> ” sections in this Prospectus).
<b>Lock-in Period / Share restrictions</b>	After listing of the Company shares, the Founding Shareholders will be restricted from disposing of their shares prior to publishing the financial statements for 2 full financial years each of which shall not be less than 12 months starting from the date of approval to convert the Company into a joint stock company by the Minister of Commerce and Industry’s resolution No. 198/Q/ dated 16/05/1433H (corresponding to 08/04/2012G). Following this Restriction Period, the Founding Shareholders may dispose of their shares after approval of CMA.
<b>Previously Listed Company shares</b>	Not Applicable, as the Company has never offered any shares in Saudi Stock Exchange or in any other financial market.
<b>Practicing priority rights</b>	Once the Company decides to increase its Share Capital by offering new shares, an Extraordinary Shareholders Assembly shall be convened to vote the capital increase. Every shareholder recorded in the Company’s Register by the end of trading session on the day of holding the Extraordinary Shareholders Meeting which approved the proposed increase of the Share Capital shall have the right to subscribe for such shares. Subscription may be for full shares only, not for fractions of shares.
<b>Listing of Shares</b>	Prior to the Offering, there has been no public market for the Company Shares in the KSA or elsewhere. An application has been made to the CMA for the admission of the Shares to the Official List and all relevant regulatory approvals required to conduct the Offering have been granted. Trading in the Shares is expected to commence on the Exchange soon after the final allocation of the Shares and after all relevant official procedures have been completed (see section “Key Dates for Investors”).

<b>Risk Factors</b>	There are certain risks relating to an investment in this Offering. These risks can be generally categorized into (i) risks relating to the Company’s operations, (ii) risks relating to the Saudi market; and (iii) risks relating to the Offer Shares. These risks have been explained in “Risk Factors” section and should be considered carefully prior to making an investment decision in respect of the Offer Shares.
<b>Offering Expenses</b>	The total estimated cost for subscription is SAR 13 million and will be deducted from the Offering Proceeds amounting to SAR 270 million. Subscription costs include the fees for the Financial Advisor, Legal Advisor, Certified Public Accountant, Underwriter’s, Selling Agents as well as costs of marketing, printing, distribution and other relevant expenses.

\* The “Important Notice” and “Risk Factors” sections in this Prospectus should be considered carefully prior to making an investment decision in the Shares offered hereby

## Key Dates for Investors

Scheduled Events	Date
Offering Period	From Wednesday 21/03/1435H corresponding to 22/01/2014G for 7 days up to and including Tuesday 27/03/1435H (corresponding to 28/01/2014G)
Deadline for submission of application forms (for institutions)	Wednesday 14/03/1435H corresponding to 15/01/2014G
Deadline for submission of application forms and subscription monies (for Retail)	Tuesday 27/03/1435H (corresponding to 28/01/2014G)
Announcement of Final allocation of Offer Shares	Tuesday 04/04/1435H (corresponding to 04/02/2014G)
Refund of any subscription funds (in the event of over-subscription)	Tuesday 04/04/1435H (corresponding to 04/02/2014G)
Expected date of commencement of trading in the Offer Shares	Upon completion of all relevant procedures and meeting all regulatory requirements, announcement will be published through local newspapers and Tadawul website <a href="http://www.tadawul.com.sa">www.tadawul.com.sa</a>

\*The above table includes estimated, and actual dates will be announced through advertising in the local press and on Tadawul website ([www.tadawul.com.sa](http://www.tadawul.com.sa)).

## How to Apply

**Institutional investors Tranche:** This tranche is limited to certain institutions including investment funds. Such investors may apply for subscription according to this Prospectus. Subscription Application Forms may be collected from the Institutional Book Runner.

**Retail Investors Tranche:** This tranche is limited to Saudi Arabian nationals, including Saudi women who are divorced or widowed and who have children from a non-Saudi husband subscribing for Offer Shares in the name(s) of their children who are minors providing that she produces a valid evidence of being so. A subscription for the divorced wife will be deemed invalid, and if it is proven that an applicant had subscribed in the name of his divorced wife, he will be subject to disciplinary action. Retail Subscribers can obtain Subscription Application Forms during the Offering Period at the branches of the Receiving Agents and their websites. The subscription will be open through the internet, telephone and automated teller machines ("ATMs") at the branches of the Receiving Agents that provide some or all of these channels. Such services will be available to Subscribers who have participated in recent initial public offerings provided that: (1) the Subscriber maintains a current account allowing access to these services at the relevant Receiving Agent; and (2) no amendment is made to the Subscriber's details since such a subscriber last subscribed in recent initial public offerings. Subscribers may obtain the Subscription Application Forms during the initial IPO period from the branches of the Receiving Agents. Such applications must be completed according to the instructions stated in "Subscription Terms and Conditions" in this Prospectus.

Subscription Application Forms must be completed in accordance with the instructions described herein ("*Subscription Terms and Instructions*"). Each Subscriber must agree to the terms and conditions and complete all relevant sections of the Subscription Application Form. The Company reserves the right to decline any Subscription Application Form, in part or in whole, in the event any of the subscription terms and conditions is not met or the instructions are not duly and punctually followed. Amendments to and withdrawal of the Subscription Application Form shall not be permitted once the Subscription Application Form has been submitted. Furthermore, the Subscription Application Form shall, upon submission, represent a legally binding agreement between the Subscriber and the Company (Please refer to the section: "*Subscription Terms and Conditions*").

## Summary of Key Information

This summary provides a brief overview of the information contained in this Prospectus. Because it is just a summary, it does not include all information that may be important to subscribers. Recipients of this Prospectus must read it in full before making a decision to invest in the Company. Certain terms and phrases are defined in "Definitions and Abbreviations" section and elsewhere in this Prospectus.

### Company Overview

The Company was established as a limited liability company under Commercial Registration No. 2050006430, dated 02/01/1399H (corresponding to 02/12/1978G). The principal activity of the Company is trading in foodstuff, household consumables items, textiles, stationery retail and wholesale. The activities of the Company also include marketing services on behalf of others and for their own sake, and management and operations of bakeries. The Company includes Farm Superstore, Wholesale Division, Farm Mini Market and Adventure World.

The authorized capital of the Company is (SAR 250,000,000) divided into 25,000,000 fully paid ordinary shares with a nominal value of SAR 10 per share.

### Company Shareholding before and after the Offering

The following table the current Shareholders of the Company before and after the IPO:

Present Shareholders	Before IPO			After IPO		
	No. of shares	Capital (SAR)	%	No. of shares	Capital (SAR)	%
Hazem Fayez AL Aswad	18,750,000	187,500,000	75%	13,125,000	131,250,000	52.50%
Sahar Abdul Kareem Al Madani	1,250,000	12,500,000	5%	875,000	8,750,000	3.50%
Maher Hazem Al Aswad	1,250,000	12,500,000	5%	875,000	8,750,000	3.50%
Tariq Hazem Al Aswad	1,250,000	12,500,000	5%	875,000	8,750,000	3.50%
Mohammad Hazem Al Aswad	1,250,000	12,500,000	5%	875,000	8,750,000	3.50%
Lina Hazem Al Aswad	625,000	6,250,000	2.5%	437,500	4,375,000	1.75%
Hala Hazem Al Aswad	625,000	6,255,000	2.5%	437,500	4,375,000	1.75%
Subscribers	0	0	0%	7,500,000	75,000,000	30%
<b>Total</b>	<b>25,000,000</b>	<b>250,000,000</b>	<b>100%</b>	<b>25,000,000</b>	<b>250,000,000</b>	<b>100%</b>

Source: company

### Company's phases of development and Evolution of Capital

The Saudi Marketing Company ("the Company" or "SAMCO" or "Farm Superstores") was established as a limited liability company and was registered under Commercial Registration No. (2050006430) dated 02/01/1399H (Corresponding to 02/12/1978G).

Changes to the capital of the Company and its equity were as follows:

1. The Company started its business in 1978 with a capital of SAR 2,000,000 divided into 2,000 shares, with a value of SAR 1000 per share, and it was divided equally between the two founding shareholders (Mr. Hazem Fayez Al-Aswad and Mrs. Afaf Mohammad Al-Shawwaf).

2. On 19/08/1400H (Corresponding to 02/07/1980G), the shareholders of the Company decided to increase its capital to SAR 2,250,000 divided into 2,250 shares, by closing the profits in the shareholders current account and then capitalizing its credit account balances as follows:

Owner	Number of Shares	Value of Share ( SAR )	Total ( SAR )	Ownership Percentages
Hazem Fayeze Al-Aswad	1,125	1,000	1,125,000	50%
Afaf Mohammad Ali Al-Shawwaf	1,125	1,000	1,125,000	50%
<b>Total</b>	<b>2,250</b>		<b>2,250,000</b>	<b>100%</b>

Source: The Company

3. On 21/06/1413H (Corresponding to 15/12/1992G), and pursuant to the shareholders' resolution to amend the Articles of Associations, Mrs. Afaf Mohammad Al-Shawwaf assigned all her shares to the interest of Mr. Hazem Fayeze Al-Aswad and Mrs. Sahar Abdul -Karim Al-Madani. The Company shares were distributed as follows:

Owner	Number of Shares	Value of Share (SAR)	Total (SAR)	Ownership Percentages
Hazem Fayeze Al-Aswad	2,025	1,000	2,025,000	90%
Sahar Abdul Kareem Al-Madani	225	1,000	225,000	10%
<b>Total</b>	<b>2,250</b>		<b>2,250,000</b>	<b>100%</b>

Source: The Company

4. On 01/09/1419H (Corresponding to 19/12/1998G), the shareholders in the Company decided to increase its capital from SAR 2,250,000 to SAR 10,000,000 divided into 10,000 shares of a value of SAR 1000 per share, following the merger of Al-Aswad International Company Ltd (the merged company) with the Saudi Marketing Company Ltd (the acquiring company) with all assets and entitlements owned by Al-Aswad International Co. Ltd and its liabilities and obligations (net book value) to become a branch of the Saudi Marketing Co. Ltd. The increase of SAR 7,750,000 has been fulfilled as follows: (1) Net assets of the merged company estimated at SAR 3,000,000. (2) Through closing the profits in the shareholders' current account and then capitalizing its credit balances in the amount of SAR 4,750,000. Based on that, the Company shares were distributed as follows:

Owner	Number of Shares	Value of Share (SAR)	Total (SAR)	Ownership Percentages
Hazem Fayeze Al-Aswad	9,000	1,000	9,000,000	90%
Sahar Abdul Kareem Al-Madani	1,000	1,000	1,000,000	10%
<b>Total</b>	<b>10,000</b>		<b>10,000,000</b>	<b>100%</b>

Source: The Company

5. On 06/10/1421H (Corresponding to 01/01/2001G), the shareholders of the Company decided to increase its capital from SAR 10,000,000 to SAR 25,000,000 through increasing the paid value of each share from SAR 1,000 to SAR 2,500 per share, the increase of SAR 15,000,000 has been effected by closing the profits in the shareholders current account and then capitalizing its credit balances. Shares were distributed as follows:

Owner	Number of Shares	Value of Share (SAR)	Total (SAR)	Ownership Percentages
Hazem Fayeze Al-Aswad	9,000	2,500	22,500,000	90%
Sahar Abdul Kareem Al-Madani	1,000	2,500	2,500,000	10%
<b>Total</b>	<b>10,000</b>		<b>25,000,000</b>	<b>100%</b>

Source: the Company

6. On 16/04/1423H (Corresponding to 27/06/2002G), the shareholders of the Company decided to increase its capital from SAR 25,000,000 to SAR 50,000,000 by increasing the number of shares from 10,000 to 1,000,000 share with devaluation of the share value to become SAR 50 per share. The increase of SAR 25,000,000 has been in effect by closing the profits in the shareholders current account and then capitalizing its credit balances. Shares were distributed as follows:

Owner	Number of Shares	Value of Share (SAR)	Total (SAR)	Ownership Percentages
Hazem Fayeز Al-Aswad	900,000	50	45,000,000	90%
Sahar Abdul Kareem Al-Madani	100,000	50	5,000,000	10%
<b>Total</b>	<b>1,000,000</b>		<b>50,000,000</b>	<b>100%</b>

Source: the Company

7. On 16/03/1425H (Corresponding to 05/05/2004G), the shareholders decided to increase the paid up value of every share from SAR 50 to SAR 70 per share, which led to an increase in capital value by SAR 20,000,000, bringing the total capital to SAR 70,000,000. The increase amounting to SAR 20,000,000 has been effected by closing the profits in the shareholders current account and then capitalizing its credit balance. Shares were distributed as follow[s]:

Owner	Number of Shares	Value of Share (SAR)	Total (SAR)	Ownership Percentages
Hazem Fayeز Al-Aswad	900,000	70	63,000,000	90%
Sahar Abdul Kareem Al-Madani	100,000	70	7,000,000	10%
<b>Total</b>	<b>1,000,000</b>		<b>70,000,000</b>	<b>100%</b>

Source: the Company

8. On 24/11/1426H (Corresponding to 26/12/2005G), the shareholders of the Company decided to increase its capital from SAR 70,000,000 to SAR 100,000,000 by increasing the number of shares from 1,000,000 to 2,000,000 shares with the devaluation of the share to SAR 50 per share. The increase of SAR 30,000,000 was fulfilled by closing the profits in the shareholders current account and then capitalizing its credit balances. Shares were distributed as follow[s] :

Owner	Number of Shares	Value of Share (SAR)	Total (SAR)	Ownership Percentages
Hazem Fayeز Al-Aswad	1,800,000	50	90,000,000	90%
Sahar Abdul Kareem Al-Madani	200,000	50	10,000,000	10%
<b>Total</b>	<b>2,000,000</b>		<b>100,000,000</b>	<b>100%</b>

Source: the Company

9. On 26/04/1427H (Corresponding to 24/05/2006G), the shareholders of the Company decided to increase its capital from SAR 100,000,000 to SAR 120,000,000 by increasing the number of shares from 2,000,000 to 12,000,000 shares with devaluation of the share to SAR 10 per share. The increase of the capital by SAR 20,000,000 was effected through closing the profits in the shareholders current account and then capitalizing its credit balances. Shares were distributed as follows:

Owner	Number of Shares	Value of Share (SAR)	Total (SAR)	Ownership Percentages
Hazem Fayeز Al-Aswad	10,800,000	10	108,000,000	90%
Sahar Abdul Kareem Al-Madani	1,200,000	10	12,000,000	10%
<b>Total</b>	<b>12,000,000</b>		<b>120,000,000</b>	<b>100%</b>

Source: the Company

10. On 21/03/1431H (Corresponding to 07/03/2010G), the shareholders of the Company decided to increase its capital from SAR 120,000,000 to SAR 200,000,000, divided into 20,000,000 shares at a value of SAR 10 per share. Accumulated dividends of SAR 98,738,469 were distributed and credited to payments made by the shareholders and then an amount of SAR 80,000,000 was transferred to the share capital to fund the increase. The shares were distributed as follows :

Owner	Number of Shares	Value of Share (SAR)	Total (SAR)	Ownership Percentages
Hazem Fayez Al-Aswad	18,000,000	10	180,000,000	90%
Sahar Abdul Kareem Al-Madani	2,000,000	10	20,000,000	10%
<b>Total</b>	<b>20,000,000</b>		<b>200,000,000</b>	<b>100%</b>

Source: the Company

11. On 12/11/1432 H (08/08/2011G), the shareholders decided to increase the Company's capital to become the SAR 250,000,000, and accumulated dividends of SAR 56,023,543 were distributed and credited to payments made by shareholders and then an amount of SAR 50,000,000 was transferred to the share capital to fund the increase. Shares were distributed as follows:

Owner	Number of Shares	Value of Share (SAR)	Total (SAR)	Ownership Percentages
Hazem Fayez Al-Aswad	22,500,000	10	225,000,000	90%
Sahar Abdul Kareem Al-Madani	2,500,000	10	20,000,000	10%
<b>Total</b>	<b>25,000,000</b>		<b>250,000,000</b>	<b>100%</b>

Source: the Company

12. On 26/03/1433H (18/02/2012G), the shareholders decided to assign some of their shares to their children, and unanimously approved to convert the Company and its subsidiaries from a limited liability company to a closed joint stock company, including their rights and obligations and the conversion of their equities to shares of a nominal value SAR 10 per share. The founding shareholders of the Company become as follows:

Shareholder	Number of Shares	Value	Ownership Percentage
Hazem Fayez Al-Aswad	18,750,000	187,500,000	75%
Sahar Abdul Kareem Al-Madani	1,250,000	12,500,000	5%
Maher Hazem Al-Aswad	1,250,000	12,500,000	5%
Tareq Hazem Al-Aswad	1,250,000	12,500,000	5%
Mohammad Hazem Al-Aswad	1,250,000	12,500,000	5%
Linah Hazem Al-Aswad	625,000	6,250,000	2.50%
Hala Hazem Al-Aswad	625,000	6,250,000	2.50%
Total	25,000,000	250,000,000	100%

Source: the Company

Decision No. (198/Q), dated 16/05/1433H (corresponding to 08/04/2012G) from of H.E. the Minister of Commerce and Industry was issued to announce the conversion of the Company from a limited liability company to a closed joint stock company with a capital of SAR 250,000,000, divided into 25,000,000 shares at a nominal value of SAR 10 per share.

## **Company Products**

The Company focuses on diversification of products and items that are sold to be able to fully cover the needs of customers. It is also interested in providing the necessary choices of products with high quality and competitive price in coordination with suppliers in order to gain the customer's trust and satisfaction. The main products of the Company are limited in the following:

- Vegetables, fruits, bakery and meat.
- Household items as well as toys and stationery.
- Foodstuff (milk, cheese, canned food, etc.).
- Wholesales.
- Entertainment centers for children (Adventure World).

This is in addition to food products and consumables that are imported from abroad (Syria, Lebanon, China, Germany, Egypt, Tunisia, United Arab Emirates, Italy, Brazil) and other exporting countries. The availability of these products in the Farm Superstores provides numerous opportunities and options for customers, which raises the growth rate of sales as reflected on the high rates of profitability. The Company is interested also in coordination with the concerned departments to design, plan and develop products that bear the name of Farm Superstores, such as paper products, water, rice and other products and to ensure their promotion and marketing to customers by different means, such as weekly newsletters and promotional offers, which help in gaining the trust of customers. The Company also owns exclusive distribution rights of certain products bearing prestigious trademarks manufactured by foreign companies such as German EMSA thermos, which has a large market share in the Kingdom of Saudi Arabia. Also, the Company has exclusive rights for distribution of the products of the German Kaiser Company, specialized in manufacturing high quality cakes molds and bakery tools.

## **The Company's Vision**

The Company aspires to assume the leading position in modern retail trading by providing its customers with the joy of shopping, and to be eligible for being the first choice.

## **The Company's Mission**

The Company endeavors to meet all of its obligations towards its customers by providing high-quality products that satisfy their needs, and seeks to ensure its social responsibility through initiatives to provide the greatest possible service to the customer, satisfy his own needs, and gain his confidence.

## **Business Strategy**

The Company's strategies have been prepared based on the directions of the Board of Directors that have been built on a set of high standards to achieve the objectives of the organizational structure of the Company. The Company aims to maintain a good growth rate of annual revenues of its basic investments represented in "Farm Superstores" and "AdventureWorld". This is in addition to maintaining the growth of investment and geographical spread across the targeted places. The management expects to increase the operating margin for its business as the Company will focus on cutting costs in general over the next three years, in addition to expanding its services in Kingdom regions with a focus on Riyadh region. Also, the Company applies Enterprise Resource Planning (ERP) system to enhance operational efficiencies and carry out business under a unified and integrated computer system.

## **Summary of Strengths and Competitive Advantages of the Company**

1. Efficiency of the Management Team
2. Investment Trends and Geographic Expansion
3. Employment of Technologies and Keeping Pace with Evolution
4. Brand Name of the Company and Cognitive Awareness among the Consumers
5. Marketing Efficiency
6. Promoting Food products and a culture of healthy food
7. Effectiveness of Logistic System
8. Diversity of Consumption Items
9. Stock Abundance and Relationship with Suppliers
10. Pricing Policy

## Retail Market Overview

The Company has appointed PricewaterhouseCoopers (“PWC”) as a consultant to prepare the market study, which includes a study of the retail market in Saudi Arabia and to identify the size of competition in it (“market study”).

The source of information on the market and industry in this Prospectus was provided by the market adviser, PricewaterhouseCoopers (PWC), exclusively for the benefit of the Company. PWC is an independent consulting firm working as a professional consultant and in preparation of scientific research, design and implementation of field surveys and preparation of feasibility studies for investors, through an integrated team featuring a selection of specialized national and foreign competencies. Neither PWC, nor any of its subsidiaries, shareholders, Directors, or any of their relatives own any shares or interests of any kind in the Company. PWC has given its written approval to use the market survey researches and data in the form and manner contained in this Prospectus, and has not withdrawn such consent. It is believed that the information and data contained in the market study have been obtained from reliable sources, but the Company or Falcom or any of the Company's advisers have not verified them independently and therefore cannot give a clear assurance as to the validity and completeness of this information.

The rapid growth and development in oil, petrochemicals and energy sectors led to a comprehensive economic boom and steady growth in infrastructure and living conditions in the Kingdom. Such sectors accounted for 45% of GDP and 90% of export revenues in the Kingdom, which helped in accumulating high reserves that assisted the Kingdom to meet the economic and financial crises witnessed in the world during the past five years.

According to the latest statistics by the Central Department of Statistics and Information (preliminary results of the General Census of Population and Housing in 2010), number of the Kingdom's population reached about 29.2 million, about 19.8 million of them are Saudis, with an average CAGR of 2.1%. This high population growth is coupled with improved living conditions, which inevitably led to the emergence and development of economic sectors benefiting from the good purchasing power of the population.

Saudi retail sector is the biggest retail sector in the Gulf Cooperative Council Countries as it represents 42% of the Gulf Retail Sector, followed by UAE market (29%) and Qatar (11%). This sector grew considerably, especially during the last decade, as it developed from non-organized small markets pattern to luxury marketing centers and mega central markets (Supermarkets and Hypermarkets).

The market study indicates that the retail market volume in the Kingdom, in accordance with sector reports, is on average SAR 328 billion, and it is expected to grow and range between SAR 394 and SAR 493, at a combined annual growth rate ranging from 6.7% to 9.4% during the period 2011-2016. This growth is attributed to a number of factors, the most important ones are:

- Improved economy
- Population growth (combined annual growth rate of 2.9% during the last ten years).
- Increased number of laborers.
- Changed style of life.
- Increased estimated income.
- Recent Government initiatives aiming at raising the standard of living.
- Religious tourism.

Foodstuff and grocery sector represents in general 50% of the retail sector. The market study forecasts the foodstuff market to grow to SAR 244.8 billion in 2016 at a CAGR of 13.3% between the years 2011 and 2016, supported by the young population as about 60% of the Kingdom's total population are under the age of 30 years, which contributes to the growth of food consumption in the Kingdom.

## Summary of Financial Information

The selected financial summaries presented below should be read in conjunction with the audited financial statements as at and for the years ended December 31, 2010, 2011, and 2012, the audited financial statements for the 6 months ended on 30 June 2013 and the reviewed financial statements for the 6 months ended on 30 June 2012 including in each case, the notes thereto, each of which are included in Section 19 “Audited Financial Statements” in this Prospectus.

Summary of Income Statement (SAR'000)	2010	2011	2012	H1 2012	H1 2013	CAGR 2010-2012
Sales	927,059	1,129,241	1,350,108	642,069	714,656	14.72%
Rentals revenues	98,721	123,901	145,559	50,305	74,213	21.4%
Total Revenues	1,025,780	1,253,142	1,495,667	692,374	788,869	20.8%
Cost of Revenues	(821,413)	(1,017,416)	(1,196,481)	(550,054)	(612,649)	20.7%
<b>Total Profit</b>	<b>204,366</b>	<b>235,726</b>	<b>299,186</b>	<b>142,320</b>	<b>176,220</b>	<b>21%</b>
Sales and Distributions expenses	(86,316)	(99,648)	(123,213)	(52,520)	(62,908)	19.5%
General and Administrative Expenses	(42,511)	(52,243)	(78,630)	(39,460)	(52,375)	36%
<b>Profit from Operations</b>	<b>56,177</b>	<b>62,377</b>	<b>72,489</b>	<b>37,954</b>	<b>47,496</b>	<b>13.6%</b>
Financial charges	(1,512)	(415.3)	(4,057)	(1,741)	(2,398)	63.8%
Other revenues, Net	2,862	7,768	13,684	3,032	4,096	118.7%
Net profit before Zakat and Income Tax	57,528	69,730	82,116	39,246	49,194	19.5%
Zakat and Income Tax	(1,392)	(2,977)	(3,097)	(1,510)	(2,945)	49.2%
<b>Net Profit</b>	<b>56,136</b>	<b>66,753</b>	<b>79,019</b>	<b>37,736</b>	<b>46,249</b>	<b>18.6%</b>

Source: Audited financial statements for the years 2010, 2011, 2012 and first half of 2012 and 2013

Summary of the Statement of Financial Position (SAR'000)	2010	2011	2012	H1 2012	H1 2013
Total current assets	318,223	307,880	361,862	367,605	388,614
Total non-current assets	405,818	456,634	524,439	470,760	538,724
<b>Total Assets</b>	<b>724,041</b>	<b>764,514</b>	<b>886,300</b>	<b>838,365</b>	<b>927,338</b>
Total current liabilities	324,160	293,851	384,752	328,971	435,090
Total non-current liabilities	112,407	122,460	86,826	123,455	91,277
<b>Total Liabilities</b>	<b>436,567</b>	<b>416,311</b>	<b>471,578</b>	<b>452,426</b>	<b>526,367</b>
Total Shareholders' Equity before non-controlling Shareholders' equity	287,156	347,696	413,957	385,306	400,627
Non-controlling Shareholders' equity	318	508	765	633	344
Total Shareholders' Equity and non-controlling Shareholders' equity	287,474	348,203	414,722	385,939	400,971
Total liabilities Shareholders' Equity and non-controlling Shareholders' equity	724,041	764,514	886,300	838,365	927,338

Source: Audited financial statements for the years 2010, 2011, 2012 and first half of 2012 and 2013

Summary of the Statement of Cash Flows (SAR'000)	2010	2011	2012	H1 2012	H1 2013
Net Cash from Operating activities	60,038	128,623	162,981	46,780	(17,121)
Net Cash from Investment Activities	(65,667)	(81,836)	(88,375)	(27,582)	(26,032)
Net Cash from Financing Activities	(325)	(50,051)	(59,683)	17,692	40,385

Source: Audited financial statements for the years 2010, 2011, 2012 and first half of 2012 and 2013

<b>Summary of Financial Indicators</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>H1 2012</b>	<b>H1 2013</b>
Net Margin before Zakat and Income Tax	5.61%	5.56%	5.49%	5.67%	6.24%
Net Margin (for Shareholders) after Zakat and Income Tax	5.47%	5.33%	5.28%	5.45%	5.86%
percentage of non-controlling equity	0.11%	0.15%	0.18%	0.16%	0.09%
Total Liabilities to Total Assets	60.30%	54.45%	53.21%	53.97%	56.76%
Total Debt to Shareholders Equity	85.77%	59.72%	38.30%	58.43%	49.84%
Return on Equity	19.53%	19.17%	19.05%	9.78%	11.53%
Return on assets	7.75%	8.73%	8.92%	4.50%	4.99%
No. of Shares (in thousands)	20,000	25,000	25,000	25,000	25,000
Capital (SAR'000)	200,000	250,000	250,000	250,000	250,000
Earnings per share after deduction of Zakat and Income Tax (SAR)	2.81	2.67	3.16	1.51	1.85
Earnings per share after deduction of Zakat and Income Tax-Adjusted*	2.25	2.67	3.16	1.51	1.85

Source: Falcom's analysis of financial statements

\* The earnings per share is calculated based on 25,000,000 shares

## **Summary of Risk Factors**

### **Risks Related to the Company's Operations**

- Dependence on Key Personnel
- Dependence on Key Distributors
- Dependence on Suppliers
- Geographical Concentration
- Goodwill and Business Reputation
- Laws and Regulations
- Management Information Systems
- Protection of Intellectual Property Rights
- Recent Conversion into a Joint Stock Company Listed in the Financial Market
- Composition of the Board of Directors
- Saudization
- Leased sites
- Rented Sites
- Transactions with Related Parties
- Future Expansions
- Future Capital Expenditure and Funding Liabilities
- Contingent Liabilities
- Investment in Lebanon
- Inventory
- Road Works
- Accidents and Injuries
- Insurance
- Franchise and Commercial Representation
- Lawsuits
- The Profitability of Subsidiaries

### **Risk Related to the Market**

- Kingdom's Economy and Global Economy
- Competition
- Membership in the World Trade Organization (WTO)
- Fluctuation of Currency Exchange Rates
- Import Risks

### **Risks Related to Shares**

- Effective Control by the Existing Shareholders
- Absence of Prior Market for the Shares
- Future Sale and Offering of New Shares
- Distribution of Dividends

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- Exhibit 14-23 Trademarks registered out of the Kingdom of Saudi Arabia

## 1. Definitions and Abbreviations

Term/Abbreviation	Definition
Underwriting Agreement	The Underwriting Agreement entered into between the Underwriter, the Company and Selling Shareholders.
Swap Agreement	A kind of financial derivatives through which the two parties agree on swapping the cash flow of certain assets (equities) during an agreed period of time, and may be based on stocks or bonds indexes, interest rates or other securities. Through these arrangements, foreign investors are allowed to enter Saudi Exchange.
The Company	Saudi Marketing Company (SAMCO) "Farm Superstores".
Saudi Marketing Company "Farm Superstores"	A joint stock company under Ministerial Resolution No. 198/Q, dated 16/05/1433H (corresponding to 08/04/2012G).
Management or Senior Management	Management of Saudi Marketing Company (SAMCO) "Farm Superstores".
The Offering	The Initial Public Offering of 7,500,000 shares representing 30% of the Company's Capital.
Offer Shares	7,500,000 Ordinary Shares in the Company.
Founding Shareholders' Shares before Offering	100% of the Company's Share Capital totaling to 25,000,000 Ordinary Shares in the Company.
Receiving Agents	The agents that receive the Subscription Application Forms from subscribers.
Official Gazette	Umm Al-Qurah gazette.
General Assembly	The General Assembly of the Company's Shareholders.
Subscribing Institutions	<p>Include a number of Institutions</p> <ol style="list-style-type: none"> <li>1 Investment funds established in the Kingdom offered publically which invest in securities listed on the Saudi Stock Exchange whenever the fund's terms and conditions allow for this, along with compliance with the terms and restrictions stipulated in the Investment Fund Regulations.</li> <li>2 Persons authorized to deal with securities as principals, along with compliance with capital adequacy regulations.</li> <li>3 Companies listed on the Exchange through their portfolios that are managed by authorized persons, and companies from the banking and insurance sectors listed in the Exchange in accordance with the provisions and controls issued by CMA provided that the Company's participation shall not lead to any conflict of interests.</li> </ol>
Retail Subscribers	Saudi Arabian nationals, including Saudi women who are divorced or widowed and who have children from a non-Saudi husband subscribing for Offer Shares in the name(s) of their children who are minors providing that she produces a valid evidence of being so.
Selling Shareholders	The Company shareholders whose names appear in page (t) of this Prospectus.
The Government	The Government of Saudi Arabia.
LJSC	Lebanese Joint Stock Company.
SAMCO Lebanon	Saudi Marketing and Trading Company, a Lebanese holding company owned at 99.95% by the Company.
Offer Price	SAR 36 per Share.
Financial year	Every calendar year ending on 31 December.
Share	Ordinary Share of SAR 10 nominal value in the Company's Share Capital.

Saudization	Labor Regulations in Saudi Arabia that require companies in the Kingdom to employ certain percentage of Saudi nationals.
The Exchange	The Saudi Stock Exchange (Tadawul).
Person	Any normal person.
Offering Net Proceeds	The Offering net proceeds after deduction of the Offering expenses.
Offering Period	Offering Period is from Wednesday 21/03/1435H corresponding to 22/01/2014G and will last for 7 days up to and including Tuesday 27/03/1435H (corresponding to 28/01/2014G)
Official List	The list of securities maintained by the CMA in accordance with the Listing Rules
Financial Statements	The audited financial statements as at and for the years ended December 31, 2010, 2011, and 2012, the audited financial statements for the 6 months ended on 30 June 2013 including in each case, the notes thereto.
Listing Rules	The Listing Rules issued by the CMA pursuant to Article 6 of the Capital Market Regulations promulgated under Royal Decree No. M/30 dated 2/6/1424H (corresponding to 31/7/2003G), as amended by the Ministerial Resolution No. 2012-4-1, dated 28/8/1433H (Corresponding to 22/1/2012).
Nominal Value	SAR 10 per Share.
Offering Proceeds	Total value of subscribed shares.
Underwriter	Falcom Financial* Services
Lead Manager	Falcom Financial Services
Financial Advisor	Falcom Financial Services
Institutional Book runner	Falcom Financial Services
Board of Directors or the Board	the Board of Directors of the Company
Lock-in Period	After listing of the Company shares, the Founding Shareholders will be restricted from disposing of their shares prior to publishing the financial statements of the Company for 2 full financial years each of which shall not be less than 12 months starting from the date of approval to convert the Company into a joint stock company by the Minister of Commerce and Industry's resolution No. 198/Q/ dated 16/05/1433H (corresponding to 08/04/2012G). After the Lock-up period has elapsed, the Existing Shareholders may dispose of their shares only after obtaining CMA approval.
Shareholder or Shareholders	The holders of shares in the Company at any given period of time.
Selling Shareholder(s)	The Founding Shareholders in the Company whose names are listed in Page (t) of this Prospectus.
Advisors	The parties that provide professional services to the Company relating to the Offering/IPO, whose names are mentioned in pages h & i of this Prospectus.
Subscriber	Every person subscribes to the Offer Shares.
The Kingdom or KSA	The Kingdom of Saudi Arabia
CMA	The Capital Market Authority I the Kingdom
Tadawul	Electronic Saudi Shares Information System
By-Laws	By-Laws of the Company
Companies Regulations	The Companies Regulations promulgated by Royal Decree No. 6, dated 22 Rabi'I 1385H and its revisions

Subscription Application Form	The Subscription Application Form that must be completed and submitted to the Receiving Agents in case a person intends to subscribe for the Offer Shares.
Prospectus	This Offering related Prospectus prepared by the Company.
Products	The Company's products and services
AdventureWorld	A recreational center for Kids owned by the Company and has several branches as indicated in this Prospectus.
Gondola	Shelves inside the supermarket or minimarket rented to a certain party of supplier to showcase its products or goods against a lease contract.
Card Plus Service	The Company provides the Card Plus service to its clients to earn points through repeating the purchases at given estimates.
ERP	Enterprise Resource Planning (a complete integrated computer system for conducting business).
SOCPA	Saudi Organization of Certified Public Accountants.
Listing	Listing of the Company Shares in the Official List and approve trading in them.
Risk Factors	The factors that may affect the investment and must be studied carefully by the Investor before taking his investment decision
Governance Regulations	The Corporate Governance Regulations in Saudi Arabia issued by CMA under resolution No 1/12/2006, dated 21/10/1427H (corresponding to 12/11/52006) and amendments thereto.
Historical Period	Years 2011, 2012, 2013 and the first half ended on 30 June2012G and 2013G.
SAR or Riyal	Saudi Arabian Riyal
USD*	USA Currency, 1 USD = SAR 3.75000
Euro*	[The] Currency of the European Union, 1 Euro = SAR 5.058
LL, or Lira*	Lebanese Currency, 1 Lira = SAR 0.0024
Working Day	Any day other than Fridays and Saturdays and official holidays, during which the Receiving Agents open their doors to conduct their ordinary business.

Source: \*SAMA as of Nov 5, 2013

## **2. Risk Factors**

In considering an investment in the Offer Shares, prospective investors should carefully consider all the information contained in this Prospectus, particularly the risk factors described below. The risk factors described below may not include all risks that the Company and its subsidiaries could face. Additional risk factors that are not currently identified by the Company or its subsidiaries may occur and adversely affect the Company's operations.

The Company's business, financial condition, prospects, results of operations and cash flows could be adversely and materially affected if any of the risks, which the Company's Management (the "Management") currently believes to be material, or any other risks that the Management has not identified or that it currently considers not to be material, actually occur or become material risks .

An investment in the shares of the Company is suitable only for investors who are capable of evaluation of the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such an investment. Prospective investor, who is in any doubt about the action he should take, should consult a professional advisor who is specialized in advising on the acquisition of shares and other securities.

In the event that any of the risks materializes that Senior Management currently believes to be material, or if any other risks that the Senior Management have not identified or that they currently consider not to be material, occurs or become material risks, the trading price of the Offer Shares could decrease due to any of these or other risks. Prospective investors may lose all or part of their investment.

The risks and uncertainties that are described below are not presented in any assumed order of priority. Additional risks and uncertainties, including those currently unknown, or deemed immaterial, could have the effects set forth above.

### **2-1 Risks Related to the Company's Operations**

#### **Dependence on Key Personnel**

Key personnel play an important role in the success of the Company's business. The Company's business and its subsidiaries and accordingly their financial position and operations might be adversely affected if the Company is unable to retain its senior executives and qualified staff, or find replacements for them with the same level of expertise and skills. The Company relies on the capabilities and expertise of its key executives and employees. The success of any company depends also on attracting highly qualified staff with expertise to face the risk of losing key personnel and mitigate their impact should any of them leave the Company.

#### **Dependence on Key Distributors**

The Company and its subsidiaries depend on a number of distributors for distribution of certain products especially those imported exclusively in the Kingdom from abroad. If they failed to maintain contractual relationships with these key distributors or could not diversify the base of distributors, the Company's future business, financial position and operating results might be adversely affected.

#### **Dependence on Suppliers**

The Company and its subsidiaries depend largely on goods that are purchased through a large number of suppliers (about 20 major suppliers) who provide them under conditions and privileges in accordance with prior agreements and contracts. The percentage of the Company's purchases from major suppliers is estimated to be 43% of total purchases as at June 30, 2013. If the Company and its subsidiaries fail to maintain their contractual relations with such key suppliers, or could not diversify their base of suppliers, or get the current privileges provided by the suppliers, this may adversely and significantly affect the Company's future financial position and operating results.

### **Geographical Concentration**

The Company's business and branches are currently limited to certain areas, especially in the Eastern Region (income from that region represent an average of about 71.3% of total revenues of the Company for the last three years "from 2010 to 2012"). In case the Eastern Region is affected by any political, economic or climatic factors, or in case of emergence of new competitors or other factors, and the Company is unable to expand to other areas in the Kingdom, according to its expansion plans, future prospects of the Company will be adversely affected. The Company's failure to increase revenues at the new branches may lead to inability to offset the capital expenditures, operating and marketing costs and administrative costs incurred by the Company, and that may materially and adversely affect the Company's business, its future financial condition and operating results.

### **Goodwill and Business Reputation**

The inability of the Company to maintain a distinguished level of goods and services on an ongoing basis and to maintain a good market share under the fierce competition in the retail sector may have a negative impact on its reputation in the market and its customers may become reluctant to deal with the Company, which may disrupt the continuity of its success in the face of competition, and thus affect the Company's future business, financial conditions and operating results.

### **Laws and Regulations**

The Company's business is subject to the laws and regulations of the Kingdom of Saudi Arabia as well as to the Lebanese laws which apply to its two subsidiaries in Lebanon. The regulatory environment in which the Company and its subsidiaries operate may be subject to change. The regulatory changes caused by political, economic or technical factors may significantly affect the business of the Company and its subsidiaries and accordingly affect their development plans, customer base, operations, sales or products, or may increase the chances of competition in the market, which may have a negative impact on the Company's business and cash flows, and accordingly its financial conditions and operating results.

### **Management Information Systems**

Information systems and database are generally an essential element in the operation and management of the Company and its subsidiaries' facilities. The importance of more dependence on these systems appears clear in the Company stores which receive thousands of customers on a daily basis. Accordingly, the Company has developed its Enterprise Resource Planning System (ERP) to manage and operate its operational and financial processes under a unified integrated computer system that it seeks to apply to its subsidiaries. However, the Company does not guarantee success in achieving that at all times due to several factors, including but not limited to, the order of priority in disbursement of expenses of the Company or the availability of updates or amendments that it needs in the market, or as a result of not getting the right technical advice from the vendors or operators of such systems.

The inability of the Company to maintain its information systems and database effectively could lead to a negative impact on its business and financial results. Further, the inability of the Company to apply accurately the customer billing and account system in the network of its branches and the branches of its subsidiaries, may lead to its exposure to financial losses as a result of its inability to collect the actual due amounts from its customers.

### **Protection of Intellectual Property Rights**

The competitive position of the Company and its subsidiaries depends, among other factors, on their ability to protect and use their intellectual property rights which are registered with the respective authorities. The inability to protect such rights, or in some cases, the need to take legal action necessary to protect them, may adversely affect the Company's brands, and increase the cost of carrying of business and thus adversely affect the Company's business and financial results.

Also the decline in salability of products of suppliers with whom the Company has contractual relations as a result of the proliferation of counterfeited goods which are less expensive and of poor quality- despite the government efforts to fight that- may affect the Company's ability to market those products and therefore impact the volume of sales, which could adversely affect the Company's future business, financial Condition and operating results.

#### **Recent Conversion into a Joint Stock Company Listed in the Financial Market**

Since its inception, the Company is managed as a family company, and therefore the senior management personnel have limited experience in management of public stock companies. The management of a public stock company requires specialized expertise in this area. The admission of the Company's shares in the Saudi Stock Exchange (Tadawul) requires compliance of the Company and its Board of Directors and executive management with the requirements of continuous disclosure obligations, in addition to preparation of various reports that apply to all listed companies according to the Listing Rules and Corporate Governance Regulations issued by the CMA. Therefore, Senior Management staff in particular, shall exert additional efforts to ensure the Company's commitment to these Laws, regulations and rules on an ongoing basis.

The recent formation of the Company's board of directors and its committees and recent application of the Corporate Governance Regulations issued by the Capital Market Authority may have a negative impact on the Company's performance in case the Directors could not understand the disclosure requirements and administrative knowledge of obligations imposed on the Company and the board of directors in the next phase of the listing. In addition, the entry of new independent directors from outside the Company may have a negative impact in case the current members of the Board of Directors are unable to have understanding and agreement with them on a clear policy for effective management of the Joint stock company.

#### **Composition of the Board of Directors**

The current Board of Directors comprises of (4) members, who are the main founders of the Company, and they are from the same family (Al-Aswad family). Any change in the Company's board of directors or exit of any of the current members for any reason may adversely affect the Company's operations and accordingly its business, financial condition and operating results, given the fact that three of the directors hold executive positions in the Company.

#### **Saudization**

The number of Saudi nationals working in the Company accounted for 30 % of the total number of employees in the Company as at 30/06/2013. The Company currently ranks among large companies in the wholesale and retail sector. The Company is now required to maintain Saudization percentage at a minimum level of 24% based on Nitagat Program launched recently by the Ministry of Labour. Therefore, until the date of issuance of this Prospectus, the Company has achieved the required Saudization rate, as it is classified within the Green range. It is worth mentioning that the Company is currently working to correct the situation of (20) workers with the competent authorities (change of job title).

There is no guarantee that the Company or its subsidiaries in the Kingdom will be able to meet the requirements of Saudization stipulated by the competent authorities in future, or it may be difficult for the Company to continue to recruit or maintain the employment of the required percentage of Saudization. In addition, there is no guarantee that the Company will be able to provide the required labors or employ the number of employees under favorable conditions, which could adversely and materially affect the Company's business, financial condition and future plans.

#### **Leased sites**

The Company depends on leasing real estates to other parties as one of the key business activities of it and its subsidiaries as the income from the real estate rental, including Gondola represents an average of about 9% of the Company's total revenues for the last three years (from 2010 to 2012). One of the risk factors that the Company may

encounter in this regard is the ability to lease this property and to maintain continuity of rental to others. The prices and rates of leases may decrease and that will lead to decrease of revenues generated by the Company from its leased properties, and accordingly will adversely affect its business and financial results.

### **Rented Sites**

The Company and its subsidiaries are currently renting a number of sites and stores from other parties for different periods, some of which are renewed automatically (rented sites represent about 93% of the total sites of the Company and its subsidiaries as at June 30, 2013). The inability of the Company to maintain the continuity of lease contracts for these sites, and to renew them on terms no less favorable than current ones, may adversely affect the Company's business and financial results. The leased sites are as follows:

1. Branches and sites leased from the governmental and quasi-governmental organizations (Royal Commission for Jubail and Yanbu, King Fahd Medical Complex, Aramco, Municipalities, Internal Security, King Fahd Military Hospital, King Fahd Military City, General Organization for Railways and charities organizations) representing 7% of total sites of the Company with average sales of 2% of total revenues of the Company as at June 30, 2013.
2. Branches and sites leased from the private sector representing 72% of the total sites and sales 73% of total revenues of the Company as at June 30, 2013.
3. Branches and sites leased from related parties representing 14% of the total sites of these companies and sales of 18% of total revenues of the Company as at June 30, 2013 .

It is worth mentioning that about 42% of the lease contracts of sites rented by the Company (sales of these branches represent about 16.4% of the total sales of the Company as at June 30, 2013) will expire at the end of 2015. In case the Company could not renew the lease contracts for any reason, the Company will be forced to search for other sites that may be higher in cost than the current cost, as well as the incidental additional capital expenditures, operating costs, marketing and additional administrative costs incurred by the Company. As previously mentioned, it is possible that the Company or any of its subsidiaries will succeed in renewing lease contracts of sites rented by them for new periods, but with a rental cost higher than before, and in both cases will lead to increased costs and expenses incurred by the Company, which would have a negative and significant impact on the future activities of the Company and its financial condition and operating results.

### **Transactions with Related Parties**

Currently the Company has a number of lease contracts as a lessee from the founding shareholder and chairman Hazem Al-Aswad or any of the companies represented by him in his capacity as a lessor (14 contracts, which represent 17% of total sites, and sales of approximately 18% of the total sales of the Company as at 30 June 2013) (Please refer to Section (14) "*Legal information*")

Notwithstanding, there is no guarantee for renewal of such contracts in future at the end of their terms, as the Board of Directors or the General Assembly of the Company may not approve renewal of these contracts on one hand, or the founding shareholder and chairman, Hazem Al-Aswad may not agree to renew them under to the conditions imposed by the Company. In such a case, the Company will be forced to search for other sites that might be rented at a higher cost than the current cost of their sites leased from the founding shareholder and chairman Hazem Al-Aswad, as well as additional incidental capital expenditures, operating costs, marketing and additional administrative costs that will be incurred by the Company in this regard .

### **Future Expansions**

The process of expansion and deployment requires addition of new buildings and branches of the Company, whether built as owned property or leased from third parties, and with the high cost of contracting and construction and the

difficulty of obtaining the right place, in addition to the rise in the value of leases, the Company may bear additional expenses and costs. Also, the Company may implement unsuccessful expansions, especially in new targeted areas. In addition to that, the delay of handover of new branches by contractors for any reason will lead to a delay in the opening and operation of branches. All of this would adversely affect the Company's business and financial results.

#### **Future Capital Expenditure and Funding Liabilities**

The Company may have obligations for future capital expenditure and investments, and there are no guarantees or assurances that the Company will be able to secure these expenses when needed in the appropriate time or under favorable terms acceptable to the Company. In case the Company could not obtain adequate financing and similar facilities in the future to fund its expansion plans in future, it could have a negative impact on the Company's operations and its financial performance as well as its ability to maintain and expand its business.

Also, the Company bear additional financial burden for bank loans and facilities as interests (see Section (6) "Financial Information and Management Discussion and Analysis"), which oblige the Company to pay certain amounts at certain times. The Company plans to repay the due amounts under these facilities and loans through its revenues, but it is possible that the Company may not fulfill its obligations under these loans and facilities and if there is a deficit in its revenues or if the financing costs are increased for any reason. If the Company breaches the terms of these loans, and facilities in the future, lenders may be forced to ask the Company to pay the amounts due to them immediately, and in case of a guarantee for debt, custody may be judged and enforced on the assets of the Company. In addition, if any lender announced that his loan is due and payable as a result of failure of the Company to repay, it is likely that the Company's other lenders could demand repayment of their debts immediately. In this case, there is no guarantee that the Company will be able to reach alternative sources of funding sufficient to meet the payment of these debts. Any of these factors may have a material adverse effect on the Company's business and/or future prospects and/or its financial condition and/or share prices.

The Company depends on its ability to obtain commercial loans to cover the needs of the working capital. The risk lies here in the inability of the Company to meet its future needs for more money, which may not be available or available under unfavorable conditions, and in order for the Company to achieve its development plans as planned and remain in a competitor position in the market, it should expand its base of operations and as such it needs more funds. The Company's needs for additional financing depend on its capital, financial condition, results of operations and cash flows, and here there are no assurances that the Company will be able to obtain the necessary funding in a timely manner and/or under favorable terms if the Company's needs that. In addition to that, the existing facilities of the Company which are guaranteed by personal guarantees from Hazem Al-Aswad, and banks may request additional personal guarantees in the future to guarantee the facilities granted to them, while Hazem Al-Aswad or any of the founding shareholders might not be ready or willing to provide such guarantees.

#### **Contingent Liabilities**

Letters of guarantee and letters of credit represent future obligations guaranteed personally by Hazem Al-Aswad. Their balance decreased in June 30, 2013 to about SAR 9.5 million versus a balance of about SAR 42 millions in December 31, 2012.

In the event that the Company could not fulfill these obligations in a timely manner, or in case the granting agencies requested more guarantees or Hazem Al-Aswad is not willing to provide personal guarantees, that in turn may adversely and materially affect the Company's future business, financial condition and operating results.

#### **Investment in Lebanon**

The political situation experienced by Lebanon in this period will have impact on the economic situation of the country and thus affecting company's investments and business there (revenues from the two companies in Lebanon represent about 9.9%, 7.3% and 5.2% of total revenues of the Company during the years 2010, 2011 and 2012 respectively (Please refer to Section (6) «Financial Information and Management Discussion and Analysis»). Also,

this will lead to a decline in the value of real estate and consequently lower value of company's assets (the value of assets is about SAR 135.8 million as at 30 June 2013, representing 25.5% of the total fixed assets of the Company). Also, due to road works in front of «Beirut Mall», as well as the effects of the fire (Please refer to Section (6) "Financial Information and Management Discussion and Analysis"), there are a number of tenants who may be reluctant to renew their lease contracts. All this may adversely and materially affect the Company's future business, financial condition and operating results.

### **Inventory**

In its expansion plans, the Company works to provide a larger amount of goods stock for the purpose of opening new branches. In addition, it works to provide a stock of imported goods that are distributed by the Company itself or through a number of distributors, and this justifies the increase of the value of the Company's inventory from SAR 162.5 million in 2010 to SAR 172.9 million in 2011, and then to SAR 218 million in 2012. In the first half of 2013, the stock value amounted to about SAR 274.8 million. In the event that the Company could not open new branches on the scheduled dates, or could not distribute the imported goods, there will be an overstock and stagnation of inventory in stores and warehouses, making it subject to damage or expiry of validity.

The Company maintains a strategic stock of goods to cover the needs of the branches, while it gives no assurance of sale of all goods and commodities when there is recession or depression for any reason. This will lead to overstock of goods and accordingly make them subject to damage or expiry of validity.

### **Road Works**

The existence of such works near shops and malls leads to weak demand for them and makes consumers search for alternative places to shop. Drilling the tunnel in front of Farm Branch (9) in Al-Al Khobar has affected the sales of the branch (started in November 2012 and is expected to be completed after 24 months of date of this Prospectus). While sales of the branch at the end of 2012 were about SAR 76 million, the Company expects the sales to fall at the end of 2013 to about SAR 50 million. Also, BeirutMall in Beirut has been affected by the road works and excavation and its revenues decreased from SAR 101 million in 2010 to SAR 87.9 million in 2011, and this in turn affected the Company's total sales and accordingly its operating results.

The Company does not guarantee in any case that there would be no road works or excavations in front of any of its branches in the future, and if that happens, it may adversely affect the Company's business, financial condition and operating results.

### **Accidents and Injuries**

It is possible that the Company or its business activities or its subsidiaries might be exposed to many accidents that could affect the course of their work. Among the incidents, are the fires that can occur at branches of the Company, which usually contain flammable goods, making them more difficult to control when they occur rapidly. Previously two fire incidents occurred at the Company and its subsidiaries. Fire incident occurred in the Company branch at Kadi complex in Jazan City (Farm Markets No 34) dated on 04.10.2013. The Company has submitted a claim to the insurance company in which the branch in question has been insured «Trade Union for Cooperative Insurance» for total amount of SAR 22.1 million, inclusive the reimbursement value for damages that would occur to the Company due to cessation of activities as per the insurance agreement. This claim is still under study by the above mentioned insurance company (See Section (4.15) of this Prospectus). Also, a fire incident occurred on 27/1/2012G in «BeirutMall» owned by a subsidiary of the Company in Lebanon, which led to the suspension of work therein for a period of time which resulted in a decline of the Company's revenues from SAR 91.9 million in 2011G to SAR 78.2 million in 2012G. The occurrence of such incidents adversely affects the Company's revenues during the suspension and interruption of work in the branch or branches affected. This is in addition to incidental capital expenditures, repair costs, reconstruction and rehabilitation costs incurred by the Company to reinstate the branch or branches affected. The Company has no guarantee that the insurance contracts will cover such incidents, either partially or

fully, and that may adversely affect the business of the Company and its subsidiaries, and their operational and financial results .

The Company's business include management and operation of entertainment centers for children under the name of "AdventureWorld", which are subject to accidents and injuries as a result of any technical malfunction or otherwise. The Company does not guarantee the nonoccurrence of such incidents or injuries in the future, God forbid, which may expose it to legal liabilities and make it liable for damages caused by them, in addition to other physical and moral losses, which may result from the closure of the entertainmentcenter .

### **Insurance**

The Company cannot give any assurances that the insurance coverage will be sufficient in all cases, or cover all the risks that the Company may be exposed to. For example, incidents may occur in future without having sufficient insurance coverage or without being covered by the insurance policy, which may adversely affect the business of the Company and its subsidiaries, and their operational and financial results (Please refer to the section (14) «Legal Information»).

The insurance policies typically contain some exceptions and limitations, as they may not provide full coverage against all potential risks. In the event of the Company's exposure to any of such exceptions, limitations, uninsured or inadequately insured liability, then it may lead to increased costs and thus adversely affect the Company's business, financial condition and operating results.

### **Franchise and Commercial Representation**

The Company and its subsidiaries (Pure Springs Company) are associated with a number of franchise agreements and commercial representation that have been signed with foreign companies. The Company is exclusively distributing products of German companies (Aemsa Wyrki Wolf & Co. KG, and Welham Ferdinand Kayser & Co.). Sales of those products represent 3-5% of the total revenues of the Company during the historical period (2010-2012G).

On the other hand, Pure Springs Company "subsidiary" owns distribution franchise for products of two companies (CINNAROL; BAKERIES LIMITED, and WETZEL'S PRETZELS LLC). Sales of the products of these two companies (resulting from granting the franchise to others) represent about 14% of the total sales of Pure Springs Company as at 30 June 2013G. The terms of such contracts are limited in their nature and the Company or Pure Springs Company may not be able renew them upon expiration if the foreign franchising company refuses that. Accordingly, it is possible that the Company's sales and revenues may be adversely affected by the inability of the Company to renew these contracts or if they are terminated for any reason. For more information about these contracts, please refer to Section (14) «Legal Information» of this Prospectus .

### **Lawsuits**

Neither the Company nor its subsidiaries can accurately expect the exact size of litigation costs or judicial proceedings that they may file or may be filed against them or the final results of these lawsuits, and related judgments, compensations and penalties. Therefore any negative consequences of such lawsuits may adversely affect the Company.

Such lawsuits may include, but not limited to, zakat and tax issues, labor regulations, disputes on contracts between the Company and third parties such as banks, insurance companies, suppliers and lessors and tenants and other damage caused by the negligence or fraud by individuals or institutions, which are beyond the control of the Company. As of the date of this Prospectus, the Company asserts that the cases filed by it or against it or any of its subsidiaries do not materially affect the financial condition of the Company. Please see Section (14) «Legal Information- lawsuits» of this Prospectus .

### **Profitability of Subsidiaries**

The Company relies on its profits on profits generated directly from the results of its work, in addition to the profits generated by its subsidiaries, which represent an average of 13% of the total profits of the Company (the average of results for the last three years and the first half of 2013). Accordingly, the higher the profitability of the subsidiaries, the greater is the profits of the Company and vice versa. Therefore, if the subsidiaries could not achieve profits or in case they incurred losses, the Company's earnings and financial results would be adversely affected.

## **2-2 Risk Related to the Market**

### **Kingdom's Economy and Global Economy**

The oil sector still constitutes a large share of the gross domestic production (GDP) of the Kingdom. Fluctuations in oil prices may occur, and adversely affect the Kingdom's economy, which in turn will adversely affect the companies working in the Kingdom, including the Company. Also, any change in other factors of economy, such as the decline in economic growth or fluctuation in currency exchange or interest rates or inflation or others will have negative impact on the Company's business, financial condition and operating results.

### **Competition**

The Company operates in a competitive environment which contains a large number of competitors. In light of this competition, the Company has not assurances that it will maintain or increase its share in the market. It is possible that the competition with other companies may decrease the Company's market share and thus adversely affect the Company's earnings and financial results.

### **Membership in the World Trade Organization (WTO)**

The Kingdom's accession to the WTO will lead to increased competition among Saudi companies and foreign companies that operate in the area of distribution in wholesale and retail, and may lead to reduction of the Company's share in the market and thereby adversely affect the Company's business, financial condition and operating results.

### **Fluctuation of Currency Exchange Rates**

The Company and its subsidiaries import certain products from suppliers outside the Kingdom in foreign currency (U.S. dollar and European Union euro currency). In addition, the Company has investments in Lebanon in Lebanese Lira, and therefore the decline in the local currency against other foreign currencies (the fluctuation of currency exchange rates) will lead to an increase of the costs borne by the Company. In case the Company could not reflect this increase in sales prices, this in turn will negatively and materially affect the Company's future business, financial condition and operating results.

### **Import Risks**

The Company imports some goods from abroad, such as China, Germany and others. Therefore, the imposition of legal requirements or new regulations, such as anti-dumping duties or customs tariffs and other measures, whether adopted by countries or by regional trade blocs, it is possible that will affect the prices of products and goods imported by the Company, and thus will be reflected on the Company's ability to provide competitive sales offerings in commercial centers, which in turn may adversely affect the Company's business, financial condition and operating results.

## **2-3 Risks Related to Shares**

### **Effective Control by the Existing Shareholders**

Following this Offer, the founding Shareholders will own no less than 70% of the Company's issued Shares. As a result, the existing Shareholders acting together may be able to influence all matters requiring shareholders' approval, and they may exercise this ability in a manner that could have a significant effect on the Company's businesses, financial conditions and results of operations including, the election of Directors, significant corporate transactions and capital adjustments. This control may be used in a manner that may adversely affect the Company's business, financial condition and operating results.

### **Absence of Prior Market for the Shares**

Currently, there is no public market for the Company's Shares, and there can be no assurance that an active trading market for the Company's Shares will develop or be sustained after this Offer. The Offer Price has been determined based upon several factors, including the current performance and results of the Company, future prospects for its businesses, the industry in which it competes and an assessment of Senior Management, operations and financial results. Various factors, including the Company's financial results, general conditions in the industry, health of the overall economy, the regulatory environment within which the Company operates and other factors that are beyond the Company's control could cause significant fluctuations in the price and trading liquidity of the Company's Shares.

### **Future Sale and Offering of New Shares**

Sales of substantial amounts of the Shares in the public market following the completion of the Offer, or the perception that these sales will occur, could adversely affect the market price of the Shares. Upon the successful completion of the Offer, the Selling Shareholders will be subject to a restriction period of two full fiscal year, each not less than 12 months from the date of approval for conversion of the Company to a stock company pursuant to the resolution of the Minister of Commerce and Industry No. 198/S dated 16/05/1433H (corresponding to 08/04/2012G), during which they will be banned to dispose any of their shares. In case of selling a large number of shares by the selling shareholders after the expiry of the restriction period, this could adversely affect the market and potentially reduce the value of such shares. Any sale of shares by the Selling Shareholders after the expiry of the restriction period may not take place without CMA's approval.

The Company currently does not intend to issue additional shares immediately after the IPO. If the Company decides to collect additional capital through the issuance of new shares, the new shares will reduce the current value of the shares to a certain extent.

### **Distribution of Dividends**

Future distribution of dividends will depend on several factors, amongst other things, the future profit, financial condition, capital requirements and distributable reserves of the Company and general economic conditions and other related factors that the Board of Directors may deem significant from time to time. The Company intends to distribute annual dividend to shareholders, but it makes no assurance whatsoever that the payment of any such dividends will actually be approved by the Shareholders in the General Assembly Meetings nor any assurance as to the amounts which will be paid in any given year.

## 3. Market Overview

### 3-1 Introduction

This section includes information on retail market in Saudi Arabia, with emphasis on the food and nonfood supplies sector in which the Farm Superstores operates. It also includes general information on the Saudi economy and the Kingdom population.

Information on the retail market and the supplies sector is mostly derived from the market study prepared by market consultants (PWC) exclusively for the Company as well as from other reports published by specialized companies.

Regarding general information on the Saudi economy and the Kingdom's population, some of it was derived from the above-mentioned market consultants study, and some from general information sources such as reports issued by the Saudi Arabian Monetary Agency (SAMA) or reports issued by ministries or other Government agencies.

It should be noted that the accuracy or completeness of information in this section was not verified by other parties. However, the accuracy and completeness of this information depends largely on its primary sources and statistical research methods used in information compilation, summary and analysis.

### 3-2 Saudi Economy

The market study indicates that the oil sector in the Kingdom of Saudi Arabia constitutes 45% of Gross Domestic Product and 90% of export revenues. Low oil prices in 2009 negatively impacted the Saudi economy despite the sufficient financial reserves built up by the Kingdom to overcome the economic crisis in 2008. This led to the postponement of some economic development projects, but the economy recovered in 2011 and 2012. This recovery was supported by the Kingdom's Government with effective measures such as direct injection of capital in financial institutions, compress interest rates, and guarantee bank deposits. It is expected that economic growth rate will remain at 5% in the current year, and that inflation rates will begin to stabilize and then go downward in the future.

The Government strives hard to strengthen the role of non-oil sector in the economy by financing giant projects and facilitating entry into markets. To this end, the Government took important initiatives such as increasing the financing to the Saudi Credit & Savings Bank by an amount of SAR 20 billion which is expected to boost small and intermediate size enterprises in the Kingdom. Other initiatives included the development of comprehensive electronic system to speed up the registration of property deeds, increased loans to small projects to create more jobs and establish small commercial projects. These initiatives will most likely boost growth in the private sector.

The table below shows some major economic indicators for the Kingdom of Saudi Arabia.

#### Exhibit 3-1 Major Economic Indicators for the Kingdom of Saudi Arabia

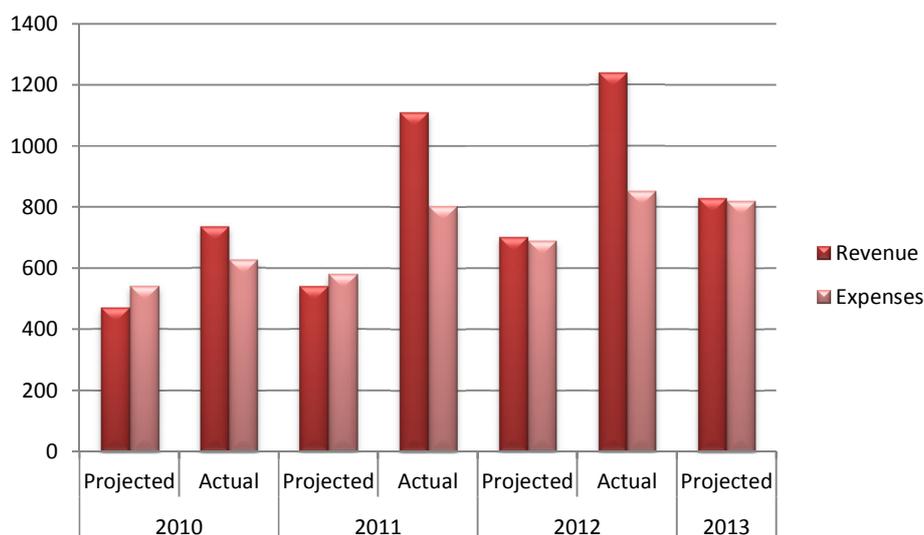
Indicator	2008	2009	2010	2011	2012
Nominal GDP (SAR billion)	1,949	1,609	1,976	2,511	2,727
Real GDP growth rate	8.4%	1.8%	7.4%	8.5%	6.8%
Inflation (annual rate of change)	6.1%	4.1%	3.8%	3.7%	2.9%
Balance of Trade (SAR billion)	798.1	397.2	576.4	917.9	924.6
Current account balance(SAR billion)	496.2	78.6	250.3	594.5	617.9
Current account (% of GDP)	25.5%	4.9%	12.7%	23.7%	22.7%

Source: Saudi Arabian Monetary Agency

Regarding the Kingdom' General Budget, Ministry of Finance reports show sharp increases in expenditures and revenues during the past five years. The budget included a number of mega projects, and allocated extensive funds

for the development of education, health, infrastructure, etc. High oil prices were largely responsible for the skyrocketing of revenues, and the budget recorded its highest surplus in 2008. This helped the Kingdom build huge reserves that contributed to financial stability during the economic crisis. If we look at the General Budget for 2010 and 2011, we will see in 2010 a surplus of SAR 108.5 billion as the actual general revenues amounted to SAR 735 billion, an increase of 56% over projected budget revenues, of which approximately 91% are oil revenues. This is attributed mainly to higher oil prices and higher oil exports. Actual general expenditures for the same year amounted to SAR 626.50 billion, an increase of 6% over the planned expenditures. In 2011, based on budget, expenditures were estimated at SAR 580 billion, and revenues at SAR 540 billion. This means that the general budget was built on a conservative oil price (not more than \$60 per barrel) despite that price at that time exceeded \$90 per barrel. Actual revenues came at SAR 1,110 billion against expenditures of SAR 804 billion, and thus there was a surplus of approximately SAR 306 billion. In 2012 the Kingdom realized the second biggest surplus in the budget as revenues stood at SAR 1,239 billion against expenditures of SAR 853 billion, a surplus of SAR 386 billion. Recent budget estimates for the year 2013 forecast revenues at SAR 829 billion against expenditures of SAR 820 billion. This means a surplus of SAR 9 billion. See the figure below:

**Figure 3-1: Comparison between Revenues and Expenditures in KSA Budget (Estimated and Actual)**



Source: Central Department of Statistics and Information, Ministry of Economy and Planning, Ministry of Finance Reports

It is worthwhile to mention that the strides made by the Saudi economy, as a result of important economic policies and reforms, has led to higher ratings for the Kingdom in various economic fields including the following as examples:

- The Kingdom is ranked first in the world in oil reserves, production and exports.
- Ranks fourth in the world in gas reserves.
- The biggest producer of petrochemicals in the Arab World.
- The Kingdom is one of 20 largest economies in the world.
- Ranked 11 in the world in terms of easiness to do business.
- The Kingdom ranked 7 in Global Retail Trade Development Index.
- One of the biggest economies in the Middle East.

The Kingdom strives to improve the investment environment and attract more investments. This has been emphasized in the Ninth Development Plan which is regarded as the second link in the current long term strategy framework for the Saudi economy with a time horizon extending over the next fifteen years. This plan gives priority to policies, programs and projects aiming at introducing new technologies, innovations and new media of knowledge into the Kingdom with the objective of enhancing productivity and increasing production in various industrial and economic fields, development of national manpower skills, and enlarging the horizon of culture and general knowledge among citizens.

### 3-3 Population

Preliminary results of population general census issued by the Central Department of Statistics and Information, Ministry of Finance indicate that the Kingdom's population reached 29.2 million in 2012, a growth rate of approximately 3% in comparison with previous year census estimated at 28.4 million. The Saudi nationals constituted 67.95% (19.8 million) of the total population, and foreign residents 32.05% (9.4 million).

Based on the preliminary results of the last census the sex distribution of the Kingdom's population was as follows: males 56.66%, and females 43.34% of the total population. Saudi males 34.12% and Saudi females 33.83% of the total population. Non-Saudi males 22.54% and non-Saudi females 9.51% of the total population. The following table summarizes the preliminary results of population census in Kingdom:

**Exhibit 3-2: Summary of Population Census Results in the Kingdom of Saudi Arabia:**

Nationality & Sex	2009	2010	2011	2012	% for 2012
<b>Saudis</b>					
Males	9,307,550	9,527,173	9,743,626	9,962,397	34.12%
Females	9,235,696	9,180,403	9,662,059	9,876,051	33.83%
<b>Total</b>	<b>18,543,246</b>	<b>18,707,576</b>	<b>19,405,685</b>	<b>19,838,448</b>	<b>67.95%</b>
<b>Non-Saudi</b>					
Males	2,706,050	5,932,974	6,297,735	6,581,439	22.54%
Females	2,411,561	246,427	2,672,935	2,776,008	9.51%
<b>Total</b>	<b>8,117,611</b>	<b>8,429,401</b>	<b>8,970,670</b>	<b>9,357,447</b>	<b>32.05%</b>
<b>Total</b>					
Males	15,013,600	15,460,147	16,041,361	16,543,836	56.66%
Females	11,647,257	11,646,830	12,334,994	12,652,059	43.34%
<b>Total</b>	<b>26,660,857</b>	<b>27,136,977</b>	<b>28,376,355</b>	<b>29,195,895</b>	<b>100%</b>

\*Population estimates are based on the preliminary results of population and housing general census for 2010

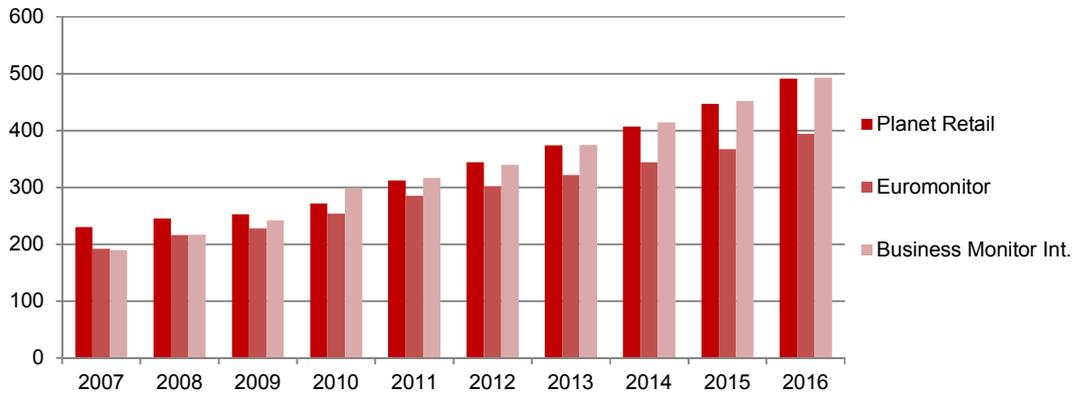
Source: Central Department of Statistics and Information, Ministry of Finance

It is worthwhile to mention that about 60% of the total population is under 30 years, which contributes to food consumption growth in the Kingdom. Based on the market study data and market consultant estimates it is expected that the Kingdom's population will grow at a combined annual rate of 2.1% during the years 2011-2015.

### 3-4 Retail Sector

Saudi retail sector is the biggest retail sector in the Gulf Cooperative Council Countries as it represents 42% of the Gulf Retail Sector, followed by UAE market (29%) and Qatar market (11%). During the last decade, it developed from non-organized small markets pattern to luxury marketing centers and mega central markets.

The market study indicates that the retail market volume in the Kingdom, in accordance with sector reports, is on average SAR 328 billion, and it is expected to grow and range between SAR 394 and SAR 493 billion in 2016, at a combined annual growth rate between 6.7% and 9.4% during the period 2011-2016. The following figure shows a summary of the results of retail sector reports.



\*Planet Retail, Euro Monitor, and Business Monitor International are private companies that provide economic reports and studies on countries and sectors including the retail sector in the Kingdom of Saudi Arabia.

This growth is attributed to a number of factors; the most important ones are the following:

- Improved economy
- Population growth (compounded annual growth rate of 2.9% during the last ten years).
- Increased number of laborers.
- Changed style of life.
- Increased estimated income.
- Recent Government initiatives aiming at raising the standard of living.
- Religious tourism.

These factors have made the Saudi retail market one of the seven most attractive retail markets internationally because of current investment opportunities and future growth opportunities.

The following table shows volume of retail sector sales in the Kingdom of Saudi Arabia between 2007 and 2011, and future forecasts for the period from 2012 to 2016.

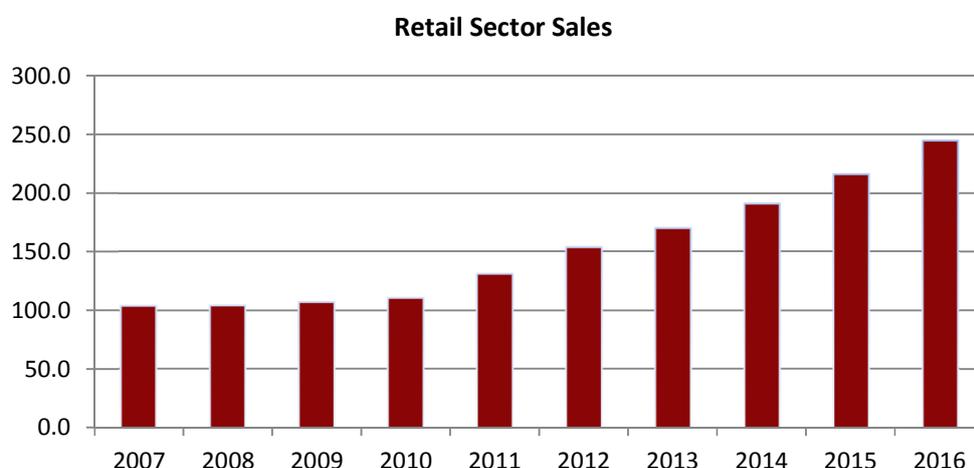
**Exhibit 3-3, volume of retail sector sales in the Kingdom of Saudi Arabia between 2007 and 2011, and future forecasts for the period from 2012 to 2016.**

SAR Billion	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	CAGR* 2007-11	CAGR* 2011-16
Retail Sales	229.6	244.6	253.2	271.9	311.5	344.5	373.6	407.3	446.6	490.7	7.9%	9.4%

\* CAGR = Compounded Annual Growth Rate

Source: market study

**Figure 3-3 Retail Sector Sales Volume in the Kingdom of Saudi Arabia between 2007 and 2011, and future forecasts for the period 2012-2016**



The market study pointed out that the retail sector is characterized by wide diversity and intense competition for large numbers of visitors. Therefore, companies have to design innovative strategies such as diversifying products and offering attractive prices, etc. Family business companies dominate the Saudi retail market. The policy of these companies is to enter into agreements with international brand names and major companies in order to obtain exclusive privileges. On the other side, the private sector has diversified businesses and investments in the real estate sector, which also supports expansion in retail sector activities in the Kingdom.

The most important challenges facing the retail sector in the Kingdom are the high cost of real estate, recruiting qualified employees in addition to Saudization requirements and the need to cope with international trends. At the same time the Kingdom has several success factors in the retail sector; most important ones are the potential for expansion, availability of excellent sites, in addition to the opportunity to provide high quality and diversified products and services.

**Exhibit 3-4 Growth of Main Indicators for the Retail Market in the Kingdom from 2005 to 2011, and Projected Growth from 2011 to 2015**

Indicators	Historical Growth 05-11	Forecast Growth 11-15	Comment
GDP	12.6%	4.2%	The healthy economic environment reflects on expenditure capability
Population Census	3.3%	2.1%	Population is growing due to growing local population, residents, and tourists.
Manpower	7.5%	4.7%	The Government is continuously moving towards greater participation of local population in the work force.
Government Initiatives	NA*	NA*	The Government takes continuous initiatives to increase participation of local population in manpower.
Average Wages	(1.27%) (CAGR 05-10)	NA*	Average wage declined at a combined growth rate of 29.7% between 2008 and 2009. Main reasons are the inflow of low cost foreign labor and lower aggregate income.
Taxes	0%	0%	Limited taxes in the Kingdom make it easier and cheaper for consumers to buy its products.
Non-essential	2.81%	NA*	Saudi economic stability allows non-essential

Expenditures			expenditures to remain constant.
Disposable Income	8.1%	9.3%	The increase in aggregate income and average economic wealth will entail higher disposable income, and thus increased expenditure capability at retail sales outlets.
Other Expenditure Options	NA*	NA*	With limited recreation options in the Kingdom it is more likely that the population will spend on retail as an alternative to recreation.
Retail Expenditures	7.9% (07-11)	9.4%	Growth in retail market is linked with the above indicators but the main indicator is the change in disposable income.

Source: market study

NA= not applicable or available

### 3-5 Retail Market for Supplies in the Kingdom of Saudi Arabia

According to the market study both food and non-food supplies contribute equally to the Kingdom's retail sector. In view of population growth rates, the higher proportion of young people in the population, as well as the increase in incomes and the resultant increase in expenditures it is expected that demand for food items will grow especially high value food items such as meat, confectionery products, natural food, processed food, and restaurants. As a result average growth in food sales will reach 14.5% until 2016.

Moreover, the study indicates that food supplies market is expected to grow in the coming years propelled by the essential retail market, and supported by trends in the purchasing behavior of the food consumer, social changes, and relative stability of expenditures on non-food supplies. As a result, it is expected that food retail market will grow to SAR 244.8 billion in 2016, i.e. a Compounded annual growth rate equals to 13.3% between 2011 and 2016.

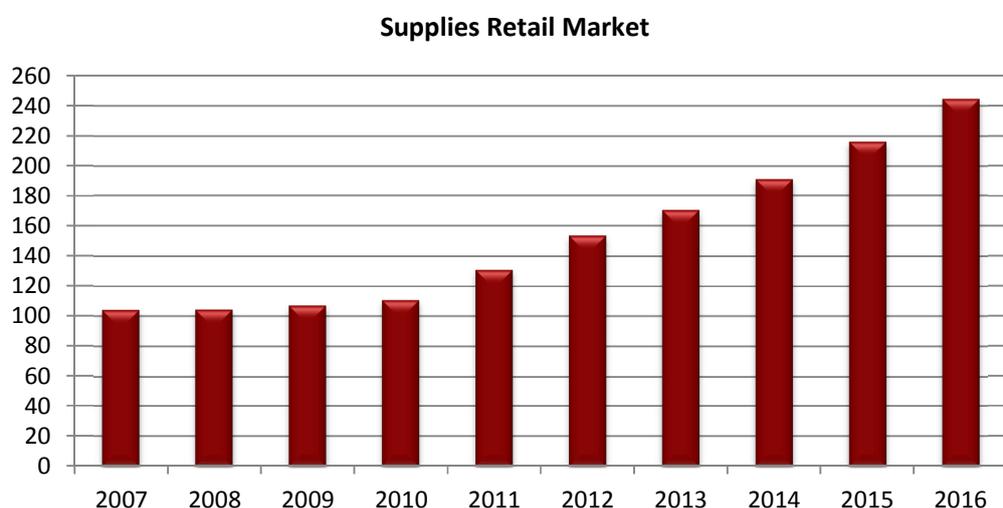
#### Exhibit 3-5 Retail Sales Volume for Supplies in the Kingdom of Saudi Arabia between 2007 and 2011, and Future Forecasts from 2012 to 2016

Item	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	CAGR* 2007- 2011	CAGR* 2012- 2016
	SAR billion											
supplies retail market	104.3	104.5	107.3	110.8	131.2	153.9	170.7	191.5	216.4	244.8	5.9%	13.3%

\*CAGR= Compounded annual growth rate

Source: market study

**Figure 3-4 Supplies Retail Market in the Kingdom of Saudi Arabia between 2007 and 2011, and Future Forecasts from 2012 to 2016**



Source: market study

**Exhibit 3-6 Growth of Major Indicators for the Supplies Market in the Kingdom from 2006 to 2011 and Projected Growth from 2011 to 2016**

Indicators	Historical Growth (06-11)	Forecast Growth (11-16)	Comments
Supplies Retail Market Payments	5.9%	13.3%	Supplies retail market is linked with retail expenditures, and this depends also on consumer choices through organized channels.
Urbanization	3%	2.2%	It is expected that urbanization will propel the retail markets due to the increase in the number of retail market buildings especially those adjacent to commercial markets.
Consumer Preferences	NA*	NA*	Expenditure in retail markets through organized channels depends largely on consumer choices.
Supermarket	13%	9.9%	Retail markets in the Kingdom of Saudi Arabia is scattered and fragmented, and on its way toward consolidation. Independent small grocery stores will lose their market share while organized market share will grow such as hypermarkets and supermarkets.
Hypermarket	17.6%	10.6%	
Convenience Stores and Others	8.6%	4.8%	

NA= not applicable

Source: market study

The market study indicates that several areas in the Kingdom are set for expansion, which indicates that there is an opportunity for Farm Superstores to expand and compete in this sector. It also indicates that there are areas such as Najran, Tabouk, and Jazan with greater opportunity for supplies retail stores due to their high population density and smaller number of retail stores.

### 3-6 Segmentation and Competition

The market study expects that consumption trend will continue to change from the non-organized retail market (such as small independent shops) to organized retail market supported by growth in hypermarket and supermarket share,

and its consistency with consumers purchasing behaviors as these consumers are becoming more knowledgeable and sensitive with respect to both price and quality. The continuous progress and urbanization in the Kingdom has contributed positively and largely to the growth of organized retail sector. The hypermarkets are expected to record the highest growth rate during 2010-2015 (24%), followed by supermarkets (15.1%), then convenience stores (11%).

**Exhibit 3-7 Supplies Retail Market Volume in the Kingdom of Saudi Arabia during the Period 2006 - 2011, and Future Forecasts up to 2016**

Item	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	CAGR* 2006- 2011	CAGR* 2012- 2016
	SAR billion												
Hyper-market	8	9.4	11.6	13.2	15.4	18	19.7	21.8	24.1	26.7	29.8	17.6%	10.6%
Super-market	14.2	15.7	17.9	19.5	22.6	26.2	28.8	31.7	34.8	38	42	13%	9.9%
Small Stores and Others	39.8	42	46.1	49.6	54.5	60.1	62.7	66	69	72.4	75.9	8.6%	4.8%
<b>total</b>	<b>62</b>	<b>67.1</b>	<b>75.6</b>	<b>82.3</b>	<b>92.5</b>	<b>104.3</b>	<b>111.2</b>	<b>119.5</b>	<b>127.9</b>	<b>137.1</b>	<b>147.7</b>	<b>11%</b>	<b>7.2%</b>

\*CAGR= Compound annual growth rate

Source: market study

### 3-7 Competitive Density:

While it is expected that supermarkets will grow strongly in the future propelled largely by an under saturated market in addition to changed consumer purchasing behavior, it is competition from other supermarkets and hypermarkets that constitutes the main risk facing Farm Superstores. The supplies retail market has become more competitive in the Kingdom of Saudi Arabia due to expansion by local retail traders and entry of international competitors in the market.

**Exhibit 3-8 Market Shares of Supplies Retail Companies in the Kingdom of Saudi Arabia from 2007 to 2012**

%	2007	2008	2009	2010	2011	2012
Azizia Panda	6	9.2	8.6	9.8	10	11.2
Al-Othaim Commercial Group	3.4	3.8	3.8	3.8	4.1	3.7
Bin Dawood Group (Danube)	1.9	2	2.1	2.1	2.3	2
Majid Al-Futaim (Carrefour)	1	1.5	1.5	1.6	1.6	1.5
<b>Saudi Marketing Company (Farm Superstores)</b>	<b>1.2</b>	<b>1.2</b>	<b>1.3</b>	<b>1.3</b>	<b>1.4</b>	<b>1.2</b>
Al-Sadhan for Commerce	0.7	0.7	0.8	0.8	0.8	0.7
Commercial company MEED	0.7	0.7	0.7	0.6	0.6	0.6
AL-Raya for Commercial Markets	0.6	0.5	0.8	0.8	0.8	0.8
Watani Centers	0.6	0.6	0.7	0.6	0.6	0.6
Others	83.9	79.8	79.7	78.6	77.8	77.7

Source: market study

**Exhibit 3-9 Comparison among the Largest Retail Markets in the Kingdom Year 2012**

<b>Company</b>	<b>Sales Million Saudi Riyals</b>	<b>Sales Area 1000 square meters</b>	<b>Number of Markets</b>
Azizia Panda	5,003	215	93
Al-Othaim Commercial Group	1,886	99.4	56
<b>Saudi Marketing Company (Farm Superstores)</b>	<b>1,450</b>	<b>95</b>	<b>39</b>
Al-Raya Commercial Markets	880	40	17
Bin Dawood Group (Danube)	983	82	11

Source: market study

In general supplies retail market indicators are positive in view of the expected growth in factors such as the estimated expenditure, population growth, improved education, Governmental support, and good economic environment. Therefore, Farm Superstores will concentrate on expanding its operations in areas not yet served where there is less competition at the present time along with maintaining its share of consumer expenditure in areas where it currently operates.

## **4. The Company**

### **4-1 Profile of the Saudi Marketing Company (Farm Superstores)**

The Company was established as a limited liability company under Commercial Registration No. (2050006430) dated 02/01/1399H (corresponding to 02/12/1978G) in Dammam. Since its inception, the Company has its head office located at Mohammadbin Saud District behind Al-Bassam Tower in Dammam.

The principal activity of the Company is trading in foodstuff, household consumables items, textiles, stationery retail and wholesale. The activities of the Company also include marketing services on behalf of others and for their own sake, and management and operations of bakeries. The Company includes Farm Superstore, Wholesale Division, Farm Mini Market and AdventureWorld. This is in addition to leasing activity and lease management.

The first branch of the Company for retail sale (Farm Superstores) was opened in the month of Dul Qi'dah 1399H (Corresponding to October of 1979). Due to the efforts exerted by the management in development of plans required for development, implementation and identification of strategic objectives, the Company has witnessed geographical expansion in many regions of the Kingdom of Saudi Arabia, in addition to Lebanon, until the number of its branches up to the date of this Prospectus has reached (42) branches for retail sales under the name of "Farm superstores", in addition to (20) branch of Mini Markets. In the month of Shaban 1427H (Corresponding to September 2006G), the Company opened the first entertainment center in the city of Dammam under the name "Adventure World" as a result of comprehensive studies to the needs of the market and expectations of the management of the Company for success in the future. The number of entertainment centers reached (7) branches distributed geographically throughout the regions of the Kingdom. The Company also operates in the wholesale at the level of the Central Region (Riyadh), Western Region (Jeddah) and Eastern Region (Dammam), where it started by opening its branch in Dammam in 1980 and then followed by the opening of the other two branches.

The authorized capital of the Company is (SAR 250,000,000) divided into 25,000,000 fully paid ordinary shares with a nominal value of SAR 10 per share.

### **4-2 Company's History and Evolution of Capital**

The Saudi Marketing Company ("the Company" or "SAMCO" or "Farm Superstores") was established as a limited liability company and was registered under Commercial Registration No. (2050006430) dated 02/01/1399H (Corresponding to 02/12/1978G). Changes to the capital of the Company and its equity were as follows:

1. The Company started its business in 1978 with a capital of SAR 2,000,000 divided into 2,000 shares, with a value of SAR 1000 per share, and it was divided equally between the two founding shareholders (Mr. Hazem Fayez Al-Aswad and Mrs. Afaf Mohammad Al-Shawwaf).
2. On 19/08/1400H (Corresponding to 02/07/1980G), the shareholders of the Company decided to increase its capital to SAR 2,250,000 divided into 2,250 shares, by closing the profits in the shareholders current account and then capitalizing its credit account balances as follows:

Owner	Number of Shares	Value of Share ( SAR )	Total ( SAR )	Ownership Percentages
Hazem Fayez Al-Aswad	1,125	1,000	1,125,000	50%
Afaf Mohammad Ali Al-Shawwaf	1,125	1,000	1,125,000	50%
<b>Total</b>	<b>2,250</b>		<b>2,250,000</b>	<b>100%</b>

Source: The Company

3. On 21/06/1413H (Corresponding to 15/12/1992G), and pursuant to the shareholders' resolution to amend the Articles of Associations, Mrs. Afaf Mohammad Al-Shawwaf assigned all her shares to the interest of Mr. Hazem Fayez Al-Aswad and Mrs. Sahar Abdul -Karim Al-Madani. The Company shares were distributed as follows:

Owner	Number of Shares	Value of Share (SAR)	Total (SAR)	Ownership Percentages
Hazem Fayez Al-Aswad	2,025	1,000	2,025,000	90%
Sahar Abdul Kareem Al-Madani	225	1,000	225,000	10%
<b>Total</b>	<b>2,250</b>		<b>2,250,000</b>	<b>100%</b>

Source: The Company

4. On 01/09/1419H (Corresponding to 19/12/1998G), the shareholders in the Company decided to increase its capital from SAR 2,250,000 to SAR 10,000,000 divided into 10,000 shares of a value of SAR 1000 per share, following the merger of Al-Aswad International Company Ltd (the merged company) with the Saudi Marketing Company Ltd (the acquiring company) with all assets and entitlements owned by Al-Aswad International Co. Ltd and its liabilities and obligations (net book value) to become a branch of the Saudi Marketing Co. Ltd. The increase of SAR 7,750,000 has been fulfilled as follows: (1) Net assets of the merged company estimated at SAR 3,000,000. (2) Through closing the profits in the shareholders' current account and then capitalizing its credit balances in the amount of SAR 4,750,000. Based on that, the Company shares were distributed as follows:

Owner	Number of Shares	Value of Share (SAR)	Total (SAR)	Ownership Percentages
Hazem Fayez Al-Aswad	9,000	1,000	9,000,000	90%
Sahar Abdul Kareem Al-Madani	1,000	1,000	1,000,000	10%
<b>Total</b>	<b>10,000</b>		<b>10,000,000</b>	<b>100%</b>

Source: The Company

5. On 06/10/1421H (Corresponding to 01/01/2001G), the shareholders of the Company decided to increase its capital from SAR 10,000,000 to SAR 25,000,000 through increasing the paid value of each share from SAR 1,000 to SAR 2,500 per share, the increase of SAR 15,000,000 has been effected by closing the profits in the shareholders current account and then capitalizing its credit balances. Shares were distributed as follows:

Owner	Number of Shares	Value of Share (SAR)	Total (SAR)	Ownership Percentages
Hazem Fayez Al-Aswad	9,000	2,500	22,500,000	90%
Sahar Abdul Kareem Al-Madani	1,000	2,500	2,500,000	10%
<b>Total</b>	<b>10,000</b>		<b>25,000,000</b>	<b>100%</b>

Source: the Company

6. On 16/04/1423H (Corresponding to 27/06/2002G), the shareholders of the Company decided to increase its capital from SAR 25,000,000 to SAR 50,000,000 by increasing the number of shares from 10,000 to 1,000,000 share with devaluation of the share value to become SAR 50 per share. The increase of SAR 25,000,000 has

been in effect by closing the profits in the shareholders current account and then capitalizing its credit balances. Shares were distributed as follows:

Owner	Number of Shares	Value of Share (SAR)	Total (SAR)	Ownership Percentages
Hazem Fayeze Al-Aswad	900,000	50	45,000,000	90%
Sahar Abdul Kareem Al-Madani	100,000	50	5,000,000	10%
<b>Total</b>	<b>1,000,000</b>		<b>50,000,000</b>	<b>100%</b>

Source: the Company

7. On 16/03/1425H (Corresponding to 05/05/2004G), the shareholders decided to increase the paid up value of every share from SAR 50 to SAR 70 per share, which led to an increase in capital value by SAR 20,000,000, bringing the total capital to SAR 70,000,000. The increase amounting to SAR 20,000,000 has been effected by closing the profits in the shareholders current account and then capitalizing its credit balance. Shares were distributed as follows:

Owner	Number of Shares	Value of Share (SAR)	Total (SAR)	Ownership Percentages
Hazem Fayeze Al-Aswad	900,000	70	63,000,000	90%
Sahar Abdul Kareem Al-Madani	100,000	70	7,000,000	10%
<b>Total</b>	<b>1,000,000</b>		<b>70,000,000</b>	<b>100%</b>

Source: the Company

8. On 24/11/1426H (Corresponding to 26/12/2005G), the shareholders of the Company decided to increase its capital from SAR 70,000,000 to SAR 100,000,000 by increasing the number of shares from 1,000,000 to 2,000,000 shares with the devaluation of the share to SAR 50 per share. The increase of SAR 30,000,000 was fulfilled by closing the profits in the shareholders current account and then capitalizing its credit balances. Shares were distributed as follows :

Owner	Number of Shares	Value of Share (SAR)	Total (SAR)	Ownership Percentages
Hazem Fayeze Al-Aswad	1,800,000	50	90,000,000	90%
Sahar Abdul Kareem Al-Madani	200,000	50	10,000,000	10%
<b>Total</b>	<b>2,000,000</b>		<b>100,000,000</b>	<b>100%</b>

Source: the Company

9. On 26/04/1427H (Corresponding to 24/05/2006G), the shareholders of the Company decided to increase its capital from SAR 100,000,000 to SAR 120,000,000 by increasing the number of shares from 2,000,000 to 12,000,000 shares with devaluation of the share to SAR 10 per share. The increase of the capital by SAR 20,000,000 was effected through closing the profits in the shareholders current account and then capitalizing its credit balances. Shares were distributed as follows:

Owner	Number of Shares	Value of Share (SAR)	Total (SAR)	Ownership Percentages
Hazem Fayeze Al-Aswad	10,800,000	10	108,000,000	90%
Sahar Abdul Kareem Al-Madani	1,200,000	10	12,000,000	10%
<b>Total</b>	<b>12,000,000</b>		<b>120,000,000</b>	<b>100%</b>

Source: the Company

10. On 21/03/1431H (Corresponding to 07/03/2010G), the shareholders of the Company decided to increase its capital from SAR 120,000,000 to SAR 200,000,000, divided into 20,000,000 shares at a value of SAR 10 per share. Accumulated dividends of SAR 98,738,469 were distributed and credited to payments made by the

shareholders and then an amount of SAR 80,000,000 was transferred to the share capital to fund the increase. The shares were distributed as follows :

Owner	Number of Shares	Value of Share (SAR)	Total (SAR)	Ownership Percentages
Hazem Fayeze Al-Aswad	18,000,000	10	180,000,000	90%
Sahar Abdul Kareem Al-Madani	2,000,000	10	20,000,000	10%
<b>Total</b>	<b>20,000,000</b>		<b>200,000,000</b>	<b>100%</b>

Source: the Company

11. On 12/11/1432 H (08/08/2011G), the shareholders decided to increase the Company's capital to become the SAR 250,000,000, and accumulated dividends of SAR 56,023,543 were distributed and credited topayments made by shareholders and then an amount of SAR 50,000,000 was transferred to the share capital to fund the increase. Shares were distributed as follows:

Owner	Number of Shares	Value of Share (SAR)	Total (SAR)	Ownership Percentages
Hazem Fayeze Al-Aswad	22,500,000	10	225,000,000	90%
Sahar Abdul Kareem Al-Madani	2,500,000	10	20,000,000	10%
<b>Total</b>	<b>25,000,000</b>		<b>250,000,000</b>	<b>100%</b>

Source: the Company

**Note:** The reason for crediting dividends to the account of payments made by shareholders was to settle amounts due from the shareholders or subsidiary companies and establishments with which the Company was dealing with at that time. With the listing of the Company and entry of new shareholders, any transactions through the account of payments made by the shareholders will be terminated.

12. On 26/03/1433H (18/02/2012G), the shareholders decided to assign some of their shares to their children, and unanimously approved to convert the Company and its subsidiaries from a limited liability company to a closed joint stock company, including their rights and obligations and the conversion of their equities to shares of a nominal value SAR10 per share. The founding shareholders of the Company become as follows:

Shareholder	Number of Shares	Value	Ownership Percentage
Hazem Fayeze Al-Aswad	18,750,000	187,500,000	75%
Sahar Abdul Kareem Al-Madani	1,250,000	12,500,000	5%
Maher Hazem Al-Aswad	1,250,000	12,500,000	5%
Tareq Hazem Al-Aswad	1,250,000	12,500,000	5%
Mohammad Hazem Al-Aswad	1,250,000	12,500,000	5%
Linah Hazem Al-Aswad	625,000	6,250,000	2.50%
Hala Hazem Al-Aswad	625,000	6,250,000	2.50%
<b>Total</b>	<b>25,000,000</b>	<b>250,000,000</b>	<b>100.00%</b>

Source: the Company

Decision No. (198/Q), dated 16/05/1433H (corresponding to 08/04/2012G) from of H.E. the Minister of Commerce and Industry was issued to announce the conversion of the Company from a limited liability company to a closed joint stock company with a capital of SAR 250,000,000, divided into 25,000,000 shares at a nominal value of SAR 10 per share.

## 4-3 The Company's Vision

To become a leading retailer by becoming the preferred destination of our customers by offering a fun-filled and complete shopping experience to our valued customers.

## 4-4 The Company's Mission

To provide high-quality products that meet with the needs of our customers and to fulfill our social responsibilities by pursuing initiatives that provides the greatest possible service to our customers and the society.

## 4-5 Business Strategy

To expand geographically within the Kingdom, to grow annual revenues, and increase market share by investing in core assets, and to increase the operating margin through improved utilization of resources and reduction in costs through integrated enterprise resource planning system (ERP).

## 4-6 Strengths and Competitive Advantages of the Company

### 1. Efficiency of the Management Team

After nearly thirty-five years since its founding, the Company accumulated extensive experiences, where the majority of its senior executives have enjoyed the expertise of more than twenty years of working in the same company, enabling the Company to create added value to its customers and provide services to the highest standards of quality. In addition, the Company's name has become prestigious and well-known commercial name winning the loyalty of a broad base of consumers, and enabled it to get a good share in the market. (Please see "Company Structure and Governance" section of this Prospectus for further details of qualifications of the management team).

### 2. Investment Trends and Geographic Expansion

The Company aims to increase sales outlets and geographic expansion in the Kingdom's regions and cities of high population density and high standard of living, which leads to forming a larger customer base and increasing the confidence of suppliers in the Company. The Company is targeting in the next phase cities of the Central Region, particularly Riyadh, in addition to further expansion in the Northern, Southern and Western Regions, especially the major cities such as Jeddah, Yanbu, Hail, Tabuk and others.

### 3. Employment of Technologies and Keeping Pace with Evolution

The infrastructure for IT systems is available and it keeps pace with the latest of modern technology in sales and inventory control and management systems.

### 4. Brand Name of the Company and Cognitive Awareness Among the Consumers

The Company was able to build a brand name that won the loyalty of a broad base of consumers over nearly thirty-five years since its inception. It also enabled the Company to secure and maintain a good share of the commissary food market in the Kingdom of Saudi Arabia, especially in the Eastern Region.

### 5. Marketing Efficiency

The Company owns high marketing efficiency and focuses on continuing to offer new products and well-known brands and marketing them through marketing and promotions campaigns throughout the year, which indicate the extent of acceptance of the new products by the consumers in order to develop plans accordingly based on such analysis in order to meet the customer's needs and requirements.

### 6. Promoting Food products and a culture of healthy food

The Company is keen to promote food products through preparation and sale of many types of foods such as ready meals with different and distinctive recipes that help to follow the ideal dietary habits. These recipes are placed in the Company's website on the Internet in order to spread awareness and interest in healthy food.

### 7. Effectiveness of Logistic System

The Company applies the logistic system which has been established in accordance with the highest international standards, including safe and effective transportation and storage and all other support services.

## 8. Diversity of Consumption Items

The Company focuses on importation and sale of large quantities of household items (toys, kitchenware, gifts, and other appliances with competitive specifications) which have a higher profit margin compared to food and other groceries.

## 9. Stock Abundance and Relationship with Suppliers

The implementation of plans and strategies is drawn according to the highest standards of stock management, abundance and quality. Also, the Company aims to import its goods from international companies and suppliers, as this will contribute to the increase of profitability rates since the direct purchase from major suppliers has advantages such as lower price, variation of items and guarantee of availability which will offer multiple choices to the consumer.

## 10. Pricing Policy

The Company seeks to continuously improve the pricing policy for the purpose of reaching the highest competitive rank across the competitors' base.

# 4-7 Overview of Subsidiaries

## Pure Springs Agencies and Trading Co. Ltd. – A Limited Liability Company

Pure Springs Company was established in 1424H (2003G) as a limited liability company registered under commercial registration number 2050045816, dated May 23, 2004, (Corresponding to 4 Rabi' II, 1425H) issued in Dammam. Its principal activity includes establishment, management and operation of restaurants, lounges/rest houses, and commercial agencies after registration at the Ministry of Commerce and Industry. Pure Springs Company has acquired the franchise exclusive right for the products of Cinnarol Bakeries Ltd Co. the owner of the trademark "Cinnzeo" (bakery and coffee) and WETZEL'S PRETZELS LLC Company in the Middle East and North Africa. Pure Springs company has (20) branches distributed over the regions of the Kingdom, in addition to (19) subsidiary branches through agents within the Kingdom, and (13) branches for agents outside the Kingdom. Pure Springs Co. contributes to about 1% of total company revenues, as for the last three years.

The current capital of Pure Springs Company is One million Saudi Riyals (SAR 1,000,000) divided into thousand (1,000) shares of equal value, amounting to One Thousand Saudi Riyals (SAR 1,000) per share, and they were distributed to the two founding shareholders as follows:

### Exhibit 4-1 The ratio of shareholders ownership of the subsidiary company: Pure Springs Agencies and Trading Co. Ltd.

S/N	Shareholder	Number of Shares	Ownership Percentage
1	Saudi Marketing Company (Farm Superstores)	900	90%
2	Hazem Ibn Fayeze Al-Aswad	100	10%
	Total	1,000	100%

Source: The Company

## Saudi Marketing and Trading (S.A.L.) Holding Company (referred to as "SAMCO Lebanon")

Saudi Marketing and Trading is a Lebanese joint stock company formally registered in accordance with the laws of Lebanon under commercial registration (1900803) dated 29/10/1427H (corresponding to 21/11/2006G) in Beirut. This company is currently not running any business activities, but it owns the Saudi Marketing and Trading Company (S.A.L), which in turn owns a commercial complex (Beirut Mall). The income of the holding company is represented in the value of fees for supervision on the Saudi Marketing and Trading Company (S.A.L), which are estimated to be 2% of the total sales of that Company. The Saudi Marketing Company (Farm Superstores) owns 99.95% of the shares of SAMCO Lebanon Co.

The capital of SAMCO Lebanon Co. has been specified to be twenty thousand US dollar (USD20,000) equal to (SAR 75,000) divided into twenty thousand (20,000) shares, with a value one (1) US dollar (SAR 3.75) per share, distributed as follows:

**Exhibit 4-2 Ratio of Shareholders ownership in the subsidiary: Saudi Marketing and Trading Company (Holdings) - Lebanon**

S/N	Shareholder	Number of Shares	Ownership Percentage
1	Farm Superstores	19,990	99.95%
2	Sahar Abdul Kareem Al-Madani	5	0.025%
3	Hazem Fayez Al-Aswad	5	0.025%
	<b>Total</b>	<b>20,000</b>	<b>100%</b>

Source: the Company

**Saudi Marketing and Trading Company (S.A.L)**

Saudi Marketing and Trading Company is a joint stock company registered under the laws of Lebanon. The principal activity of the Company is to own, operate and manage supermarkets and shopping malls. The Company owns and manages the commercial complex (Beirut Mall) established on an area of building exceeded fifty thousand square meters (50,000 sq. meters). It contains a branch of the Farm Superstores and another one for AdventureWorld- which the Company owns both brands related to them in Lebanon, in addition to (86) stores leased to other parties. SAMCO Lebanon owns 99.97% of the shares of Saudi Marketing and Trading Company (S.A.L)

Saudi Marketing and Trading Company (S.A.L) capital was specified to be three hundred million Lebanese pound (LP 300,000,000) equal to (SAR 720,000) divided into (30,000) shares, with a value of (LP 10,000) (SAR 24) per share, distributed as follows:

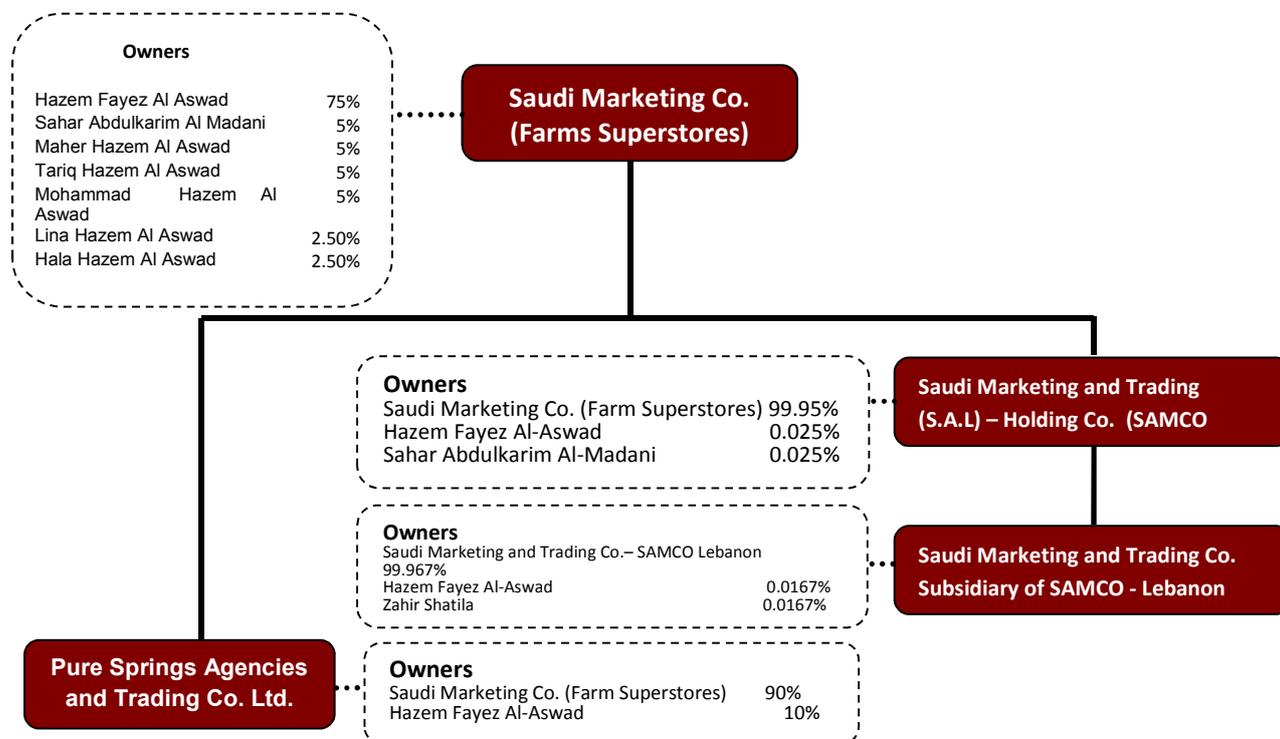
**Exhibit 4-3 Ratios of Shareholders' ownership in the subsidiary: Saudi Marketing and Trading Company (S.A.L)**

S/N	Shareholder	Number of Shares	Ownership Percentage
1	Saudi Marketing and Trading Co. (Holding) – SAMCO Lebanon	29,990	99.967%
2	Hazem Ibn Fayez Al-Aswad	5	0.0167%
3	Zahir Shatela	5	0.0167%
	<b>Total</b>	<b>30,000</b>	<b>100%</b>

Source: the Company

Both SAMCO Lebanon “Holding Company” and Saudi Marketing and Trading Company (S.A.L) jointly contributed to about 9.7%, 7% and 5.2% of total revenues of the Saudi Marketing Company (Farm Superstores) during the years 2010, 2011 and 2012G respectively. This ratio reached approximately 4.5% as at 30 June 2013.

Figure 4-1 Structure of Ownership of Saudi Marketing Company and its Subsidiaries.



Source: the Company

## 4-8 Products and Services

The main purposes of the Company include retail and wholesale trading of food stuff and consumables through the establishment of commercial centers and super and mini markets, in addition to the entertainment center.

### Products

The Company focuses on diversification of products and items that are sold to be able to fully cover the needs of customers. It is also interested in providing the necessary choices of products with high quality and competitive price in coordination with suppliers in order to gain the customer’s trust and satisfaction. The main products of the Company are limited in the following:

- Vegetables, fruits, bakery and meat.
- Household items as well as toys and stationery.
- Foodstuff (milk, cheese, canned food, etc.).
- Wholesales.
- Entertainment centers for children (AdventureWorld).

This is in addition to food products and consumables that are imported from abroad (Syria, Lebanon, China, Germany, Egypt, Tunisia, United Arab Emirates, Italy, Brazil) and other exporting countries. The availability of these products in the Farm Superstores provides numerous opportunities and options for customers, which raises the growth rate of sales as reflected on the high rates of profitability. The Company is interested also in coordination with the concerned departments to design, plan and develop products that bear the name of Farm Superstores, such as paper products, water, rice and other products and to ensure their promotion and marketing to customers by different means, such as weekly newsletters and promotional offers, which help in gaining the trust of customers. The Company also owns exclusive distribution rights of certain products bearing prestigious trademarks manufactured by foreign companies such as German EMSA thermos, which has a large market share in the

Kingdom of Saudi Arabia. Also, the Company has exclusive rights for distribution of the products of the German Kaiser Company, specialized in manufacturing high quality cakes molds and bakery tools.

#### Services

The Company gives great attention to provide all services to the highest required standards and specification in order to ensure confidence and satisfaction of the consumer. Services provided by the Company can be summarized as follows:

- **Customer Care**

To achieve the Company's methodology in meeting all needs of customers and gaining his confidence, the Company has given the greatest attention to the Customer Care. It has dedicated all available resources in order to achieve the desired objective, which is to earn the trust and satisfaction of customers by focusing on their observations or proposals and work on addressing and taking them into account.

- **Plus Card Service (Plus Card)**

The Company provides Plus Card service to its customers, which is a service that enables customers to earn points in return of recurring purchases. The service allows Plus Card customers to get instant discounts and deductions on prices of goods in accordance with the terms and instructions applied with the knowledge of the customer. This service is provided for the purpose of strengthening and consolidating the relationship with customers and having them obtain the advantages that the Company enjoys, compared to the competitive companies.

- **Transportation Service for Customers**

Through the Company's endeavors to exert its efforts in order to gain confidence and satisfaction of the customers, it has provided transportation service to customers who live in housing compounds or work at these complexes, and transport them by its own buses to and from their places of residence without any charges to enable them go shopping from the branches of Farm Superstores. The Company owns a fleet of 24 buses to provide this service.

- **Social Responsibility**

In line with the Company's belief in its social responsibility and desire to push the progress of the social service institutions, it has a number of initiatives, including the contracting with the Charity Association for Care and Rehabilitation of the Handicapped in the program of (Leave the change to them), which aims to encourage customers to donate the remaining change for the benefit of that Association when shopping at the Company markets.

## 4-9 Commercial Activities outside the Kingdom of Saudi Arabia

As for the Company's activities outside the Kingdom of Saudi Arabia, its external activity is concentrated in the following companies:

- a. Saudi Marketing and Trading Company (S.A.L), a Holding company in Lebanon (referred to as SAMCO Lebanon) (see section 4.7, "Overview of Subsidiaries").
- b. Saudi Marketing and Trading Company –a Lebanese Joint Stock Company (see section 4.7, "Overview of Subsidiaries").

The net asset value of business outside the Kingdom of Saudi Arabia stood at (SAR 137,293,900), represented in (Beirut Mall), which is located in Beirut, Lebanon, at old Sidon road, established on an area of (9,150) square meters, consisting of five upper floors and four basement floors (parking). Building built up area is (50,000) square meters, and it contains several stores. The following is a breakdown of these assets:

#### Exhibit 4-4 Details of fixed assets outside the Kingdom of Saudi Arabia

Assets	Value (Saudi Riyals)
Buildings	114,360,733
Machinery and equipment	16,190,269
Vehicles	399,610
Other (computers, furniture and furnishings, and decorations)	6,343,288

Source: the Company

The following table shows the percentage of contribution of investments outside the Kingdom (the two Companies in Lebanon) in the total revenues and profits of the Company, as follows:

**Exhibit 4-5 Percentage of contribution of abroad investments in the total revenues and profits of the Company:**

Description	2010		2011		2012		30 June 2013	
	Value (SAR)	% of total	Value (SAR)	% of total	Value (SAR)	% of total	Value (SAR)	% of total
Revenue from Outside Investments	101,348,655	9.9%	92,075,144	7.3%	78,149,822	5.2%	34,750,581	4.4%
Net Profit from Outside Investments	8,698,823	15.5%	8,626,988	12.9%	7,351,034	9.3%	1,702,513	3.7%

Source: the Company

## 4-10 Operational and Support Functions

### 4.1.1 Operational Functions

**Figure 4-2 organizational structure of the Operational Divisions in the Company**



Source: the Company

### Operations

Operations Department is responsible for focusing on the work progress that should be in accordance with the rules, principles and plans drawn by the Company's management, for all branches and warehouses of the Company. Tasks of the Department are distributed and divided to Regional Management, District Management, and Branch

Management. The Department of Operations focuses on the employment of its capabilities in order to achieve the objectives assigned to it by Senior Management.

- **Regional Operations**

The regional management makes coordination between Operations Department of the Company and departments of other branches to make sure that support is provided to all areas which have branches, and also to ensure that all requirements of products and services offered by the Company are available in order to achieve of the highest degree of satisfaction of the Company customers. The regional management is keen to achieve the sales target at the regional level and to implement all the goals and strategies set by the Company.

- **Districts Managements**

The District Management focuses on overseeing all branches in the district and meeting all requirements of stock and others. The District Management also seeks to provide technical support to the branches through the supervision and control of the operational tools of the branch and make sure that they work efficiently in order to provide quality services and gain customer satisfaction. The District management will also be responsible for achieving the expected sales targets based on strategies and goals set by the Senior Management.

- **Branches Managements**

The Branch Management is interested to have the branch cover all consumption items for customers and provide the proper stock through coordination with the district management and preparation of lists shortages which are needed and ensure that they are provided. The branch management employs all its efforts to make sure all the needs of customers are fulfilled in accordance with the highest quality standards in order to gain confidence and satisfaction of the customer.

## **Supply and Warehouse Management**

This department is interested in management and development of warehouses to facilitate inventory and ensure the conformity of the goods to be transferred or distributed to the various regions to the highest standards of quality. The turned-in goods are reviewed and ensured to be returned to suppliers. The Supply Management is also interested to designate and define all spaces which will be used for storage to facilitate the access to the products based on the classification which has been adopted by the warehouse management. This department performs the following tasks:

- **Products Development Department**

The Department of Products Development works to provide new products that suit the needs and tastes of customers with their different categories, taking into account quality standards and keeping pace with the technical progress. This is done through tracking all new products in the global markets, especially those related to wholesale and retail trading sectors, including studies and research related to the products and the sector in general. In addition, the Department prepares schedules necessary to track if there is any shortage in the required items according to the speed of sales cycle, which results in a decrease of storage costs and less periods of storage of items in the Company's stores, taking into account the changes that will occur in the ratio of annual sales and changes in market conditions. Also, the Department of Products Development works to coordinate with suppliers and make sure that shipments of goods are delivered and received in the agreed upon times, and it ensure that all vacant spaces in the Company's stores are utilized in order to reduce the cost of storage, which will lead to a high rate of profitability. The Department of Products Development is also responsible for planning, design and preparation of specifications required to build the Company's stores in accordance with the highest standards of quality and means of professionalism. Also it oversees the storage of the imported goods by all means that ensure maintaining their quality and thus reduce the margin of damage in these products.

- **Storage and Logistics Services Department**

Storage and Logistics Services Department takes care of modernization and ensure the efficiency of the data entry operations system for incoming and outgoing quantities to ensure the efficient exchange of functions within the scope of the procurement process. The Department aims to coordinate with the Purchasing Department to ensure the development of logistics services as per the required rate and also the development work schedules for logistic services to achieve the greatest cover-up of requisitions for all branches and warehouses. Storage Department seeks the continuous planning to satisfy the requirements of all areas of

necessary equipment and tools leading to the provision of all means available to ensure the proper handling of goods in order to reduce the margin of damages.

- **Quality Control Department**

This Department is interested in determining the quality standards for materials and products that will be presented to the customers through the branches of the Company, and making sure that they conform to the international standards of ISO. Lists are prepared to measure the quality development and samples are tested to ensure quality. Also random testing procedures are applied on the handling and receiving process, thereby ensuring the strong care in the arrangement of displayed items, cleanliness of the surrounding environment, follow-up of periods of validity for the products and dealing with customers in a full professional way. The Department is also interested in coordination with government agencies such as the Ministry of Health and private agencies interested in quality care, in addition to the authorities concerned in monitoring the quality of food and supplies.

- **Products and Goods Inspection Department**

This department is interested in development of testing policies, and evaluation of the quality of the materials in the proposals of suppliers before buying them, and examining the materials used in production. This requires application of procedures for all physical, chemical and microscopic testing of samples, if necessary, through coordination with the developer of the materials in the event of a difference in the actual specification and standard in order to make urgent amendment and focus on processes related to the development of the new products to ensure the reduction of the cost of projects.

### **Marketing Department**

This department deals with advertising and marketing campaigns and constant concern to appropriate times and periods of advertising campaigns according to market conditions and requirements. The Marketing Department is also interested in the scientific analysis of the desires of the consumers and their behavior on the basis of areas and regions in order to ascertain the desires and needs of consumers.

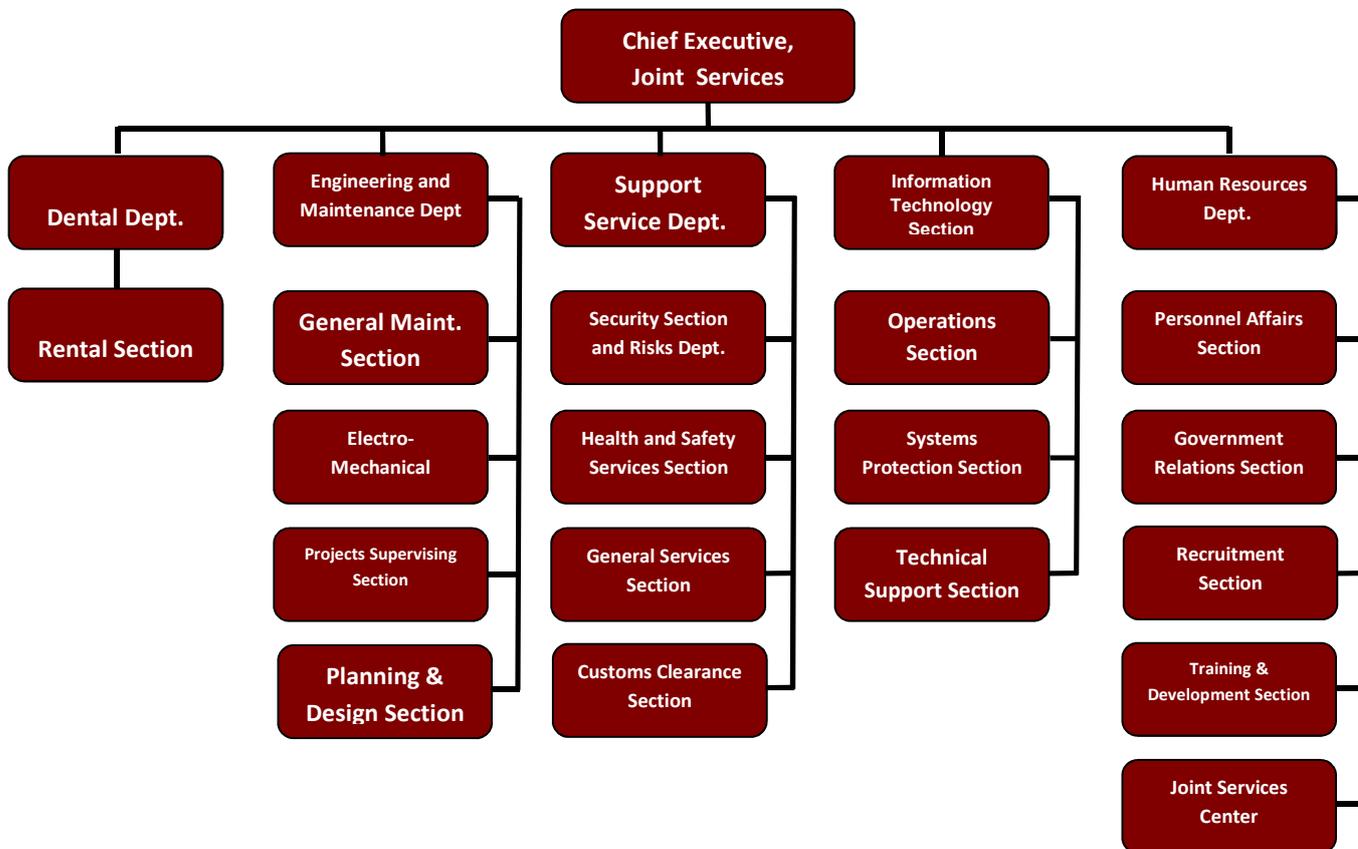
### **Arrangement and Products Display Department**

This department is interested in preparation of methods and means for display of products so that they appear properly and as required to facilitate their marketing and promotion and draw the attention of the consumer to them. The department is keen to continuously make coordination with the Procurement Department and use all available methods to market products in a manner that achieves rates of good profitability.

#### **4.1.2 Support Functions**

Support and Assistance Services focus on meeting the daily needs of all facilities and branches of the Company, and the development of monitoring systems and means of security and safety appropriate to the surrounding environment. The Support and Assistance Department finalizes all customs clearance procedures, verify the accuracy of the official transactions and ensure that imported products arrive on the specified times, pursuant to what will achieve the aspirations of the customers.

Figure 4-3 Organizational Chart that illustrates the Support Functions of the Company



Source: the Company

### Human Resources Department

Human Resources Department is responsible for development of plans and strategies that aim to improve and develop the performance level of the Company's employees. In addition, it carries out administrative works and development them. Also, it conducts all transactions and procedures related to Government departments. For improvement and development of the level of the Company's employees, the Human Resources Department is working according to the strategies set by the Senior Management in order to develop and improve the production level of the staff through the application of evaluation system for employees for the purpose of optimizing their level of performance. Also, the Department dedicates its efforts to attract distinguished cadres to cover all the needs of all sections of the Company and its subsidiaries. The Department is keen to apply all the laws of work regulations.

### Information Technology Department

Information Technology Department is responsible for development of systems and strategies, and providing technical support operations. Its responsibility is concentrated in management of information system for the Company and composition and organization of database and keeping it from potential risks by bringing and keeping up with developments of means of technologies. Also, it is interested in management of company's warehouses and organization of database input, periodically and continuously, to facilitate retrieval of data then after. The Department is also keen on providing the necessary applications to oversee the production and ensure employment of the available technical means with high efficiency to achieve the required services. It also conduct management of networks at the level of regions and branches, and it is keen to provide ongoing technical support operations and find appropriate and quick solutions to the sudden problems, to avoid any potential losses. The Information Technology Department is keen to keep pace with technical progress to bring modern hardware and software, and

also interested to bring advanced protection and security systems and manage them through periodical and continuous updates by the competent technical support team.

### **Support Services Department**

Support Services Department is mainly responsible to ensure compliance with all the rules related to potential risks. The Department is keen to implement all quality specifications through obtaining the necessary approvals by regulatory authorities. The Department is also interested to provide all means of security and protection, and develop required systems for transfer of cash from one agency to another so as to prevent thefts and losses. Among the tasks assigned to the Support Services Department, is to provide all the brochures which show the means and rules of safety and procedures for all employees of the Company, without any exception. This is done by following the modern methods of spreading awareness among the employees of the Company by conducting training courses. Support Services Department provides all office supplies. Support Services Department is also responsible for customs clearance for the imports of the Company from the outside, either through seaports or through airports. Support Services Department is interested to ensure arrival and receipt of all shipments on the specified times, which will enable it to meet the needs of all branches and sections, and control the time required for internal distribution.

### **Engineering and Maintenance Department**

Engineering and Maintenance Department oversees all company assets such as buildings and vehicles and it is keen to provide all required maintenance procedures, by communicating with manufacturers and suppliers of equipment used in the Company's projects, and ensuring the availability of full guarantees necessary for all equipment and vehicles owned by the Company. Engineering and Maintenance Department also review all work contracts concluded with other parties and ensure accuracy and compliance with all general rules and principles. Engineering and Maintenance Department oversees implementation of plans approved by Senior Management of the Company and supervises the construction and new designs and ensures their implementation in the field according to the specified standards and specifications. Engineering Department is also interested to prepare estimate studies for sites where investment will be made in order to take fundamental decisions on purely scientific basis. Engineering Department also prepares a variety of classifications, including all contractors who deal with the Company to facilitate the process of choosing the right contractor for the project.

### **Lease Department**

This Department is keen to follow-up and lease units belonging to the Company and those need also to be leased through preparation of appropriate marketing programs and plans. The Department manages negotiations with companies wishing to rent as well as the renewal of contracts. The Department gives full attention to its customers in order to develop, establish and strengthen the mutual relationship between the customer and the Company. The Lease Department is interested to provide and apply all principles and rules set by Senior Management and applies them on all its transactions.

## **4-11 Branches of the Company**

Saudi Marketing Company owns forty-five (45) branches of Farm superstores for retail sale, twenty (20) branches of Mini Market for retail sale, seven (7) branches of the entertainment center (Adventure World), and three (3) outlets for wholesale, as shown in the following exhibits:

### **Exhibit 4-6 Locations and branches of Farm superstores in the Kingdom (arranged by branch number)**

<b>SN</b>	<b>Name of the Branch</b>	<b>Location</b>	<b>SN</b>	<b>Name of the Branch</b>	<b>Location</b>
1	Farm Superstores-1	Dammam	24	Farm Superstores-24	Al-Hasa
2	Farm Superstores-2	Jubail	25	Farm Superstores-25	Aziziyah – Al Khobar
3	Farm Superstores-3	Jubail	26	Farm Superstores-26	Jeddah
4	Farm Superstores-4	Dammam	27	Farm Superstores-27	Qatif
5	Farm Superstores-5	Dhahran	28	Farm Superstores-28	Jeddah

6	Farm Superstores-6	King Fahd Hospital - Dammam	29	Farm Superstores-29	Um Al Sahek- Qatif
7	Farm Superstores-7	Jubail	30	Farm Superstores-30	Al-Khafji
8	Farm Superstores-8	Dhahran	31	Farm Superstores-31	Jubail
9	Farm Superstores-9	Al Khobar	32	Farm Superstores-32	Jubail
10	Farm Superstores-10	Al Khobar	33	Farm Superstores-33	Dammam
11	Farm Superstores-11	Al Khobar	34	Farm Superstores-34	Jazan
12	Farm Superstores-12	Dammam	35	Farm Superstores-35	Al-Khafji
13	Farm Superstores-13	Jubail	36	Farm Superstores-36	Jubail
14	Farm Superstores-14	Dammam	37	Farm Superstores-37	Hafr Al-Batin
15	Farm Superstores-15	Qatif	38	Farm Superstores-38	Jeddah
16	Farm Superstores-16	Al Khobar	39	Farm Superstores-39	Dhahran
17	Farm Superstores-17	Dammam	40	Farm Superstores-40	Al-Hasa
18	Farm Superstores-18	Ras Tanourah	41	Farm Superstores-41	Jeddah
19	Farm Superstores-19	Safwa	42	Farm Superstores-42	Military City- Dammam
20	Farm Superstores-20	Jeddah	43	Farm Superstores-43	Jubail
21	Farm Superstores-21	Jubail	44	Farm Superstores-44	Baljurashi - Al Baha
22	Farm Superstores-22	Dammam	45	Farm Superstores-45	Yanbu
23	Farm Superstores-23	Jubail			

Source: the Company

\* The Branch is located inside the complex of King Fahad Specialized Hospital in Dammam in the center of the housing area for the staff working in the hospital.

**Exhibit 4-7 Locations and branches of Farm Mini Markets in the Kingdom (arranged by branch number)**

SN	Name of the Branch	Location	SN	Name of the Branch	Location
1	Al-Haqeet Compound	Al Khobar	11	Al-Mutlaq Compound	Al Khobar
2	Lotus Compound	Al Khobar	12	Jizala Compound	Dammam
3	Nesma – 1 Compound	Al Khobar	13	Munifah-1 Compound	Al-Khafji
4	Nesma-2 Compound	Jubail	14	Nesma Rotus Compound	Jubail
5	Ala Uddin – 1	Jubail	15	National Guard Complex	Dammam – Al Khobar highway
6	Elegant Home Compound	Jubail	16	Al-Karawan	Al Khobar
7	Al-Kanari Compound	Al Khobar	17	Jizala - 2	Dammam
8	National Guard Complex	Al-Hasa	18	Al-Hazza'	Al Khobar
9	Ala Uddin – 2	Al-Hasa	19	Sun Rise Beach	Al-Aziziyah
10	Al-Nada Compound	Al Khobar	20	Al-Dana	Al Khobar

Source: the Company

**Exhibit 4-8 Locations and branches of AdventureWorldin the Kingdom (arranged by branch number)**

SN	Name of Center	Location
1	Adventure World– 1	Dammam
2	Adventure World– 2	Al-Hasa
3	Adventure World– 3	Al-Khafji

4	Adventure World– 4	Jazan
5	Adventure World– 5	Hafr Al-Batin
6	Adventure World– 6	Hayel
7	Adventure World– 7	Jeddah

Source: the Company

#### Exhibit 4-9 Locations and branches of wholesale outlets in the Kingdom

SN	Name of Center	Location
1	Wholesale outlet	Dammam
2	Wholesale outlet	Riyadh
3	Wholesale outlet	Jeddah

Source: the Company

#### Exhibit 4-10 Growth in number of branches of the Company by activity

Description	2009	2010	2011	2012	2013 *
Farm Superstores	31	35	37	42	45
Mini Markets	9	13	16	21	20 **
Wholesale Stores	3	3	3	3	3
AdventureWorld	3	4	5	6	7

Source: the Company

\*As of the date of this Prospectus.

\*\* Munifah 2 branch at Al-Khafji had a subcontract with one of Aramco's contractors and the term of the contract would be terminated upon the completion of the project by the contractor. So business was terminated by the end of the project and its handover by the contractor.

## 4-12 Pure Springs Company:

Pure Springs Company owns (21) Branches distributed throughout the Kingdom, as in the following table:

#### Exhibit 4-11 Locations of branches of Pure Springs Company (arranged by branch number)

SN	Name of the Branch	Location	SN	Name of the Branch	Location
1	Al Rashid Mall (Cinnzeo)	Al Khobar	12	Dhahran compound - Farm superstores 9 (Cinnzeo)	Al Khobar
2	Fanateer commercial complex (Cinnzeo)	Jubail Industrial - Fanateer District	13	NAF compound - Farm superstores 5 (Cinnzeo)	Doha District - Dhahran
3	Cady Mall (Cinnzeo)	Jazan - Corniche Road	14	Farm superstores 19 (Cinnzeo)	Safwa
4	Farm commercial complex (Cinnzeo)	Hofuf – Al-Mazrou District	15	Al-Lu'lu Complex - King Abdul Aziz Street (Cinnzeo)	Dammam
5	Al Mohammadiyah District (Cinnzeo)	Hafr Al-Batin	16	Othaim Mall (Cinnzeo) Al-Hasa	Al-Hasa
6	Al Qatif City Mall (Cinnzeo)	Qatif - Al-Shate' District	17	Fanateer commercial complex (WETZEL'S PRETZELS)	Jubail Industrial – Fanateer District
7	Prince Mohammad bin Fahd bin Abdul Aziz (Cinnzeo)	Dammam	18	Dana Mall (Cinnzeo)	Yanbu
8	Darren Mall (Cinnzeo)	Dammam - Al-Azizia	19	Yanbu University College ( Girls ) (Cinnzeo)	Yanbu
9	Prince Fahd bin Salman District (Cinnzeo)	Al-Khafji	20	Yanbu Industrial College (boys) (Cinnzeo)	Yanbu
10	Fanateer commercial complex (Costadoro)	Jubail - Industrial – Fanateer District	21	Abul Khair Mall (Cinnzeo)	Baljurashi – Baha
11	Al Rashid Mall – Carrefour (Cinnzeo)	Al Khobar			

Source: the Company

**Note:** Branches from 1 to 10 have Commercial Registrations, and branches from 11 to 17 and 21 are kiosks, "temporary removable points of sale set up to practice various business activities and they are located in malls, streets and parks". The conditions of the Ministry of Commerce regarding the area size do not apply on them to issue separate Commercial Registrations, as they exist within commercial complexes. As for branches from 18 to 20, they have been purchased in 01/10/2013G and work is under process to obtain the required Commercial Registrations for them.

#### 4-13 Saudi Marketing and Trading Company (S.A.L)

Saudi Marketing and Trading Company (S.A.L) own and manage the commercial complex (Beirut Mall), which is located in the city of Beirut, Lebanon, on Sidon old road. It is established on an area of (9,150) square meters, composed of five upper floors and four levels of basement parking. It has a flat space of buildings of about 50,000 square meters, and it contains a number of shops.

The land on which "Beirut Mall" is built is leased by the Saudi Marketing and Trading Co. (S.A.L) from its owner Amer Ghandour under a lease contract of 40 years period ending in 2043G and renewable for additional ten years.

#### 4-14 Assets of the Company

**Exhibit 4-12 Assets of the Company as in the consolidated financial statements on December 31, 2012G (in SAR'000)**

Type of Assets	Total Cost	Accumulated Depreciation	Net Book Value
Lands *	114,506	-	114,506
Buildings and Leased Improvements	295,166	53,885	241,677
Machinery, Cold Storage and Equipment	71,041	24,930	46,111
Vehicles	24,559	15,067	9,492
Furniture, furnishing and Office Equipment	115,436	41,213	74,223
Capital Work in Progress	31,275	-	31,275
<b>Total</b>	<b>651,982</b>	<b>135,095</b>	<b>516,887</b>

Source: the Company

\* Total value of land cost according to the financial statements for the year (2012) is (SAR 114,505,760), while the correct value is (SAR 115,919,360). The difference of (SAR 1,413,600) is the value of decorations and improvements in Beirut Mall Building, which were excluded due to the fire and deducted from the total value of the land rather than from the value of "buildings and leasehold improvements".

**Exhibit 4-13 lands owned by the Company as at 30 June 2013 \***

S N	Site	Location	Cost (SAR)	Area (m2)	Date of Acquisition
1	Plots Nos. 212, 213, 214, 215, 216, 217, 218, 219 and 220	Al-Hasa	5,105,000	10,079	09/12/2003
2	plots Nos. 330 and 331 of the layout No. 68/01	Dammam - Nasriyah District	1,800,000	780	01/10/1979
3	Plot No. 30, Block 18, Layout No. 105	Dammam - Mohammad Ibn Saudi District	925,000	500	01/10/1979
4	Plot No. 153, Block 13	Dammam	333,333	500	01/10/1979
5	Plots Nos. 149 and 151, Block 13	Dammam	666,667	1,000	01/10/1979
6	Plot No. 1 , layout 337/1	Dammam	26,013,600	4,336	29/12/2008
7	Plots numbers 840, 841, 842, 843, 844, 845	Jeddah	12,123,187	4,731	02/03/2009
8	Plots Nos. 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155 and 158A	Dammam – Alkhaldiah	12,000,000	12,000	01/10/1979

9	Plot No. 2 and 4 of block 10 in Al-Al Khobar	Al Khobar-Tahliah Beach layout	5,500,000	5,000	01/10/1979
10	Plot No. 298	Jubail	508,000	1,200	19/04/2006
11	Plot No. 577	Al-Hasa	110,000	461	12/08/2009
12	Plot No. 578	Al-Hasa	350,000	570	12/08/2009
13	Plot No. 75 Layout A	Jazan	290,000	400	15/12/2010
14	Plot No. 793 Layout 9	Jazan	200,000	392	15/12/2010
15	Plot No. 214 Layout A	Jazan	163,000	392	01/12/2010
16	Plots Nos. 225 of the original plot No. 227, and plot No. 225 of block 18 of the Plot No. 811/U. D	Dammam – Industrial City	3,269,059	2,213.03	27/06/2011
17	Plots of land No. 87, 88, 89 and 90	Jeddah-Samer District	9,327,500	3,640	26/12/2011
18	Plots Nos. 296-297 of block No. 22 of layout No. 2/121	Al Khobar – Amwaj District	3,489,050	4,880	16/06/2012
19	Plot No. 7/2	Hayel - Faysaliah	563,510	2,995	20/10/2008
20	Plots Nos. 37, 38, 39, 40, 41, 42 of the layout No. 227/B and Wadi Quarter in Jeddah	Jeddah - Wadi District	16,989,404	19,500	31/12/2012
21	Plots Nos. 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306 and 307 of Layout No. M/Z/81	Yanbu - District d / 2	16,193,050	11,699.70	18 and 19/12/2012
	<b>Total **</b>		115,919,360		
22	Plot No. 56 of layout No. 105/01	Dammam – Mohammad Ibn Saudi District	2,800,000	939 m2	23/01/2013
	<b>Total as at 30/06/2013G</b>		118,719,360		

Source: the Company

\* The land on which "Beirut Mall" is built is leased by the Saudi Marketing and Trading Co. (S.A.L) from its owner Amer Ghandour under a lease contract of 20 years period ending in 2025G and renewable for additional ten years.

\* Total value of land cost according to the financial statements for the year (2012) is (SAR 114,505,760), while the correct value is (SAR 115,919,360). The difference of (SAR 1,413,600) is the value of decorations and improvements to Beirut Mall Building, which were excluded due to the fire and deducted from the total value of the land rather than from the value of "buildings and leasehold improvements".

#### Exhibit 4-14 Current Buildings owned by the Company (Saudi Riyal)

Location	Historical Value	Accumulated Depreciation	Net Book Value as at 31 December 2012	Net Book Value as at 30 June 2013
Dammam Branches	63,720,709	23,965,319	39,755,390.60	40,605,153
Al-Hasa Branches	34,447,681	5,296,017	29,151,664.48	28,580,932
Jubail Branches	7,024,041	1,768,783	5,255,257.39	5,634,841
Al-Khafji Branches	23,684,013	3,843,382	19,840,631.66	19,254,913
Hafr Al-Batin Branches	5,763,385	411,361	5,352,024.02	5,258,943
Jeddah Branches	19,089,790	3,134,654	15,955,135.63	19,802,074
Jazan Branches	8,640,949	1,018,973	7,621,975.08	7,405,936
Riyadh Branches	47,770	17,502	30,267.11	29,073
Hayel Branches	1,613,256	15,027	1,598,228.41	1,976,491
Cinnzeo Branches	1,782,665	489,192	1,293,473	1,271,497
Beirut Branches	127,937,709	13,924,633	114,013,076	113,434,048
Al-Baha Branch	-	-	-	3,872,476
<b>Total</b>	<b>293,751,970</b>	<b>53,884,848</b>	<b>239,867,122</b>	<b>247,126,377</b>

Source: the Company

All branches above are rented premises from third parties, except the three branches in the following table, which are plots leased from third parties, and wherein branches have been established. They are as follows:

District	Branch	Owner	Value (SAR)	Start of Contract	End of Contract
Dammam Branches	Farm Superstores 9	Bakhashab Transport and Trading Co., Ltd.	4,000,000	01/07/2008	01/07/2023
Al-Khafji Branches	Farm Superstores 30	Aramco Gulf Operations Limited	70,600	01/01/2006	01/07/2031
Al-Hasa Branches	Farm Superstores 40	Saleh Abdullah Mohammad Naeem	670,026	01/07/2010	30/06/2031

Source: the Company

It should be noted that the Company has contracted with real estate developers to build three new branches for Farm Superstores in different places in Riyadh. Then the Company rent these branches under long-term contracts. According to the Company's strategic plans, it aims to open these branches during the period between 2014 and early in 2015. This is in addition to the opening of a number of other branches in the cities of the Kingdom during the same period. The following are the projects under implementation and expected dates of operation as at 30 June 2013:

#### Exhibit 4-15 Projects under Implementation

SN	Description	Expected Date of Operation	Expected Value of Project (in Saudi Riyals)
<b>Locations of Farm Superstores</b>			
1	Farm Branch – Jeddah (Al-Haramain)	December 2013	10,222,500
2	Farm Branch- Hayel	May 2014	14,100,000
3	Farm Branch- Jeddah-Samer 1	April 2014	7,755,000
4	Farm Branch- Jeddah – Samer 2	May 2014	4,935,000
5	Farm Branch- Dammam (Al-Dhahia)	May 2014	7,755,000
6	Farm Branch- Arar	January 2014	7,238,000
7	Farm Branch- Riyadh (Sweidi)	August 2014	4,935,000
8	Farm Branch- Riyadh (Qurtubah)	October 2014	4,935,000
9	Farm Branch- Riyadh (Al-Shifa)	December 2014	10,857,000
10	Farm Branch- Yanbu	January 2015	9,400,000
<b>Locations of Adventure World</b>			
1	Adventure World Branch- Jeddah (Flamingo)	September 2013	16,219,407
2	Adventure World Branch- Arar	January 2014	7,000,000
3	Adventure World Branch- Yanbu	January 2015	7,000,000
<b>Other Locations</b>			
1	Vegetable Store – Dammam	December 2013	5,272,059
2	Warehouse – Jeddah	December 2013	23,989,404
3	Administration Office – Dammam	December 2013	11,000,000
4	Workmen Housing Building- Dammam	August 2013	4,449,389
5	Workmen Housing Building – Hayel	March 2014	564,000
6	Yanbu Mall	January 2015	26,190,050
<b>Total</b>			<b>183,816,809</b>

Source: the Company

## 4-15 Future Aspirations

### Geographical Expansion

The Company seeks to continue its geographical expansion to cover all parts of the targeted areas, in order to provide and offer products of foodstuffs and consumable items, etc., while maintaining the highest standards of quality in the provision of all services. During the next three years, the Company will focus on preparation of all necessary plans and studies in preparation to enter the markets of the Central Region (Riyadh), as mentioned above-

because of the population density and the good environment for investment. Also the Company will focus on the preparation of the necessary plans for expansion in the Western Region (Jeddah), as well as the Hayel Region, in order to increase its sales and thus increase its share of the market.

### **The Growth of the Company's Sales**

Due to the large area of the Kingdom and the reasonable rates of population growth, in addition to the demographics of predominantly young people, and the relatively high per capita income, which increases the purchasing strength, all of these factors are considered to be strong incentives to support investment in the retail and commissary sector, which increases the chances of competition in the market.

Based on that, the Company is seeking to develop plans and goals that support its position on the market, increase its share and maintain the good level of annual growth. This will be achieved through the expansion of the branches network and application of the highest professional standards in its management, and diversification of the products in line with consumers' tastes and aspirations.

### **Products and Services Development**

The Company is keen on the continuous development of different types of products, whether they are food, consumables, or accessories, through the formation of a working group that helps in the search for the best products from both inside and outside the Kingdom. To facilitate the import operations, especially for consumer products such as meat and vegetables that are characterized by rapid movement of rotation in the market, and to ensure that they are accessible to the public of consumers pursuant to the plans drawn by senior management which is concerned with the development of products and services. This will contribute to raising the rate of growth of the Company's sales and increase profitability. The Farm Superstores Company aims to be always distinguished from its competitors. It also aims to expand its activities through the sale of various household products in order to meet the customer needs. It is also keen to provide a wide variety of distinctive gifts and toys.

### **Compilation of Company's Activities in Commercial Complexes**

Due to the remarkable success achieved by the Company through the development of small commercial complexes, which aim to provide all company's activities and services under one roof represented in the Farm Superstores (retail trading), Adventure World (recreational centers for children's games), and Cinnzeo (bakery and coffee) which belongs to the Pure Springs company, as well as some shops of various activities. Accordingly, the Company will ensure over the coming years that it increases the number of commercial complexes and their potential distribution to the targeted areas, through development of statistics and studies necessary to assess the needs of the areas to be covered.

### **Improvement of Profit Margins**

Improvement of the profit margin focuses on some of the factors through which the Company will be able to increase its rates of profitability, by the development and manufacturing of products for Farm Superstores, such as paper products, bottled drinkable water, accessories, and other products that should be of a high quality and competitive price. Usually these products are distinguished by high profit margins. It also focuses on increasing sales of house wares, gifts, toys, accessories and other goods, which have a relatively high profit margin.

### **AdventureWorld - Entertainment Centers for Children**

With reference to the remarkable success and progress achieved by the Entertainment Centers (AdventureWorld) and the desirability and acceptance they have among customers, the Company aims to increase the number of branches and targeting areas that have lack of urban recreational cities of high level, through the study of the targeted areas and analysis of the results. The Company focuses currently on working to open new branches in the Western Region (Jeddah) and Hail.

It should be noted that the Company or any of its subsidiaries have not witnessed any interruptions of their business that may affect or might have affected significantly the financial position of the Company during the last twelve months.

## 4-16 Future Expansion Plans

Company seeks, according to the work plan for the period from (2013-2017G), to the opening of the following branches:

### a) Branches of Farm Superstores

**Exhibit 4.16 Branches of the Farm Superstores**

Branch No.	Name / No. of Branch	Location	Area ( m2 )	Leased / Owned	Owner	Expected month / year of operation	Estimated Cost ( SAR )	Status
46	Farm Superstores Br. Al-Haramain	Jeddah	3,053	Owned	Saudi Marketing Co.	January 2014	10,222,500	Signed and being implemented
47	Farm Superstores Branch	Ara'ar	3,524	Leased	Samah Commercial Center Co.	January 2014	7,238,000	Signed and being implemented
48	Farm Superstores Branch	Hayel	6,103	Leased	Retail Real Estate Co.	March 2014	14,100,000	Signed and being implemented
49	Farm Superstores Br.-Samer 1	Jeddah	3,640	Owned	Saudi Marketing Co.	April 2014	7,755,000	Signed and being implemented
50	Farm Superstores Br.-Samer 2	Jeddah	2,100	Leased	Al-Mordi for Investment Real Estate & Development	May 2014	4,935,000	Signed and being implemented
51	Farm Superstores Br.-Dhahiah	Dammam	1,900	Leased	Al-Aswad for Real Estate Services Est.	May 2014	7,755,000	Signed and being implemented
52	Farm Superstores Br.-Al-Suwaidi	Riyadh	2,200	Leased	Al-Khalijiah for Investment & Real Estate Development	May 2014	4,935,000	Signed and being implemented
53	Farm Superstores Br.-King Abdulaziz Road	Riyadh	4,566	Leased	Al-Andalus Real Estate Development Co.	October 2014	10,857,000	Signed and being implemented
54	Farm Superstores Branch	Yanbu	3,116	Owned	Saudi Marketing Co.	January 2015	20,400,000	Signed and being implemented
55	Farm Superstores Branch	Dammam	2,933	Leased	Majd Real Estate Development Co.	January 2015	6,500,000	Signed and being implemented
56	Farm Superstores Branch- Qurtubah	Riyadh	2,083	Leased	Al-Najdiah Real Estate Co.	February 2015	4,935,000	Signed and being implemented
57	Farm Superstores Branch	Dammam	3,152	Leased	Municipality of the Eastern Region	April 2015	7,500,000	Signed and implementation not yet started
58	Farm Superstores Branch	Dammam	2,755	Leased	Municipality of the Eastern Region	July 2015	8,300,000	Signed and implementation not yet started
59	Farm Superstores Branch	Abu Areesh	3,324	Leased	Al-Johara Plaza Center	October 2015	8,700,000	Signed and implementation not yet started
60	Farm Superstores Branch	Dammam	3,951	Leased	Municipality of the Eastern Region	December 2015	10,050,000	Signed and implementation not yet started
61	Farm Superstores Branch	Al-Hasa	2,811	Leased	Mohammad Mousa Ahmad Bu Khamees	February 2016	7,250,000	Signed and implementation not yet started
62	Farm Superstores Branch	Jeddah	2,779	Leased	-	April 2016	7,100,000	Under study
63	Farm Superstores Branch	Al-Nuariyah	2,020	Leased	-	June 2016	6,600,000	Under study

64	Farm Superstores Branch	Jazan	2,770	Leased	-	August 2016	8,200,000	Under study
65	Farm Superstores Branch	Riyadh	3,053	Leased	-	October 2016	7,600,000	Under study
66	Farm Superstores Branch	Riyadh	3,624	Leased	-	December 2016	9,500,000	Under study
67	Farm Superstores Branch	Jeddah	3,515	Leased	-	February 2017	8,650,000	Under study
68	Farm Superstores Branch	Najran	3,316	Leased	-	May 2017	7,500,000	Under study
69	Farm Superstores Branch	Sakaka	3,780	Leased	-	June 2017	9,600,000	Under study
70	Farm Superstores Branch	Riyadh	2,850	Leased	-	August 2017	11,300,000	Under study
71	Farm Superstores Branch	Al-Aziziah- Al Khobar	2,788	Leased	-	November 2017	9,000,000	Under study
Total			81,706				226,482,500	

Source: the Company

\* Branches from 62 to 71 are within the Company's business plan and changes may be made in details when signing the contracts.

#### b) Branches of Farms Mini Markets

##### Exhibit 4.17 Branches of Farms Mini Markets

Branch No.	Name / No. of Branch	Location	Area (m <sup>2</sup> )	Leased / Owned	Owner	Expected month / year of operation	Estimated Cost ( SAR )	Status
21	Farm Mini Market Branch	Jazan	75	Leased	-	Feb-14	80,000	Under study
22	Farm Mini Market Branch	Al Khobar	95	Leased	-	Apr-14	90,000	Under study
23	Farm Mini Market Branch	Al Khobar	110	Leased	-	Jan-15	100,000	Under study
24	Farm Mini Market Branch	Dhahran	65	Leased	-	Jul-15	75,000	Under study
25	Farm Mini Market Branch	Dammam	75	Leased	-	Feb-16	85,000	Under study
26	Farm Mini Market Branch	Al Khobar	100	Leased	-	Aug-16	95,000	Under study
27	Farm Mini Market Branch	Al Khobar	75	Leased	-	Jan-17	80,000	Under study
28	Farm Mini Market Branch	Dhahran	100	Leased	-	May-17	100,000	Under study
Total			695				705,000	

Source: the Company

\* Branches from 21 to 28 are within the Company's business plan and changes may be made in details when signing the contracts.

### c) Branches of Adventure World

#### Exhibit 4-18 Branches of Adventure World

Branch No.	Name / No. of Branch	Location	Area ( m2 )	Leased / Owned	Owner	Expected month / year of operation	Estimated Cost ( SAR )	Status
8	Adventure Word Branch	Ara`ar	2,307	Leased	Samah Commercial Center Co.	January 2014	7,000,000	Signed and being implemented
9	Adventure Word Branch	Yanbu	2,520	Leased	Saudi Marketing Co.	January 2015	7,000,000	Signed and being implemented
10	Adventure Word Branch	Jeddah	3,200	Leased	--	March 2016	7,200,000	Under study
11	Adventure Word Branch	Riyadh	2,750	Leased		May 2017	8,400,000	Under study
	<b>Total</b>		16,777				29,600,000	

Source: the Company

\* Branches 10 and 11 are within the Company's business plan and changes may be made in details when signing the contracts.

### d) Branches of Pure Springs Company

#### Exhibit 4-19 Branches of Pure Springs Company

Branch No.	Name / No. of Branch	Location	Area ( m2 )	Lease / Owned	Owner	Expected month / year of operation	Estimated Cost ( SAR )	Status
22	Pure Springs Branch	Ara`ar	70	Leased	-	March 2014	200,000	Under study
23	Pure Springs Branch	Yanbu	80	Leased	-	November 2014	180,000	Under study
24	Pure Springs Branch	Al Khobar	100	Leased	-	February 2015	200,000	Under study
25	Pure Springs Branch	Dammam	80	Leased	-	September 2015	150,000	Under study
26	Pure Springs Branch	Al-Hasa	60	Leased	-	March 2016	120,000	Under study
27	Pure Springs Branch	Jubail	80	Leased	-	October 2016	300,000	Under study
28	Pure Springs Branch	Al Khobar	80	Leased	-	April 2017	150,000	Under study
29	Pure Springs Branch	Dammam	80	Leased	-	November 2017	250,000	Under study
	<b>Total</b>		630				1,550,000	

Source: the Company

\* Branches from 22 to 29 are within the Company's business plan and changes may be made in details when signing the contracts.

## 4-17 Fire in Farm Superstore Branch No. 34:

The fire outbreak on 04/11/2013G, and resulted in damages to about 80% of Cady Mall Complex in Jazan, without that having losses in life, and it is being investigated by the competent authorities to determine the causes of this fire.

There is a branch of the Company in Jazan in the Cady Mall Complex which is owned by Borouge International Co. The branch was opened on 28/07/2010G and in is under a 20 years lease contract starting from 23/03/2011G. The rental value of the branch from the first rental year to the fifth year amounts to SAR 1,442,200, from the sixth year to the tenth year amounts to SAR 1,586,200, from the eleventh year to the fifteenth year amounts to SAR 1,744,820,

and from the sixteenth year to the twentieth year amounts to SAR 1,919,302. The branch sales represent about 4 % of the total sales of the Company as included in the following table:

**Exhibit 4-20 Sales of the Farm Superstores branch number (34)**

Year	Sales of Farm Superstores (in Saudi Riyals)	Number of Operation Days	Percentage of Branch Sales vs. Company
2010	20,295,437	157	2%
2011	52,159,950	365	4%
2012	64,057,913	365	4%
2013	44,236,214	275	3%

Source: the Company

The expected sales during the period of closure from the 4<sup>th</sup> of October 2013G to the end of December 2013G is estimated at SAR 16,328,000, and represented 1% of the Company's total sales.

The branch is insured for an amount of approximately SAR 32.7 million against all risks and properties insurance, including loss due to business interruption for Farm Superstores Branch. Accordingly, there will be no negative and direct impact of any losses as a result of the fire in the building, equipment, goods and business interruption, which will be compensated by the Commercial Union for Cooperative Insurance. The Company has submitted an official claim of an amount of SAR 22.1 million to the insurance company for compensation. This claim is still under study and discussion with the insurance company.

The only effect of the fire on the Company's business will be on the value of sales expected in the fourth quarter of 2013G, and there will be no impact on the Company's profits. To avoid any future indirect losses caused by the absence of customers during the repair period, the Company puts marketing plans to always remind customers that the branch will be in their service soon, as well as giving incentives to customers to return to deal with the branch.

It is expected that partial operation of the branch will start with the re-opening of the complex in mid-January 2014, with an area of 4000 m2. The full operation of the entire area of 7,267 m2 will be in April 2014.

## 4-18 Employees (detailed by main categories of activity and percentage of Saudization)

### 4-18-1 Numbers of Company Employees

**Exhibit 4-21 Numbers of the Company employees during the years 2010, 2011 and 2012.**

	2010		2011		2012		30 June 2013	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
<b>Saudis</b>	493	29%	666	30%	748	30%	786	30%
<b>Non-Saudis</b>	1,225	71%	1,532	70%	1,732	70%	2,010	70%
<b>Total</b>	1,718	100%	2,198	100%	2,480	100%	2,796	100%

Source: the Company

**Exhibit 4-22 Numbers of the Company employees distributed by departments and branches during the years 2010, 2011 and 2012.**

Department	2010		2011		2012		30 June 2013	
	Saudis	Non-Saudis	Saudis	Non-Saudis	Saudis	Non-Saudis	Saudis	Non-Saudis
Finance	11	37	18	39	25	45	29	48
Human Resources	33	-	38	-	43	-	48	-
Support Services	5	24	12	33	12	43	15	50
Operations	-	6	-	9	-	9	-	9
Information Tech	9	23	8	32	8	32	9	35
Procurement	-	13	-	15	-	17	-	18
Engineering & Maintenance	1	11	1	13	1	15	1	16
Marketing	-	4	1	6	1	8	1	9
Rentals	2	-	3	-	3	-	3	-
Product Display and Arrangement	-	6	-	8	-	10	-	11
Al-Khaldiah Stores	16	166	20	186	20	206	20	246
Farm Superstores Branches	394	851	521	1,097	571	1,228	592	1,435
Adventure World Branches	22	56	44	67	64	87	68	98
Wholesales	-	27	-	30	-	32	-	35
<b>Total Employees</b>	<b>493</b>	<b>1,225</b>	<b>666</b>	<b>1,532</b>	<b>748</b>	<b>1,732</b>	<b>786</b>	<b>2,010</b>

Source: the Company

**4-18-2 Number of Subsidiaries Employees:**

The following Exhibit shows the numbers of the Pure Springs Company employees during the years 2010, 2011 and 2012.

**Exhibit 4-23 Numbers of the Pure Springs Company employees distributed by departments and branches during the years 2010, 2011 and 2012.**

Department	2010		2011		2012		30 June 2013	
	Saudis	Non-Saudis	Saudis	Non-Saudis	Saudis	Non-Saudis	Saudis	Non-Saudis
Finance		2		2		2	2	8
Human Resources		1	2		2		6	-
Marketing		1		1		1	3	9
Operations		9		9		6	3	22
Engineering		1		1		1	1	3
Procurement		1		1		1	1	11
<b>Total Employees</b>	<b>0</b>	<b>15</b>	<b>2</b>	<b>14</b>	<b>2</b>	<b>11</b>	<b>16</b>	<b>53</b>

Source: the Company

\* Sponsorship transfer has been completed for all employees working with the Company, and there are only (20) transactions for job titlechange under processingpending final action by the competent authorities.

The Company seeks in the next stage to continue appointing national competencies and achieve the required Saudization rate of 30% (current rate is about 23.2%).

The following table depicts the total number of employees of the two Companies in Lebanon during the years 2010, 2011 and 2012.

**Exhibit 4-24 the number of employees of the two Companies in Lebanon distributed on the departments and branches during the years 2010, 2011 and 2012.**

Company	2010	2011	2012	30 June 2013
The Saudi Marketing and Trading (S.A.L) Holding Company – Lebanon	2	2	2	2
The Saudi Marketing and Trading Co (S.A.L)	245	235	210	211
<b>Total</b>	<b>247</b>	<b>237</b>	<b>212</b>	<b>213</b>

Source: the Company

**4-18-3 Training and Development**

The Company focused on training and development of human resources based on its belief of the need to maintain high levels of success and achievement of drawn plans and strategies. The senior management is keen on providing the ideal environment and the right climate for employees in accordance with the strategy of continuous contact with them, care of their needs and strengthening the relationship with them in order to gain their loyalty to the Company. The Company also coordinates with the relevant authorities specialized in training and development and rehabilitation of human resources, and it is keen to establish internal training courses for staff or outside training if necessary.

The Company also works on the development of future plans and goals that ensure the provision of the highest levels of training and development for employees in the future according to the highest professional standards available.

**Saudization Policies**

The Saudi Marketing Company, since its inception and based on its national duty, has focused on Saudization of jobs and observance of all rules and regulations of Saudization. It has succeeded in reaching the percentage of Saudization of (30 %), which put it in the ranks of major companies operating in the sector of retail and wholesale trading. The Company has been classified at excellent category and obtained the green label according to the classification of the Nitagat program initiated by the Ministry of Labor. The total number of Saudi employees reached (786) until the end of the first half of the year (2013), and in the context of the Company's concerns to nationalize jobs, it has recently attracted females through the appointment of female employees in its branches and providing them the appropriate training. Some of the initiatives undertaken by the Company were the conclusion of several strategic agreements, including six agreements with the Human Resources Development Fund in Dammam, Jeddah and Al-Ahasa. Also, there is "Tagat" Program under the incentive program, Chamber of Commerce and Industry, King Fahd Center in Jeddah, colleges and institutions of health, education, industry and others. The Company is keen to attract those who want to work through the means of communication (internet, newspapers, etc.).

The Company also obtained several certificates of appreciation and gratitude from the Human Resources Development Fund (Hadaf) for its tangible efforts in Saudization and Community Service, and also received certificates of appreciation from "Tagat" program attached to "Hafez" (incentive) Program and some other governmental institutions.

In addition to the above, the Company has achieved several successes related to Saudization of jobs through upgrading, promoting, qualifying and training of employees as well as creation of a work environment suitable for them and motivating them in order to ensure retention of its talent.

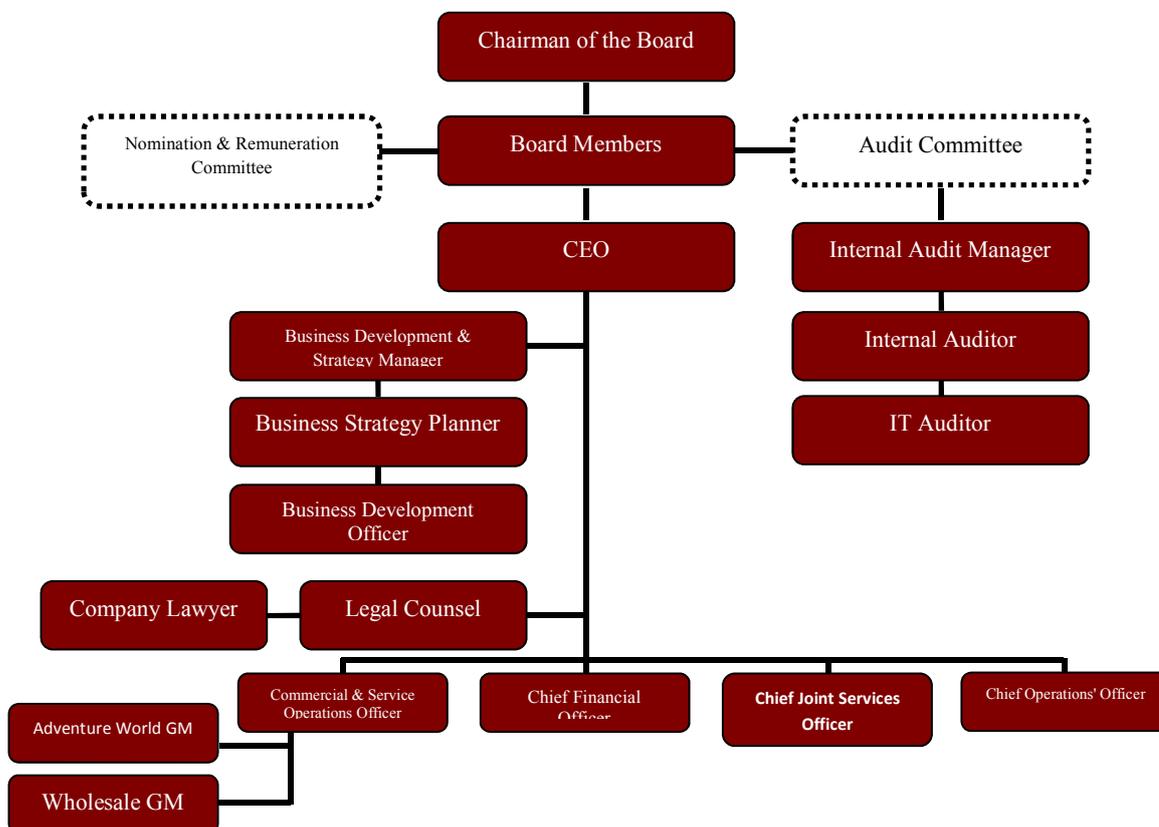
The Company does not rely on any external labors and does not contract with recruitment agencies for this purpose. The nature of the Company's activity is not seasonal, and it relies entirely on its own employees to conduct its works.

The Company recognizes that there would be no negative impact on its operations as a result of the end of the correction period given for correcting labors situation, and has already completed the transfer of its employees under its sponsorship, and there are a number of transactions under the final processing at the governmental agencies (Passport). The Company expects that the impact of the end of the correction period will be positive due to the internal arrangements of the Company's employees, which will support maintaining the continuity and stability of company's employees.

The Company's management acknowledges that there is no intention to make any fundamental change to the nature of the Company's activity, which would preserve the Company's activity and reputation and its ability to continue realization of profits.

## 5. Company Structure & Governance

Figure 5-1: Organizational Chart



Source: The Company

### 5-1 Board Members

The present four-member Board of Directors of the Company has been appointed for five (5) year term commencing from the date of the Ministerial Resolution No. (198/Q) dated 16/05/1433H (corresponding to 08/04/2012) which sanctioned the conversion of the Company into a closed joint stock company. The independent Board members will be appointed by the General Assembly following listing of the Company. The current Board of Directors exercises its powers pursuant to the Company's By-Laws and Companies Regulations. No employment contracts have been entered with the Board members in their present capacities up to the date of this Prospectus.

Responsibilities vested in the Chairman of the Board and other Board members are summarized below:

#### The Chairman of the Board:

- Ensuring clarity of the Board's functions, scope of works, and the basis for the distribution of responsibilities among members;
- Ensuring clarity of the Board's business plan and priority of issues brought before the Board;
- Ensuring that the Board conducts its duties for implementing the Company message and its strategic goals;
- Leading the Board in selecting the CEO who will be responsible for the Company management;
- Supporting the committees by providing administrative advice and assessing performance;
- Voting the appointment of senior management and executives; and
- Assessing performance of the Board members.

## Board Members

- Approving the Company's Mission & Vision;
- Contributing to drawing up the Company's trends & future strategic plans;
- Supervising the Board's committees and ensuring the implementation of the Company's policies and achieving its objectives effectively;
- Approve appointment of CEO, senior management members & executives;
- Documenting the Board discussions & resolutions through the meeting minutes signed by the Board members;
- Listing transactions with the related parties in the Board & General Assembly agenda for approval;
- Approving the annual balance sheet of the Company.

The present Board members are listed hereunder:

### Exhibit 5-1: The present Board members

S/N	Name	Age	Nationality	Position	Status	Direct Ownership		Indirect Ownership	Membership date
						Before Offering	After Offering		
1	Hazem Bin Fayeze Al-Aswad	68	Saudi	Chairman	Non-executive	75%	52.50%	N/A	16/5/1433H
2	Maher Hazem Fayeze Al-Aswad	42	Saudi	MD & CEO	Executive	5%	3.50%	N/A	16/5/1433H
3	Tareq Hazem Fayeze Al-Aswad	40	Saudi	Board Member	Executive	5%	3.50%	N/A	16/5/1433H
4	Mohammad Hazem Fayeze Al-Aswad	29	Saudi	Board Member	Executive	5%	3.50%	N/A	16/5/1433H

Source: the Company

In compliance with the Corporate Governance Regulations, the Company will amend its By-Laws in order to increase the number of the Board members to seven (7) and to nominate three (3) independent members. In this regard, voting for electing the new Board members will take place during the Extraordinary General Assembly to be held within a period not later than six (6) months after IPO completion.

The following are CVs of the present Board members:

#### 1- Hazem Fayeze Al-Aswad

##### Chairman of the Board of Directors

Date of birth: 01/06/1946

Nationality: Saudi

**Practical Experience:** Company Founder and its Chairman. He also chairs the board of directors of Pure Springs Company (a Limited Liability company engaged in the business of management & operation of restaurants, resorts & travel agencies). In addition to being the CEO of Al-Aswad Trading & Contracting Establishment, Mr. Al-Aswad is also the General Manager of the Saudi Marketing Company, a holding company in Lebanon; Saudi trading & Marketing company - a Closed Joint Stock Company in Lebanon and CEO of Space Travel Agency & Emerald, and Ex-board member of the Banque Bemo Saudi-Fransi in Syria for the period from 2003 to 2009 (a Joint Stock Company which provides financial solutions and services to retail & corporate clients).

**Academic Qualifications:** Bachelor of Engineering in Civil Engineering, University of Cairo, Egypt 1968.

## 2- Maher Hazem Al-Aswad:

### **Managing Director & CEO**

Date of birth: 21/02/1972

Nationality: Saudi

**Practical Experience:** At the outset of his experience, Mr. Maher joined Saudi Aramco as Metal Engineer in Metal Engineering, Consultative Service Department during the period from 1994 to 1996. Thereafter, he assumed the position of Deputy Operations Officer of the Company in 1996 where he is acting now as the Company Chief Executive Officer in addition to being a board member. Since 2009, he is assuming the post of Board member at Saudi ITT (a Limited Liability company specialized in the production of industrial pumps).

**Academic Qualifications:** Bachelor Degree in Material & Metal Engineering, Colorado School of Mines in Golden Colorado, USA, 1994.

## 3- Tareq Hazem Al-Aswad

### **Chief Operations Officer**

Date of birth: 16/06/1974

Nationality: Saudi

**Practical Experience:** Mr. Tareq joined the Company in 1998 and is currently acting as the Chief Operations Officer in addition to being a board member. He is also a board member of Pure Springs Company (a Limited Liability company engaged in the business of management & operation of restaurants, resorts & travel agencies). Earlier, he assumed the position of Regional Manager of the Company in 1999. Mr. Tareq has accumulated 14 years of experience in the area of real estate marketing.

**Academic Qualifications:** Bachelor of Business Administration in Marketing, University of Denver, USA, in 1998.

## 4- Mohammad HazemFayez Al-Aswad

### **Chief SharedServices Officer**

Date of birth: 18/11/1985

Nationality: Saudi

**Practical Experience:** Mr. Mohammad joined the Company in 2008 and is now assuming the post of Chief SharedServices Officer. He is a board member of the Company and board member of Pure Springs Company.

**Academic Qualifications:** Mr. Mohammad is holding Bachelor of Business Administration Degree in Financial Management from the Lebanese-American University in Lebanon in 2007 as well as Master Degree in Business Administration from City University, London (Britain) in 2008.

## 5-2 Board Secretary

### AbdulJalil Mahmood Attia

Date of birth: 10/03/1951

Nationality: Jordanian

**Practical Experience:** Mr. Attiacommenced his professional career in accounting.He joinedthe Company almost (30) years ago. He assumed an active role in the establishment of the Company and expansion of its scope of works. He is now assuming the post of Chief Financial Officer and Deputy CEO for Financial Affairs since 1996, in addition to his position as the Board Secretary.

**Academic Qualifications:** Bachelor Degree in Accounting from the University of Jordan in 1973. He is a Member of the Association of International Certified Public Accountants since 1990.

## 5-3 Senior Management

### Exhibit 5-2: Members of Senior Management

S/N	Name	Nationality	Age	Job title	Joining date	Direct ownership	Indirect ownership
1	Maher Hazem Al-Aswad	Saudi	42	CEO	1996	5%	NA
2	Tareq Hazem Al-Aswad	Saudi	40	Chief Operations Officer	1998	5%	NA
3	Mohammad Hazem Al-Aswad	Saudi	29	Chief SharedServices Officer	2008	5%	NA
4	Abdul Jalil Mahmood Attia	Jordanian	63	Chief Financial Officer & Deputy CEO for Financial Affairs	1983	N/A	NA
5	Mansoor Fardan Al-Fardan	Saudi	63	HR Manager	1977	NA	NA
6	Nadir Al-sayed Khamis Yousef	Egyptian	46	Support services Manager	1997	NA	NA
7	Yakoob Yousef Totah	Jordanian	55	Chief Operations Officer	2002	NA	NA
8	Nagi Nekola Gholam	Lebanese	42	IT Manager	1998	NA	NA
9	Feras Omar Nashid	Syrian	40	Purchase Manger	2003	NA	NA
10	Bander Farooq Sha'aban	Saudi	37	Engineering & Maintenance Manger	2001	NA	NA
11	Bahaa Abdulkareem Dghaish	Jordanian	38	Marketing Manager	2006	NA	NA
12	Meshari Ali Al-Harbi	Saudi	59	Lease Manager	1997	NA	NA
13	Waleed Khaled Al-Aswad	Syrian	64	Marketing & Product Offering Manager	1993	NA	NA
14	Tahir Abdulaziz Al-Sassi	Tunisian	43	Adventure World GM	2002	NA	NA
15	Omar Waleed Al-Jaoni	Jordanian	47	Internal Audit Manager	2012	NA	NA

Source: The Company

### Senior Management Members' CVs

- 1- Maher Hazem Al-Aswad – Please refer to Section 5-1 "Board members" to see CV.
- 2- Tareq Hazem Al-Aswad – Please refer to Section 5-1 "Board members" to see CV.
- 3- Mohammad Hazem Al-Aswad – Please refer to Section 5-1 "Board members" to see CV.
- 4- Abdul JalilAttia – Please refer to Section 5-2 "Corporate Secretary" to see CV.

## 5-Mansoor Fardan Al-Fardan

### HR Manager

Age: 63 years

Nationality: Saudi

**Practical Experience:** Mr. Al-Fardan commenced his career with some companies. He joined the Company in 1977 as government relations officer where he contributed to the preparation of the documents in connection with the Company's By-Laws. Thereafter, he was appointed as Public Relations Manager, promoted to Personnel Manager and ultimately assumed the position of Corporate HR Manager since 1996.

**Academic Qualifications:** General Secondary Certificate in 1996. Attended various legal courses.

## 6-Nader Al Sayed Khamis Yousef

### Support Services Manager

Age: 46

Nationality: Egyptian

Mr. Nader acquired vast experience in the area of trade and retail sale. He commenced his career in 1988 when he joined M/S Lord Medical Lenses in Egypt as Procurement Representative as well as storekeeper for two years till 1990. He transferred to Fahd Abdulrahman Al-Dossary Establishment for Trading & Contracting in Saudi Arabia acting as Procurement Representative. Following one year of service with the Company, Mr. Nader was promoted to the post of Corporate Shoes & Leather Wholesale Department manager. While acting as sales manager, Mr. Nader accumulated vast experience through joint cooperation of his Company with Kalmash Company of Spain for Project Execution and Showroom Construction. In 1997, he joined the Company and acted as supervisor before shortly being promoted to manage one branch of the Company. Mr. Nader's progressive promotions took him to assume the position of Corporate Support Services Manager since 2003.

**Academic Qualifications:** Nader holds Diploma Certificate in Commerce from the Commercial Technical Institute in Alexandria, Egypt, in 1984.

## 7-Yakoob Yousef Totah

### Operations Manager

Age: 55 years

Nationality: Jordanian

**Practical Experience:** Mr. Yakoob commenced his career in a maintenance Company in the Kingdom of Jordan. He practiced after that free business and then joined M/S Highway Commercial Stores Company as a General Manager. This Company was engaged in retail sale trading. There, he remained for about twenty years. In 2002, the Company was sold with all its rights liquidated. Mr. Yakoob proceeded to Saudi Arabia to join the Company. Initially, he acted as supervisor in the Farm Superstores and promoted to assume the post of Branch Manager. He progressed after that to assume various executive positions in the Company's management until promoted to the position of Operations Manager of the Company in 2006.

**Academic Qualifications:** Mr. Yakoob is holding Bachelor degree in Civil Engineering from Elyant University, California, in 1982. He has certified in Project Management Program.

## 8-Nagi Nekola Gholam

### IT Manager

Age: 42 years

Nationality: Lebanese

**Practical Experience:** At the outset of his career, Mr. Gholam acted as a computer developer at Audi Bank of Lebanon in 1992. Later, he proceeded to work in a computer Company - technical support division. In 1995, he took over a position of General Manager at an Aluminum Factory. Subsequently, he was hired in 1996 to work in Abla Supermarket to act as Head of IT Section for three years. He joined the Company in 1998 as Head of IT Section.

**Academic Qualifications:** Mr. Gholam holds a Bachelor degree in IT Management from Saint Josef University, Lebanon, in 1995.

## 9-Feras Omar Nashid

### Purchase Manager

Age: 40 years

Nationality: Syrian

**Practical Experience:** Mr. Nashid started his career in Saudi Arabia as Branch Manager at Al-Hussain Company in Dammam that is specialized in the manufacturing & trading of children's ready-made clothes for seven years from 1993 to 2000; he acquired vast practical & administrative experience in the Saudi retail market. He moved to Roaat Al-Tifl Company for Clothes Marketing & Trading for almost three years. He joined the Company in 2003 to act as Supermarket Supervisor in the Farm Superstores Company and thereafter he joined the procurement department as an executive officer for purchases. Since his promotion by the senior management in 2005, Mr. Nashid has been acting as Purchase Manager in the Company.

**Academic Qualification:** Mr. Nashid is holding Bachelor degree in Business Administration from the University of Aleppo, Arab Republic of Syria.

## 10-Bander Farooq Sha'aban

### Manager, Engineering & Maintenance Department

Age: 37 years

Nationality: Saudi

**Practical Experience:** Mr. Sha'aban commenced his career with the Company as cashier in 2001. Because of his high ambitions, he completed his university studies while on job. Following his graduation, he was appointed as Assistant Engineer and was promoted later to Engineer in 2007. After his successful supervision of more than one branch, the Company decided in 2009 to promote him to the position of Project Engineer and in 2010 he was promoted again to act as Corporate Projects Manager. Thereafter, he was promoted to become the Head of the Engineering & Maintenance Department in 2011.

**Academic Qualifications:** Mr. Sha'aban is holding a Bachelor degree in Architecture from King Faisal University, Dammam, in 2006.

### 11-Bahaa Abdul Kareem Dighaish

#### Marketing Manager

Age: 38 years

Nationality: Jordanian

**Practical Experience:** Mr. Dighaish started his career as a marketing supervisor in Tourism Projects Company (Shams) in Dammam for one year. He relocated to Grand Store Trading Company, one of the largest retail sale companies in Saudi Arabia, where he held the post of marketing executive. He continued to acquire more experience by joining ShowTime Company with the position of sales executive. He, then, transferred to National Advertising Company (Al-Waseela) holding the post of sales executive. In 2006, he joined the Company as a marketing officer where he was later on promoted to the post of marketing manager in 2006.

**Academic Qualifications:** Mr. Dighaish is holding Bachelor degree in Marketing from the University of Applied Sciences, Jordan, 1997.

### 12-Meshari Ali Al-Harbi

#### Lease Manager

Age: 59 years

Nationality: Saudi

**Practical Experience:** Mr. Al-Harbi is among the Company's staff who acquired highest level of skills & experience. He joined the Company work at an early age since 1997; he commenced his career with the post of government relations officer and later, was promoted to head one of the Farm Superstores' branches. He was appointed Corporate Lease Manager since 1997.

**Academic Qualifications:** Mr. Al-Harbi has completed basic education and he could not continue higher education.

### 13-Waleed Khaled Al-Aswad

#### Marketing & Product Offering Manager

Age: 64 years

Nationality: Syrian

#### Practical Experience:

From the world of Arts, Mr. Al-Aswad turned toward the world of sales and retail sale since 1983 where he occupied the post of administrative manager and gained much experience up to 1992. He joined the Company in 1993 where he was appointed as a branch manager at Farm Superstores. Following (10) years of managing one of the Company branches, he was promoted to act as manager for coordination & product offering in the Company since 2006.

**Academic Qualifications:** Mr. Al-Aswad is holding Bachelor of Arts in Arabic from the Arab University of Beirut in 1978.

#### 14-Tahir Abdulaziz Al-Sassi

##### **General Manager of AdventureWorld**

Age: 43 years

Nationality: Tunisian

**Practical Experience:** Mr. Al-Sassi commenced his career with Tunisian Satellite Societe (TSS), Tunisia, in 1989 that specialized in installation of surveillance cameras. He acted as Task Team Leader up to 1992. In 1993, he was relocated to Satelle Company which was also specialized in the supply and installation of high quality surveillance cameras. This Company used to enter into contracts with embassies, ministries and other important government facilities. There, he served as Business Group Leader and completed almost five years up to 1998. Thereafter, he shifted to Electronic Preparation Company. In 2002, Mr. Al-Aswad joined the Company and acted as manager of a supermarket at Farm Superstores before being promoted in 2010 to the post of General Manager AdventureWorld.

**Academic Qualifications:** Mr. Al-Aswad is holding an Electronic Technician Diploma Certificate from the Technology College of Tunisia in 1999.

#### 15-Omar Waleed Al-Jao'ni

##### **Internal Audit Manager**

Age: 47 years

Nationality: Jordanian

**Practical Experience:** Mr. Al-Jaouni started his career as a general accountant at Abu-Ghazaleh Group in 1998. Following three years of service, he was promoted to Chief Accountant of the Group's Regional Office. In 2006 he was appointed as financial report manager for various subsidiaries of Abu-Ghazala Office and during the next year, he became the Manager of Research Department, Market Statistics and Competitors. He was later appointed as Director of Arab Society for Certified Accountants and in 2010 he was relocated to act as a financial Manager of Aqaba Manufacturing & Refining Vegetable Oil Co. He Joined the Company in 2012.

**Academic Qualifications:** Mr. Al-Jaouni is holding Bachelor Degree in Accounting from Philadelphia University, Kingdom of Jordan, in 1998.

## 5-4 Declaration of bankruptcy and direct interests of Directors and Senior Management

Directors, Chief Executive Officer, Board Secretary, and other Senior Management members declare that:

- No bankruptcy has been declared by any director of the Company or any its subsidiaries, any of the senior management members of the Company or its subsidiaries or Board Secretary;
- No insolvency has been declared for the past five years by any of director of the Company or its subsidiaries, or senior management members of the Company or its subsidiaries or Corporate Secretary, who are appointed for administrative or supervisory positions;
- None of the director of the Company or any its subsidiaries, or any of the senior management members of the Company or any of its subsidiaries or Board Secretary or any of their relatives has have any direct or indirect interest in the shares of the Company or its subsidiaries, except what has been stated in Section (4.7) "Subsidiaries") of this Prospectus;

- Neither the Company nor its subsidiaries have issued in the past any debt instruments or authorized the issuance of such instruments;
- Except as disclosed in this Prospectus, neither the Company nor its subsidiaries have any contingent liabilities. Moreover, the Company has never provided any securities for the interest of any other parties;
- Following audit of the Company's cash flows, it is obvious that the Company & its subsidiaries have an operating capital sufficient for the twelve (12) months for the period that immediately following the publication of this Prospectus;
- They are not vested any powers or rights of borrowing from the Company or its subsidiaries;
- They are not entitled any voting rights for their private remunerations or for any contract or offer where they have material interests;
- They will abide by the provisions of both Articles (69) and (70) of the Companies Regulations and the provisions of articles relevant to the Corporate Governance Regulations;
- The Directors confirm that all material matters with respect to subsidiaries and their performance have been disclosed in this Prospectus; that no other facts which non-disclosure herein may cause any advice therein misleading.

## 5-5 Remuneration of Directors and executives

The Company's By-Laws has clearly set out the remunerations for the Board members at 10% of the Company net profit after dividend distribution to the shareholders.

The Board members and executives are not delegated any powers for voting to their compensations. Further, the Board members and executives are not entitled powers to borrow from the Company or to vote for contracts or offers where they have interest in.

Since their appointment, the Board members have not received any amounts, compensations or in kind benefits as a result of conducting their duties in the Board. Also, the present executives, since appointment, have not received any amounts, compensations or in kind benefits as a result of conducting their duties as board members. The gross amounts paid up to the present executive managers, CEO and chief financial officer, including annual salaries for the past years ending 31<sup>st</sup> December for the years 2010, 2011 & 2012 are shown on the following Table:

### Exhibit 5-3: Remunerations & benefits received by the Directors and five senior executives including the CEO & Chief financial officer for the years 2010, 2011 & 2012:

Description	2010	2011	2012
Board members	-	-	-
Members of committees	-	-	-
Senior executives	3,171,000	4,664,000	5,100,000
Total (SAR)	3,171,000	4,664,000	5,100,000

Source: The Company

## 5-6 Appointment of the Board of Directors

The present Board of Directors consists of four (4) members. The independent Board members will be appointed by the Company's Shareholder's Assembly after Listing. The current Board of Directors exercises its powers in accordance with the Company's By-Laws. Directors have no employment contracts with the Company in their capacity as such up to the date of this Prospectus.

## **5-7 Appointment of CEO**

Engineer Maher Hazem Al-Aswad started his career with the Company as Corporate Operations Manager in September 1996. In 01/12/2002, he was appointed as General Manager of the Company. With the Company conversion into a closed joint stock Company, the Board of Directors appointed him as Managing Director & CEO of the Company along with vesting him necessary powers in accordance with the Board's resolution dated 21/05/1433H (corresponding to 06/04/2012).

Mr. Al-Aswad was appointed Chief Executive Officer of the Company according to an Employment Contract dated 01/01/2012 for indefinite period. He acquires 5% out of 1,250,000 of the Company's shares. Following are duties & responsibilities of the Chief Executive Officer:

- Achieving the objectives of the Company, developing its Vision, Mission & Strategy set forth by the Board of Directors to realize higher performance;
- Managing the daily administrative & technical activities of the Company;
- Directly overseeing the management, following up implementation of policies & decisions taken by the Board of Directors or the shareholders' general assemblies and briefing the Board on the same;
- Coordinating administrative plans with the different departments of the Company in order to implement the annual business plan of the Company;
- Preparing the annual & semi-annual financial & technical reports and submitting them to the Board of Directors along with the Company's achievements, obstacles relating to its businesses and proposing appropriate solutions thereto;
- Continuously coordinating with the Chairman of the Board and Board committees for the purpose of providing the Board & its committees with accurate & relevant information about the topics to be discussed by them which will help them process their assignments in the best manner;
- Preparing the internal rules & regulations which organize the Company's business and submitting the same to the Board of Directors for approval;
- Representing the Company in its relations with third parties and conducting any other tasks designated to him by the Board of Directors from time to time;

## **5-8 Appointment of the Chief Financial Officer**

Mr. Abdul Jalil Mahmood Attia has been appointed as Chief Financial Officer according to a new employment contract dated 01/01/2012 for one automatically renewable year. Following are duties & responsibilities of the chief financial officer:

- Preparing the planned budgets of the Company and analyzing any deviations;
- Preparing the Company's financial statements;
- Ensuring that an optimum system is in place for internal control of the financial data;
- Drafting & itemizing the accounting policies and following up compliance therewith;
- Submitting periodical reports to the senior management;
- Coordinating business with each of the external and internal auditors of the Company.

Directors, Board's Secretary and Senior Management represent that no valid or projected contracts or arrangements have been made upon publication of this Prospectus that involve any interest for them or their relatives in the Company businesses or any of its subsidiaries, other than what has been cited in Section "transactions with related parties".

## 5-9 Corporate Governance

The Company adopts advanced standards of Corporate Governance, including segregation of the responsibilities & duties of the Board of Directors and the executive management on one hand, and the policies which ensure that the Board business achieves the shareholders' interests, on the other. The Company also complies with all the mandatory provisions of the Corporate Governance Regulations issued by CMA.

The Company has prepared its own Corporate Governance that complies with the Corporate Governance Regulations issued by CMA in a manner that ensures the Company compliance with such regulations. The Company's own Corporate Governance will be approved by its Board of Directors within the next six months following listing of its shares in the Exchange.

The Board of Directors of the Company consists of four members to be appointed by the Ordinary General Assembly for a maximum period of three (3) years. With exception to this, the first Board of Directors was appointed for a period of five (5) years with effect from the issuance date of the Ministerial Resolution No. (198/Q) dated 16/05/1433H (corresponding to 08/04/2012G) which announced the Company conversion into a closed joint stock Company.

The Company intends to increase the number of the present Board of Directors from (4) to (7) by appointing (3) independent members by way of appointment. This is in compliance with Corporate Governance Regulations issued by CMA with respect to the formation of the Company's Board of Directors.

The present Board of Directors enjoys a broad range of powers to plan the Company's policies, objectives & strategies, oversee its businesses and run its affairs.

The Board of Directors intends to form a number of committees as required in order to enable it ensure the optimum performance of the Company. In this regard, the Board ensures that:

- All committee have approved function rules that identify their roles and responsibilities.
- Minutes are prepared for all meetings held and such minutes are reviewed and approved by the full Board

The Board of Directors has formed two committees reporting to it: The Audit Committee and the Nominations' & Remunerations Committee. The Board will appoint the members of such committees within six months from the date of the Company's IPO in accordance with the Corporate Governance Regulations issued by CMA and the Company's approved regulations.

### 5-9-1 Audit Committee

The Audit Committee oversees the internal control regulations of the Company operations, including finance & Compliance departments. Responsibilities and duties of the committee will be approved by the shareholders during the General Assembly meeting after completion of IPO process. Responsibilities & duties of the committee include the following:

- Recommending the appointment or dismissal of external auditors and providing recommendations to the Board of Directors on their fees;
- Overseeing the activities of external auditors and approving any activity off the scope of the agreed works with the external auditors;
- Reviewing the comments noted by the external auditors of the Company in connection with the annual financial statements and following up the decisions taken on the light of such comments;
- Reviewing the annual & interim financial statements prior to submission to the Board of Directors;

- Overseeing the audit management in the Company to ensure the extent of its effectiveness for implementing the works & tasks assigned to it by the Board of Directors;
- Scrutinizing the audit system, preparing a written report about it and submitting its recommendations;
- Reviewing the audit reports and following-up the enforcement of recommendations therein;
- Examining the audit plan with the external auditor and stating its comments thereon;
- Examining the customary accounting policies, setting out its opinion and submitting recommendations about them to the Board of Directors;

The Audit Committee consists of at least three members to be appointed by the Board of Directors for three years within six months from the completion of IPO. This process is in compliance with the requirements of Corporate Governance Regulations issued by CMA and in accordance with the regulations of the Company. Persons nominated by the Board of Directors to act as members of the Committee are shown in the following Table:

**Exhibit5-4: Nominated members of Audit Committee**

Name	Position
Hazem Fayeز Al-Aswad	Chairman of the Committee (Chairman of the Board of Directors)
Dr. Kassib bin Abdulkareem Al-Badran	Member (independent)
Mohammad bin Ahmad bin Yassin Alshaikh	Member (independent)

Source: The Company

The following are CVs of the Audit Committee members:

1- **Hazem Fayeز Al-Aswad**: Please refer to Section 1-1-5 "Board of Directors" to see his CV.

2- **Dr. Kassib bin Abdulkareem Al-Badran**: 64 years old, Saudi national, holding a Bachelor degree from University of Baghdad in 1389H, Master degree in Jurisprudence (Figh) in 1398H and PhD degree in Comparative Figh in 1403H. Dr. Al-Badran is now the OfficeManager of Dr. Al-Badran Law Office with the position of lawyer and International Arbitrator since 1427H. Previously, Dr. Al-Badran held the following positions: Deputy Chairman of the Appeal Customs Committee at Ministry of Finance from 1423H to 1426H, Deputy Manager of Library Affairs at King Faisal University in Dammam from 1420H to 1422H and Supervisor of Islamic Studies Department, College of Education, King Faisal University from 1405H to 1420H.

3- **Mohammadbin Ahmad Al-Shaikh**: 55 years old, Saudi national, holding Bachelor Degree in Business Administration in Accounting from King Saud University in Riyadh 1980. Since 2011 and up to date, Mr. Al-Shaikh is acting as Partner & CEO of Me'mar Al-Ataa for Development and Real Estate Development. He had previously held the following positions: Partner & Executive Officer of Qais bin Al-Obaid (Certified public Accountants) from 1995 to 2011, Senior Financial Analysis Consultant for the Deputy CEO for Distribution Affairs at Aramco from 1994 to 1995 and General Accounts Manager in Smark Company from 1992 to 1994. Mr. Al-Shaikh is currently holding the following posts: Board member & Audit Committee member of National Company for Glass Industries (Zujaj) which is a Joint Stock Company listed in the Saudi Stock Exchange Since 2010 up to date and Chairman of the National Company for Lighting & Electricity – a Limited Liability Company - stationed in Al-Ahsa since 2010 up to date. This is in addition to his position as Secretary General of ShariahSupervisionBoard in Yazı Investment Company – a Bahraini Joint Stock Company- in the Kingdom of Bahrain since 2011.

## 5-9-2 Nominations & Remunerations Committee

The Nominations & Remunerations Committee is tasked with the following assignments:

- Submitting recommendations for nomination to the Board membership;
- Conducting annual review of the requirements for necessary skills to the Board membership, preparing & describing the required capabilities & qualifications for the Board membership, including the required period of time for the Board member to serve the Board;
- Reviewing the structure of the Board of Directors and submitting recommendations with respect to the changes to be made;
- Pinpointing the points of strength & weakness of the Board of Directors, if necessary, and providing proposals for tackling the same in compliance with Department of Zakat;
- Annually, ensuring the independency of the Board of Directors and that no conflict of interests exists if the Board member is a member of the Board of another Company;
- Drafting transparent policies with the respect to the remunerations for the Board members & senior executives based on specific performance criteria that set forth such remunerations.

The Nominations & Remuneration Committee consists of at least three (3) members to be appointed by the Board of Directors for a period of three (3) years. Such appointment takes place within six months from completion date of the Company IPO placement in accordance with the Corporate Governance Regulations issued by CMA and with the Company's Organizational Rules.

Persons nominated by the Board of Directors for membership of the Nominations & Remunerations Committee are shown in the following Table:

### Exhibit 5-5: Nominated members of the Nominations & Remunerations Committee:

Name	Position
Hazem Fayeze Al-Aswad	Chairman of the Committee (Chairman of the Board of Directors)
Maher Hazem Al-Aswad	Executive
Dr. Kassib bin Abdul Kareem Al-Badran	Independent

Source: The Company

Please refer to Section 1.1.5 "Members of the Board of Directors" and Section 1.9.1.5 "Audit Committee" for reviewing CVs of the Committee members.

## 5-10 Company obligations after Listing

After listing, the Company shall undertake the following:

- Approving the Corporate Governance Manual of the Company in compliance with the requirements stated in Articles (8) and (10) of CMA's Corporate Governance Regulations;
- Complying with all mandatory articles of the Corporate Governance Regulations issued by CMA within a maximum period of (6) months from the Listing date;
- Complying with the appointment of the Board of Directors by the Shareholders Assembly within a maximum period of six months after listing, provided that the minimum number of non-executive & independent directors is satisfied. This will be in accordance with the mandatory Sub-Articles (C & E) of Article Twelve of Corporate Governance Regulations issued by CMA.
- Appointing all members of the Audit Committee and Nominations & Remunerations Committee and providing CMA within (6) months from the Listing date with the Shareholders Assembly decision by which the duties & responsibilities are approved for both Audit Committee and

Nominations&Remunerations Committee as well as the rules by which the two committees shall comply with while performing such duties & responsibilities;

- Responding to all paragraphs of Form (8) issued by CMA and stating reasons in the event of non-compliance by the Company of the Corporate Governance Regulations;
- Complying with Article (9) of Corporate Governance Regulations and Article (43) of the Listing Rules upon preparation of the Board of Directors' Report.
- Complying with Paragraph (B) of Article 10 of Corporate Governance Regulations which stipulates that companies should draft & oversee their own internal control rules & regulations;
- Providing CMA with the date of the first General Shareholders Meeting which the Company holds after Listing so that arrangements may be made for CMA representative to attend it;

The Company's Board of Directors shall comply with the following:

- Documenting all resolutions & deliberations of the Board of Directors in written minutes signed by the Board members;
- Including the item of Transactions with related parties into the General Assembly agenda in order to avail opportunities for the partners to approve such transactions.

The Company has approved the principle of accumulated voting in connection with the appointment of the Board members (as provided for by the Corporate Governance Regulations) and duly amended its By-Laws for the same purpose. This Principle allows each shareholder a voting power for the electing the Board members according to the number of his proprietary shares as such he is entitled to vote with such shares to one nominee or otherwise divide the shares to his selected nominees without any repetition of the votes. The Principle aims at enabling the minority shareholders to have representation in the Board of Directors by way of accumulated vote for one candidate.

## **5-11 Employees' Shares Plan**

Presently, the Company has no shares allocation program for its employees, nor any other arrangements where its employees may share in the Company's capital.

## **5-12 Conflict of interests**

The Company's By-Laws or any of its internal rules & policies do not delegate any powers that would enable a Board member to vote for any contract or proposal wherein he has directly or indirectly material interest. This is in enforcement of Article (69) of the Companies Regulations which state that no Board member shall have any direct or indirect interest in the transactions and contracts made for the benefit of the Company without an annually renewable approval of the Ordinary General Assembly. In accordance with the provisions of the said Article, the Board member should inform the Board of Directors of any of his interests in the transactions & contracts on the account of the Company. The Board member is required to disclose to the Chairman of the General Assembly, when held, of any transactions & contracts wherein any Board member has personal interest. Such disclosure should be enclosed with a special report from the auditor and evidenced in the minutes of the Board meeting. No member who has any such interest shall participate in the voting on the decision placed for voting in this regard. Accordingly, the Board members shall:

1. Act in accordance with Articles (69) and (70) of Companies Regulations and Article (18) of Corporate Governance Regulations;
2. Not to vote on all of the contracts made with the related parties during the General Assembly meetings;
3. Not to enter into any competition with the Company businesses and that all future transactions with the related parties will be carried out on competition basis as per the provisions of Article (70) of the Companies Regulations.

## **6. Financial Information and Management Discussion and Analysis**

### **6-1 Introduction**

The discussion and analysis of the financial position and business results of the Saudi Marketing (Farm Superstores) from (January 01 to June 30, 2013) on the audited financial statements of the Company and the comments thereon for the financial years ended December 31, 2010, 2011 and 2012, and the period ended June 30, 2013, in addition to the reviewed financial statements (the comparative period) for the period ended June 30, 2012. The statements were audited by Deloitte & Touché - Bakr Abulkhair & Co. The discussion and analysis should be read in conjunction with the financial statements of the Company.

The section of Management, discussion and analysis of the financial position and business results may include statements relating to the Company's future prospects based on the management's plans and expectations that may involve risks and future uncertainties. The Company's actual results may significantly differ from those expectations due to a combination of various factors including the factors addressed by the discussion in the following sections and elsewhere in this Prospectus, particularly those contained in the section on risk factors.

### **6-2 Disclosure Obligations and Periodic Reports**

The Company shall comply with disclosure obligations and periodic reports requirements in accordance with the Capital Market Authority Law issued pursuant to Cabinet Resolution No. 91 dated Rajab 01, 1424 (corresponding to August 29, 2003) and the Listing Rules issued by the Authority and as amended by the resolution of the Board of Capital Market Authority No. 1-4 - 2012 dated 28 Safar 1433H ( corresponding to January 22, 2012), and Corporate Governance Regulations issued by CMA pursuant to resolution No. 1-212-2006 , dated 21 Shawal 1427, (corresponding to November 12, 2006). The Company will present to the CMA the periodic financial reports, data and other financial statements required by the Capital Market Authority's Law approved as well as by the rules and regulations approved by the Authority's Board. Also, the Company intends to provide its shareholders with an annual report including audited financial statements.

### **6-3 Acknowledgements by Directors on Financial Statements**

The members of the Board of Directors acknowledge that the financial information contained in this Prospectus is prepared on a consolidated basis and extracted without significant amendments from the audited financial statements of the Company and its subsidiaries, and that the audited financial statements of the Company and its subsidiaries are prepared in accordance with accounting standards issued by the Saudi Organization for Certified Public Accountants in Saudi Arabia. The Company and its subsidiaries also acknowledge that they own sufficient working capital covering the twelve months following the date of this Prospectus. The Directors acknowledge also that there is not any material changes occurred in the financial and commercial center of the Company and its subsidiaries over the period from June 30, 2013 till the date of this Prospectus.

The Directors confirm hereby that all significant issues relating to the subsidiaries and their financial performances have been disclosed in this Prospectus, and that there are no other facts the non-inclusion of which in this publication can lead to making any statement herein misleading.

The members of the Board of Directors further acknowledge that there are no debt instruments for the Company or its subsidiaries.

## 6-4 The legal Structure of the Company and Overview of its Activities

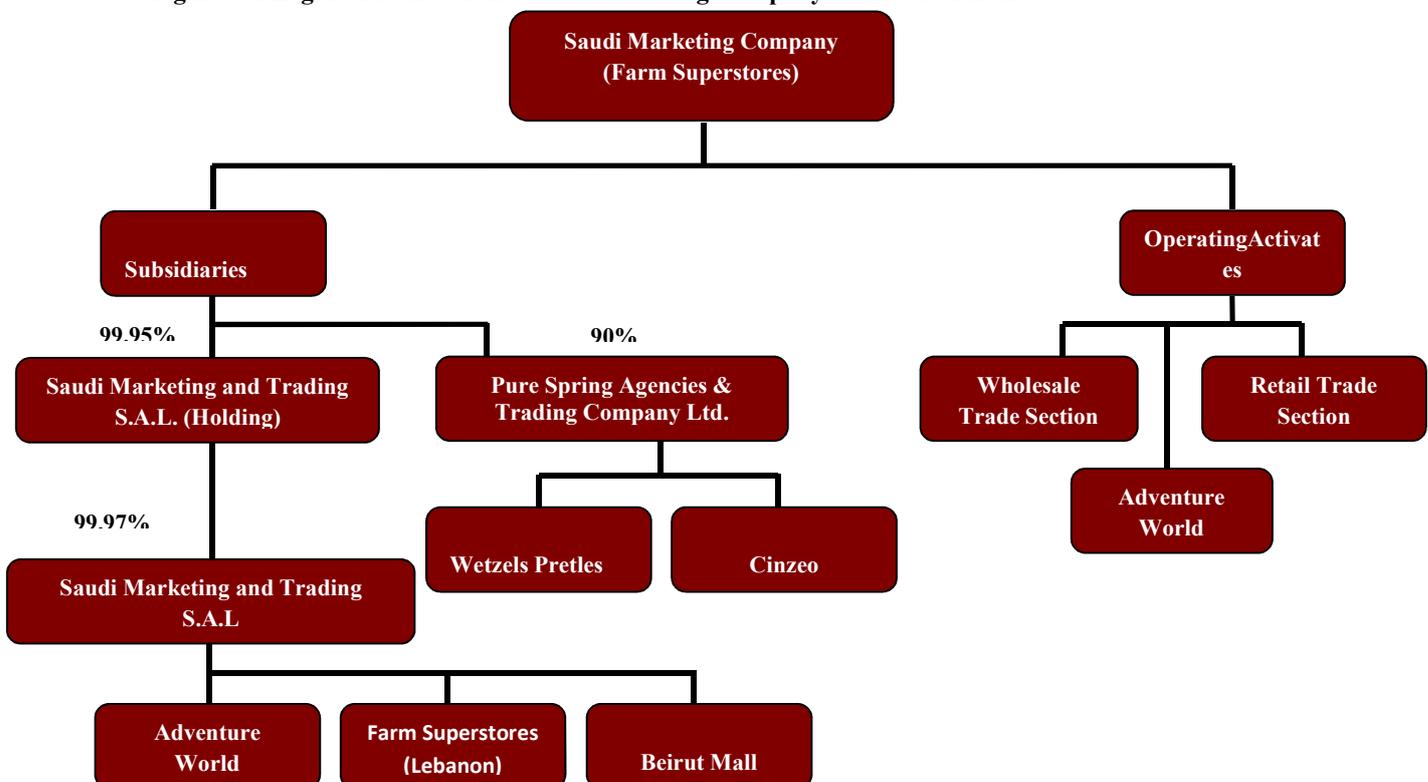
The capital of the Company is SAR250 million divided into 25 million shares with nominal value of SAR 10 per share, distributed among the shareholders as follows:

**Exhibit 6-1 Number of shareholder shares and percentage of their ownership in the Company**

Name	Percent	Value	Number of shares
Mr. Hazem Al Aswad	75%	187,500,000	18,750,000
Mrs. Sahar Abdul Kareem Al Madani	5%	12,500,000	1,250,000
Maheer Hazem Al Aswad	5%	12,500,000	1,250,000
Tariq Hazem Al Aswad	5%	12,500,000	1,250,000
Mohammad Hazem Al Aswad	5%	12,500,000	1,250,000
Lina Hazem Al Aswad	2.50%	6,250,000	625,000
Hala Hazem Al Aswad	2.50%	6,250,000	625,000
Total	100%	250,000,000	25,000,000

The Company was established in 1978 and performs its operations through its Head Office in Dammam. The Company owns as at June 30, 2013 forty five (45) branches for Farm Superstores and seven (7) branches for Adventure World. Each has its sub-commercial registration of the Company's main commercial registration, in addition to twenty (20) MiniMarkets each of which has just a municipality license without the need for sub-commercial registration to be obtained, as it is a subsidiary of the main Commercial Register of the Company. Also, the Company has three wholesale stores in Riyadh, Jeddah and Dammam. The Company's main registered store is in Dammam. The Company's key operations include Farm Superstores, wholesale section, Mini Markets and the AdventureWorldstores, in addition to leasing and rent management activity.

**Figure 6-1 Legal structure of the Saudi Marketing Company and its subsidiaries**



Source: the Company

**The following is a description of the activity of the Saudi Marketing Company (Farm Superstores) and its subsidiaries:**

The principal activity of the Company includes trade of foodstuff, household consumables, toys, textiles, stationery, retail and wholesale. The activity also includes marketing services marketing services on behalf of and for third parties and managing and operating bakeries, in addition to lease management. The Company activities include Farm supermarkets, wholesale section, Farm Mini Market and the Adventure World, which contribute to more than 90% of the total revenues of the Company as an average of the results of the last three years and the first half of 2013, while the remainder percentage of revenues comes from its subsidiaries.

The Company started its activity with one store only in 1979, and as of the date of this Prospectus, Farm Superstores in Saudi Arabia has 45 stores; 37 of which are in the Eastern Region, 6 stores in the Western Region, 2 stores in the Southern Region as well as 7 stores for Adventure World4 of which are in the Eastern Region and one each in the Northern, Western and Southern regions. This is in addition to 20 Mini Markets in the Eastern Region. The Company is currently in the efforts to access to Central Region through opening of new branches in Riyadh.

The Company is divided into the following business units:

- Farm Supermarket includes 45 branches in Saudi Arabia.
- Wholesale Division: Distribution of household items in various regions of Saudi Arabia through three outlets.
- Farm Mini Markets: 20 small shops in a number of residential complexes.
- AdventureWorld: 7 stores in entertainment complexes.
- Lease of stores: a number of shopping centers owned and leased including small areas leased to others.

#### **Subsidiaries:**

##### **Pure Spring Agencies & Trading Company Ltd.**

Pure Springs was established in 1424H (2003), a limited liability Company, under Commercial Registration No. 2050045816, issued from Dammam, dated 04/04/1425H , corresponding to (23/05/2004). Its principal activity includes establishment, management and operation of restaurants, lounges and commercial agencies after registration of the same at the Ministry of Commerce and Industry. Pure Springs Company is the exclusive owner of the franchise of the CINNAROL BAKERIES LIMITED Company products; the owner of both "Cinnzeo" trade mark (bakery and coffee) and WETZEL'S PRETZELS LLC in the Middle and North Africa. Pure Springs owns also (21) branches spread over the kingdom, in addition to (19) affiliated branches operated through agents within the Kingdom as well as (13) agent branches outside the Kingdom. It contributes to about 1% of the total revenues of the Company as at June 30, 2013.

The capital of Pure Springs Company is SAR 1,000,000 (Saudi Riyal One Million) divided into 1,000 equal shares, at SAR1,000 per share, distributed between founding partners as follows:

##### **Exhibit 6-2 Ownership Percentage in the Subsidiary: Pure Spring Agencies & Trading Company Ltd.**

S/N	Partner	Number of shares	Ownership Percentage
1	Saudi Marketing Company (Farm Superstores)	900	90%
2	Mr. Hazem Fayeze Al Aswad	100	10%
Total		1,000	100%

### **Saudi Marketing and Trading S.A.L. (Holding)**

Saudi Marketing and Trading S.A.L. (Holding), is a holding Company (referred to as "SAMCO Lebanon", a Lebanese joint stock Company regulated under the laws of Lebanon having its commercial register No. 1900803, issued in Beirut on 29/10/1427H (corresponding to 21/11/2006). The Company does not currently carry out any business activities, but owns the Saudi Marketing and trading Company which in turn leases a mall (Beirut Mall). The revenues of this holding Company are realized from the fees charged for supervising the Saudi Marketing and trading Company. Such fees are estimated at 2% of the total sales volume of the Company. The Saudi Marketing Company (Farm Superstores) holds 99.95% of the shares of SAMCO Lebanon.

The capital of SAMCO Lebanon Co. was determined as USD twenty thousand (USD20,000) equals to (SAR75,000) divided into twenty thousand (20,000) shares, valued at USD 1.00 (SAR3.75) per share distributed as follows:

#### **Exhibit 6-3: Ownership Percentage in the Subsidiary: Saudi Marketing and Trading S.A.L. (Holding)**

S/R	Shareholders	Number of Shares	Ownership Percentage
1	Saudi Marketing Company (Farm Superstores)	19,990	99.95%
2	Mrs. Sahar Abdul Kareem Al Madani	5	0.025%
3	Mr. Hazem Fayez Al Aswad	5	0.025%
Total		20,000	100%

### **Saudi Marketing and Trading S.A.L.**

Saudi Marketing and Trading S.A.Ls is a Lebanese joint stock Company regulated under the laws of Lebanon, its principal activity includes: owning, operating and managing supermarkets and commercial complexes. The Company is leasing and managing the commercial mall (Beirut Mall) constructed over a land plot of more than fifty thousand square meters (50,000m<sup>2</sup>). It includes a branch for Farm Superstores and another for the Adventure World – both brands in Lebanon are owned by the Company, in addition to (86) stores leased to other parties. The above referenced SAMCO Lebanon owns 99.97% of the shares of the Saudi Marketing and Trading S.A.L..

The capital of the Saudi Marketing and trading Company S.A.L was determined as LL 300,000,000 (Lebanese Lira Three Hundred Million) (SAR720,000) divided into 30,000 shares valued at LL10,000 (SAR24) per share, distributed as follows:

#### **Exhibit 6-4 Ownership Percentage in the Subsidiary: Saudi Marketing and Trading S.A.L.**

S/R	Shareholders	Number of Shares	Ownership Percentage
1	<b>Saudi Marketing and Trading S.A.L. (Holding)</b>	29,990	99.967%
2	Mr. Hazem Fayez Al Aswad	5	0.0167%
3	Zaher Shatela	5	0.0167%
Total		30,000	100%

SAMCO Lebanon Holding Company and Saudi Marketing & Trading Company both contributed to approximately 9.7%, 7% and 5.2% of the total revenues of the Saudi Marketing Company (Farm Superstores) over the years 2010, 2011 and 2012 respectively. On 30 June 2013, such ratio stood at around 4.5%.

## **6-5 Amendments to the capital during the last three years**

The following Exhibit shows the changes in the capital of the Company or its subsidiaries during the past three years:

**Exhibit 6-5: amendments to the capital of the Company and its subsidiaries during the past three years**

S/R	Company	2010	2011	2012
1	Saudi Marketing Company	From SAR120 million to SAR200 million	From SAR200 million to SAR250 million	
2	Pure Springs Company	No changes	No changes	No changes
3	Saudi Marketing and Trading S.A.L. (Holding)– SAMCO Lebanon	No changes	No changes	No changes
4	Saudi Marketing and Trading S.A.L.	No changes	No changes	No changes

**6-6 Summary of significant accounting policies**

The attached consolidated financial statements of the Company were prepared in accordance with the accounting standards approved by the Saudi Organization for Certified Public Accountants. These financial statements are prepared on the historical cost basis. The following are the most significant accounting policies applied by the Company:

**Revenues**

Revenues from sales are recognized when the risks of ownership and relevant affecting benefits are transferred to the buyer. The revenues of the products offering agreements are recognized according to the terms of such agreements, while recognition of income from franchise rights is made on accrual basis.

Preliminary fees against sub-franchise rights are recorded upon receipt from franchise rights' grantees in accordance with the franchise agreements as deferred income and recognized as revenues over the duration of the agreement using the fixed premium method; while the fees form sub-franchise rights received for additional stores are recognized within the revenues directly upon their receipt.

**Inventories**

Inventories are valued on cost basis or net realizable selling value, whichever is less. The cost price - in general – is determined on the basis of the cost of weighted average method.

**Accounts Receivable**

Accounts receivable are valued at its estimated net realizable value. The allocation for doubtful debts is made up when there is objective evidence that the Company is unable to collect the full amounts due according to the original terms of the receivables.

**Fixed Assets**

Fixed assets are recorded at cost less the total accumulated depreciation. Maintenance and repair expenses are born on the statements of income, while asset improvement expenses are capitalized. Depreciation is calculated over the useful lives of the assets using the fixed premium method. The expenses of improvement of leased property are amortized over its useful life or the remainder period of the lease, whichever is less.

**Prepaid Lease Rental**

Prepaid lease rental represents key money paid in advance upon signing the lease agreements. The prepaid lease rent is deferred and amortized over the lease period.

## Accounts Payable and Accruals

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

## End of Service Indemnities

End-of-service indemnities are provided in the consolidated financial statements based on the employees' length of service according to labor laws in the country of incorporation.

## Foreign Currency Translation

SAMCO and Pure Springs: Transactions denominated in foreign currencies are translated into Saudi Riyals at exchange rates prevailing at the dates of such transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Saudi Riyals at exchange rates prevailing at the balance sheet date. Exchange gains or losses are charged to the consolidated statement of income.

Lebanon Holdings financial statements are denominated in Lebanese Lira which has been translated into Saudi Riyals using the weighted average exchange rate for the statement of income and exchange rate prevailing at the date of balance sheet.

## 6-7 Results of operations

### 6-7-1 Income Statement

#### Exhibit 6-6: Income Statement

Description	2010	2011	2012	First Half 2012	First Half 2013	CAGR 2010-2012
	Audited	Audited	Audited	(audited)	(audited)	
(in SAR'000)						
Sales	927,059	1,129,241	1,350,108	642,069	714,656	20.7%
Rent Revenues	98,721	123,901	145,559	50,305	74,213	21.4%
Total Revenues	1,025,780	1,253,142	1,495,667	692,374	788,869	20.8%
Rent Charges	(821,413)	(1,017,416)	(1,196,481)	(550,054)	(612,649)	20.7%
Total Profit	204,366	235,726	299,186	142,320	176,220	21.0%
Selling & Distribution Expenses	(86,316)	(99,648)	(123,213)	(52,520)	(62,908)	19.5%
Administrative and General Expenses	(42,511)	(52,243)	(78,630)	(39,460)	(52,375)	36.0%
Deprecation	(19,362)	(21,459)	(24,853)	(12,386)	(13,441)	13.3%
Operations Profit	56,177	62,377	72,489	37,954	47,496	13.6%
Financial Expenses	(1,512)	(415)	(4,057)	(1,741)	(2,398)	63.8%
Other Revenues	2,862	7,768	13,684	3,032	4,096	118.7%
Net Income before Zakat & Income Tax	57,528	69,730	82,116	39,245	49,194	19.5%
Zakat & Income Tax	(1,392)	(2,977)	(3,097)	(1,510)	(2,945)	49.2%
Net Profit	56,136	66,753	79,019	37,735	46,249	18.6%

Source: Company's audited financial statements for 2010, 2011, 2012 and first half of 2013

#### Exhibit6-7 Key performance Indicators

Index	2010	2011	2012	First Half2012	First Half 2013
Sales Growth Rate	11%	21.80%	19.60%	21.50%	11.30%
Total Revenues Growth Rate	14.10%	22.20%	19.40%	21.50%	13.90%
Total Profit Margin	19.90%	18.80%	20%	20.60%	22.30%
Operating Profit Margin	7.40%	6.70%	6.50%	5.50%	6%

Profit Margin Before Interest, Tax, Depreciation and Amortization	7.60%	7.30%	7.40%	7.30%	8.20%
Profit Margin Before Interests & Tax,	5.80%	5.60%	5.80%	6.10%	6.90%
Net Income Margin	5.50%	5.30%	5.30%	5.50%	5.90%
Number of Farm Stores	36	38	43	40	45

Source: Falcom's analysis of financial statements

It should be noted that because the principal activity of the Company is retail, wholesale food supplies and needs of family, in addition to its other activities related to entertainment complexes, it is therefore affected by vacations seasons and religious seasons of Ramadan and holidays as well as weekends, where such occasions bring greater demand on shopping and entertainment centers in general.

The value of sales includes revenues of Farm supermarket, wholesale sector, rentals of Lebanon store and the Adventure World, Pure Springs Co. and the mini-markets. The value of Farm supermarket sales achieved steady growth between 2010 and 2012 due to the growth of mix of sales in existing stores as well as the start-up of 11 new stores in Jazan, Dammam, Al-Khafji, Hafr Albatin, Jubail, Al Khobar, Al-Ahsa and Jeddah.

Farm Supermarket revenues accounted for more than 90% of the total revenues in 2012, recording a CAGR of 21.7% between 2010 and 2012, where the Eastern Region achieved the largest share of revenues contributing to more than 76% of the total revenues. The majority of the values of other sales recorded regular growth rates for the same period.

As for gross profit margin, it recorded relative stability ranged between 18.8% and 20% in the period between 2010 and 2012.

Selling and marketing expenses which include the expenses related to employees, maintenance and repair expenses and other costs have increased as a result of the expansion in opening of branches in recently at CAGR of 19.5% in the period between 2010 and 2012.

In general, net profit has increased from SAR56.1 million in 2010 to SAR79 million in 2012, with CAGR of 18.6 % due to the mix in the growth of sales of the existing stores in addition to opening of new stores and Adventure World centers during that period.

As to the period ended June 30, 2013, it witnessed start-up of 5 new stores in Dammam, Jubail, Dammam, Jeddah and Al-Baha (Beljurashy) in addition to two AdventureWorldstores in Hail and Jeddah. The revenues of Farm Supermarket constituted more than 85.7% of the total revenues for the period with a growth rate of 12.2% compared to the same period of 2012, where the Eastern Region achieved the largest share of revenues contributing to more than 72% of the total revenues. The majority of the values of other sales recorded regular growth rates for the same period.

As a result of the expansion in opening of branches recently, the selling and marketing expenses have increased including the expenses related to employees, maintenance and repair and other expenses at a rate of 8.2% on June 30, 2013 compared to the same period last year.

In general, the net profit increased to SAR46.2 million in the period ended June 30, 2013 compared to the same period last year.

**Exhibit6-8 Geographical Distribution of revenues and total profit margin by country**

Description	2010	2011	2012	First Half2012	First Half 2013	CAGR2010-2012
	(in SAR'000)					
KSA	924,739	1,165,184	1,417,517	655,770	745,118	23.8%
Lebanon	101,041	87,958	78,150	36,604	34,751	-12.1%
Total Revenues	1,025,780	1,253,142	1,495,667	692,374	788,869	20.8%
Percentage of the Total						
KSA	90.1%	92.98%	94.8%	94.7%	95.6%	
Lebanon	9.9%	7.02%	5.2%	5.3%	4.4%	
Total Profit Margin Rate						
KSA	19.4%	19.6%	19.8%	19.4%	21.2%	
Lebanon	37.9%	40.7%	40.1%	41.5%	46.8%	
Net Profit Margin Rate						
KSA	5.2%	4.9%	4.9%	5.3%	5.9%	
Lebanon	8.6%	9.4%	9.4%	8%	5%	

Source: Due Diligence Report

The increase in revenues of the Company branches from SAR924.7 million in 2010 to SAR 1,165.2 in 2011 is mainly due to renovation of some existing stores and opening of two new stores for Farm Superstores in Jubail and Hafraibat, in addition to the expansion in Wholesale centers and opening of a new Adventure Worldcenter in Hafraibat, while the increase in revenue to SAR 1,417.5 in 2012 is mainly due to the opening of five new Farm Superstores stores, two in Al-Al Khobar and two in Jeddah and Al-Ahsa along with the expansion of the Company's wholesale operations and the opening of new center for the Adventure Worldin Hail.

The revenues from Lebanon have fallen from SAR101 million in 2010 to SAR87.9 million in 2011 because of construction works carried out by the municipality in front of Beirut Mall, which led to a decline in turnout of shoppers on the shopping center. The construction works there continued until December 2011 resulting in further decline in revenues in Lebanon to SAR78.2 million in 2012 because of the outbreak of a fire in Beirut Mall on January 27, 2012, which in turn led to disruption of business in the stores inside the mall. However, according to the Management's expectations, the activity will return to normal rates starting 2013.

For the period ended June 2013, the increase in revenues of the Company's branches in Saudi Arabia to SAR754.1 million, compared to revenues amounted to SAR655.8 million in June 2012, is due to the full year operation of the branches -opened in 2012. Five new stores of Farm Superstores were opened in Dammam, Jubail, Al-Ahsa, Jeddah and Al-Baha (Baljurashy), in addition to the expansion in wholesale centers and the opening of two new AdventureWorld stores in Hail and Jeddah.

The Company's revenues from the 2Lebanese companies have fallen from SAR36.6 million in June 2012 to SAR34.8 million on June 2013, because of the road works and construction in front of the mall in addition to the political turmoil in the country.

**Exhibit 6-9: Percentage of sales of business sectors to total sales of the Company**

Activity in SAR'000	Sales 2010	%	Sales 2011	%	Sales 2012	%	Sales June 2012	%	SalesJune 2013	%
Farm Superstores*	847,217	83%	1,070,722	85%	1,304,871	87%	602,043	87%	675,629	86%
Wholesales	45,035	4%	49,760	4%	57,529	4%	26,709	4%	42,003	5%
Beirut Rents – Lebanon Mall **	101,041	10%	87,958	7%	78,150	5%	36,604	5%	34,751	4%
Adventure World *	7,415	1%	17,068	1%	22,698	2%	10,864	2%	17,976	2%
Pure Springs	15,097	1%	15,245	1%	15,809	1%	8,129	1%	8,101	1%
Mini Markets	9,975	1%	12,389	1%	16,610	1%	8,025	1%	10,409	1%
Total	1,025,780	100%	1,253,142	100%	1,495,667	100%	692,374	100%	788,869	100%

Source: the Company

**Exhibit6-10: Total profit of business sectors to Company's total profit**

Activity in SAR'000	Total Profit 2010	%	Total Profit 2011	Rate	Total Profit 2012	%	Total Profit June 2012	%	Total Profit June 2013	Rate
Farm Superstores*	144,292	71%	160,402	68%	209,391	70%	104,015	73%	121,007	70%
Wholesales	5,761	3%	18,859	8%	24,717	8%	9,135	6%	17,935	10%
Beirut Rents – Lebanon Mall **	38,452	19%	33,431	14%	31,371	10%	15,196	11%	16,262	9%
Adventure World *	4,707	2%	9,375	4%	18,044	6%	7,343	5%	12,637	7%
Pure Springs	8,382	4%	9,653	4%	10,768	4%	5,175	4%	2,808	2%
Mini Markets	2,772	1%	4,006	2%	4,895	2%	1,456	1%	2,571	1%
<b>Total</b>	<b>204,366</b>	<b>100%</b>	<b>235,726</b>	<b>100%</b>	<b>299,186</b>	<b>100%</b>	<b>142,320</b>	<b>100%</b>	<b>173,220</b>	<b>100%</b>

Source: the Company

\* Including Farm Superstores branch and the Adventure Worldbranch in Beirut Mall, as in the above tables.

\*\* Represents rental revenues of the stores in Beirut Mall with the exception of Farm Superstores and the Adventure Worldbranches as in the two tables above.

The increase in Farm Superstores' revenues from SAR847.2 million in 2010 to SAR 1,070.7 in 2011 is mainly due to opening of new stores in 2010 in addition to two new ones in 2011 in each of Jubail and Batin, as well as the increase in sales that followed the renovation works in the existing stores, while the increase in revenues to SAR1,304.9 in 2012 is due to opening of new stores in 2011, in addition to opening of 5 new stores in 2012 (2 in Al Khobar and 2 in Jeddah and one in Al-Ahsa). The revenues of Farm stores include also the rental income of sites and stores inside the shopping centers, amounting to SAR9.5 million in 2010, SAR12.2 million in 2011 and SAR13.1 million in 2012.

The increase in wholesale revenues from SAR45 million in 2010 to 49.8 million in 2011 is mainly attributed to the introduction of popular household products within the activity (products of German EMSA Co.; as the Company is the exclusive agent for such products in the Kingdom selling them through its stores in addition to distributing the same through other distributors), and to the products imported from China (which are not limited to brands or specific companies, and are obtained through exhibitions or through contracts directly with suppliers) as well as the increasing penetration of new customer segments; a trend that continued in 2012 with revenues amounted to SAR57.5 million.

As for the increase in the revenues of Adventure Worldstores from SAR7.4 million in 2010 to SAR17.1 million in 2011, it is mainly attributed to the opening of new locations in Jazan and Hafr Albatin. The increase in revenues in 2012 of SAR22.7 million is attributed to the full-year operation of the Adventure Worldstores in Hafr Albatin in 2011 and the opening of a new store in Hail in October 2012.

The net revenues of Pure Springs Co. rose in the period from 2010 to 2011 as a result of opening of three new stores in Jazan, Dammam and Hafr Albatin, in addition to franchising subcontracts to retail outlets in Riyadh and Jeddah to third parties. The increase in revenues in the period between 2011 and 2012 of SAR564,000 is mainly due to opening of the branch holding the franchise in Hail.

The rise in the revenues of the Mini-Markets from SAR10 million in 2010 to SAR12.3 million in 2011 is attributed to opening of three new Mini Markets during the year 2011. While the further rise from SAR2012 to SAR16.6 million is due to opening of five new Mini Markets during the year.

Gross profit margin remained generally stable, largely ranged between 20% and 22% in the period between 2010 and 2012. The decline in gross profit margin of Farm Superstores from 17% in 2010 to 15% in 2011, then rose to 16% in 2012, is due to the change in the sales mix as well as the expansion and increase in the number of Farm Superstores stores in Saudi Arabia.

The rise in the wholesale gross profit margin from 12% in 2010 to 43% in 2012 is mainly due to the increased sales volume of products with high profit margin imported from China (around 70% profit margin) and Europe (EMSA products) (around 40% margin profit), supported by marketing campaigns funded by the suppliers. EMSA products are distributed exclusively through wholesale centers throughout the Kingdom.

The rise in gross profit margin of adventure world stores in the Kingdom of Saudi Arabia and Lebanon from 63.5% in 2010 to 79.5% in 2012 is due to:

- 1) Lower depreciation expense due to the low cost of equipment after stop dealing with European suppliers and switching to Asian suppliers.
- 2) Lower operating expenses due to the experience gained since the start of operations.

Pure Springs Co. recorded stable net profit margin of more than 63% in the period between 2010 and 2011. The gross margin then rose to 68.1% in 2012 mainly due to the lower cost of purchases and contracting with key suppliers for all raw materials required for the operation in addition to dealing with new suppliers, which led to low cost of purchases.

For the period ended June 2013, the revenues of Farm Superstores rose to SAR675.6 million compared to SAR602 million in June 2012 mainly due to the previously mentioned expansion of opening and establishing of new branches. The revenues of Farm stores include as well the rent revenues of the shopping center amounting to SAR6.1 million in June 2013 compared to SAR4.7 million.

The Lebanon revenues from rents have fallen from SAR36.6 million in June 30, 2012 to SAR34.8 million in June 30, 2013 as a result of the unwillingness of some tenants to renew their contracts due to the conditions in the country.

The wholesale revenues in June 2013 were around SAR42 million compared to SAR26.7 million in the same period of 2012. This has resulted mainly from sales of German EMSA products and other products imported from China, which the Company sells through its stores or distributes through other distributors.

The increase in AdventureWorldcenters revenues from SAR10.9 million in June 2012 to about SAR18 million is attributed to opening of Hail and Jeddah stores.

Pure Springs Co. revenues were relatively stable and amounted to about SAR8.1 million for the periods ended June 2012 and 2013.

Mini Markets revenues rose from about SAR8 million in June 2012 to about SAR10.4 million in June 2013, due mainly to opening of two new branches in Dammam and Al-Ahsa.

#### Exhibit 6-11: Farm Superstores Branches Sales per Region

Description	2010	2011	2012	First Half 2012	First Half 2013	CAGR 2010-2012
	(SAR'000)					
Eastern Region	700,701	862,285	1,062,395	473,693	516,856	23.1%
Western Region	149,407	208,437	243,730	125,771	156,537	27.7%
Lebanon	70,419	61,556	56,504	22,594	23,137	10.4%-
Total	920,526	1,132,278	1,362,629	622,058	696,530	21.7%
Number of Stores						
Eastern Region- KSA	31	33	36	34	37	
Western Region- KSA	4	4	6	5	7	
Lebanon	1	1	1	1	1	
Average Revenue per Store						
Eastern Region- KSA	22,603	26,130	29,511	13,932	13,969	

Western Region- KSA	37,352	52,109	40,622	25,154	22,362	
Lebanon	70,419	61,556	56,504	22,594	23,137	
Farm Superstores branches revenues rate						
Eastern Region- KSA	76.1%	76.2%	78.0%	76.2%	74.2%	
Western Region- KSA	16.2%	18.4%	17.9%	20.2%	21.5%	
Lebanon	7.6%	5.4%	4.1%	3.6%	3.3%	

Source: Due Diligence Report

Backed by the famous trademarks, the Company enjoys a strong presence in the Eastern Region, and makes use of the growth opportunities in the city of Jubail where the biggest Farm stores are located in the eastern region in Dammam, Jubail, Dhahran, Al Khobar, Qatif, Al-Ahsa, Hafr Albatin and Khafji.

In 2005, on the growing importance basis accorded to a city like Jeddah with high population density and strong growth prospects, the Company has decided to open its first store in the Western Region. Since then, Western Region stores continued to grow due to a combination of acceptance given the brands offered and the opening of new stores as well as the establishment of presence in Jazan region, a rapidly growing region. Until 2012, the Company has no presence in the Central Region, but it is seriously studying the opportunities for expansion there.

Revenues of Farm stores in Lebanon fell from SAR70.4 million in 2010 to SAR61.5 million in 2011, which is primarily due to the construction works carried out by the municipality in front of Beirut Mall, which led to a decline in number of shoppers shopping in the commercial center. Construction works were completed in December 2011 but the revenues have further declined to SAR56.5 million in 2012 due to the fire broke out in the shopping center.

As to the period ended June 2013, general growth of sales has been noted at the level of Farm Superstores branches in the Kingdom due to the new branches opened.

Improvement has also been noted in Lebanon branch revenues, where it stood in June 2013 at approximately SAR23.1 million, compared to SAR22.6 million in the same period of 2012, an increase of 2.4%.

#### Exhibit 6-12: Selling & Distribution Costs

Description	2010	2011	2012	First Half 2012	First Half 2013	CAGR 2010-2012
	(in SAR'000)					
Staff Related Costs	43,640	56,469	71,319	29,011	31,972	27.8%
Utilities	21,150	16,865	22,443	7,918	9,586	3.0%
Advertising Expenses	5,911	7,367	6,290	3,425	4,193	3.2%
Rent	4,402	2,096	1,654	1,869	2,011	38.7%-
Sale Commission	430	750	982	219	314	51.0%
Other	10,783	16,102	20,525	10,078	14,832	38.0%
Total	86,316	99,648	123,213	52,520	62,908	38.0%
Percentage to Revenues						
Staff Related Costs	4.3%	4.5%	4.8%	4.2%	4.1%	
Utilities	2.1%	1.3%	1.5%	1.1%	1.2%	
Advertising Expenses	0.6%	0.6%	0.4%	0.5%	0.5%	
Rent	0.4%	0.2%	0.1%	0.3%	0.3%	
Sales Commission	0.0%	0.1%	0.1%	0.03%	0.03%	
Other	1.1%	1.3%	1.4%	1.5%	1.9%	
Total Selling & Distribution Costs/ Total Revenues	8.4%	8.0%	8.2%	7.6%	8.03%	

Source: Due Diligence Report

Selling and distribution expenses increased from SAR86.3 million in 2010 to SAR123.2 million in 2012 mainly due to the high costs relating to employees (nearly 642 employees were employed in sales management and distribution in the period between 2010 and 2012 in the Kingdom of Saudi Arabia) which is largely attributed to the increase in the number of Farm Superstores shops, the high volume of business and the inflation in wages and salaries which ranged between 5 and 10% per annum.

The lower cost of utilities in the period from 2010 to 2011, is due to opening of two new branches in 2011 with four new branches opened in 2010 and five new branches opened in 2012. Due to the expansions of the Company, cost centers were created for regions instead of branches and portion of the expenses which were loaded as direct expenses on the branches was transferred to fixed costs at the region level. Among such expenses is the item (Utilities) which is essentially part of the fixed costs and includes costs of electricity, water and telephone. The cost of utilities has risen in 2012 due to the increase in the number of Farm Superstores stores, Adventure Worldcenters and mini-markets. Higher advertising costs in 2011 is attributed to the huge advertising campaign (leaflets, advertising banners and additional publications) during the opening of the new stores. Advertising expenditures in 2012 mainly reflect the ads expenses for the opening of the five new stores for Farm Superstores and one new center for the Adventure World in the fiscal year 2012.

As regards rental revenues, they dropped from SAR4.4 million in 2010 to SAR2.1 million in 2011. In 2011, the Company has proved all the leased units' rents inside the commercial complexes, including Farm Superstores and Adventure World as revenues (rents) for the commercial complexes. The Company also recorded a cost (rent expenses) of the same value against the Company's branches. The complexes rent revenues from branches were not corresponded with the rent costs of such branches upon preparation of the consolidated financial statements. The above was disregarded in the following year, which led to decline in the value of rents to SAR1.6 million.

Regarding the item "others", it includes a number of expenses such as the professional fees, transportation, travel, insurance, fuel, workers housing expenses, allowable deductions and other in general, the selling and distribution expenses accounted for 8% of revenues during the period from 2010 to 2012, in addition to the period ended June 30, 2013.

As for the period ended June 30, 2013 selling and distribution expenses increased around SAR62.9 million compared to SAR52.5 million for the same period of 2012, due mainly to the high costs relating to staff (about 1,605 staff were employed in sales and distribution management in the period between the two periods June 30, 2012 and June 30, 2013, in the Kingdom of Saudi Arabia), which is largely due to the increase in the number of Farm stores and the high volume of business as well as the increase in wages and salaries.

The increased cost of utilities in this period from SAR7.9 million in 2012 to SAR9.6 million in 2013 is due to the opening of three new branches.

Also, the increased costs of advertising during the period ending June 2013 to SAR4.2 million compared to about SAR3.4 million in the same period of 2012 is attributed to the big advertising campaign (leaflets, advertising banners and additional publications) during the opening of the new stores. The advertising expenses during this period mainly reflect the advertising expenses for the opening of two new Farm market stores and one new center for the AdventureWorld.

Also, the increase in rents to about SAR2.1 million in June 2013 compared to about SAR1.9 million in the same period of 2012 is due to new lease agreements entered into by the Company during this period.

#### **Exhibit 6-13: General & Administrative Expenses**

Description	2010	2011	2012	First Half 2012	First Half 2013	CAGR 2010-2012
-------------	------	------	------	-----------------	-----------------	----------------

	(in SAR'000)					
Staff Related Costs	26,651	30,095	41,430	26,041	34,462	24.7%
Maintenance & Repairs	3,299	4,114	5,689	1,049	1,814	31.3%
Other	12,561	18,034	31,511	12,370	16,099	58.4%
Total	42,511	52,243	78,630	39,460	52,375	36.0%
Percentage from Revenues						
Staff Related Costs	2.6%	2.4%	2.8%	3.8%	4.4%	
Maintenance & Repairs	0.3%	0.3%	0.4%	0.12%	0.2%	
Other	1.2%	1.4%	2.1%	1.8%	2%	
Total General & Administrative Expenses/ Total Revenues	4.1%	4.2%	5.3%	5.7%	6.6%	

Source: Due Diligence Report

The general and administrative expenses as a percentage of the revenues amounted to 4% to 5.3% during the historical period between 2010 and 2012, where the general and administrative expenses increased from SAR42.5 million in 2010 to SAR52.2 million in 2011 after the increase in the number of staff in administrative area (from 417 to 448 staff) to meet the requirements of the increasing activity, as well as the increase in wages and salaries by about 5-10% annually. Given this trend to continue and the number of administrative staff reaching 585 in 2012, general and administrative expenses recorded another increase for up to SAR78.6 million.

For the period ended June 30, 2013, the total general and administrative expenses reached about SAR52.4 million compared to SAR39.5 million, and this is mainly due to the increase in the number of administrative work team to meet the requirements of the increasing activity coupled with the increase in wages, salaries and bonuses. The general and administrative expenses accounted for 5.7% and 6.6% during the periods ended June 30, 2012 and June 30, 2013, respectively.

### Finance charges

The Company managed its debts effectively taking advantage of the global financial crisis by reducing the average commission rates, which led to reduced interest expense from SAR1.5 million in 2010 to SAR415 thousand in 2011. The funding expenses increased in fiscal year 2012 due to stop charging respective commission from sister institutions, subsidiaries and branches and adding such commission to the income statement directly. The interest on loans ranged between SAIBOR +1.4% and SIBOR + 1.75%.

The projects on which basis the financing costs were capitalized are Farm market branches and Adventure Worldbranches which was established (37 branch for Farm Superstores and 5 branches for Adventure World) during the period from 2007 to 2011.

For the period ended June 30, 2013, financing expenses increased to about SAR2.4 million compared to SAR1.7 million in the same period of 2012 due to the increased loans in the first half of 2013 by SAR16.6 million, as well as the increase in SIBOR.

The following Exhibit shows the details of interest paid over the past years:

### Exhibit 6-14: Financing Interest Details

Source: the Company

Description	2010	2011	2012	First Half 2012	First Half 2013
	(in SAR'000)				
Banking Loans Commissions	7,040	5,943	4,486	1,510	2,383
<i>Deducted:</i>					
Born on Sister companies and Subsidiaries and Branches	(5,637)	(5,594)	(429)	-----	-----
Remainder banking expenses born on Income Statement	1,403	349	4,057	1,510	2,383

#### Other Revenues

Other revenues include foreign exchange income and interest earned on deposits in Lebanon and miscellaneous revenues from the sale of cardboard and other packing materials used. The rise in other revenues amounted to SAR5.9 million in the fiscal year 2012, is mainly due to the suit claim to collect insurance indemnity paid by Lebanon against Beirut Mall fire amounted to SAR9.6 million. The Company has received the amount of insurance in full and there are not any standing claims in this regard.

The total of other revenues for the period ended June 30, 2013 was around SAR4.1 million compared to SAR3 million for the same period of 2012.

The following Exhibit shows other revenues for the years 2010 - 2012 and the first half of 2012 and 2013:

#### Exhibit 6-15: Other Revenues

Description	2010	Rate	2011	Rate	2012	Rate	First Half 2012	Rate	First Half 2013	Rate
	(in SAR'000)									
Various Revenues	1,667	58%	1,796	23%	2,015	15%	1,001	33%	1,251	31%
Profits from changes in currency exchange	1,099	38%	837	11%	2,444	18%	455	15%	1,337	33%
Gains/losses in securities investments	--	---	1,500	19%	(213)	2%-	236	8%	523	13%
Selling fixed assets profits	95	3%	167	2%	165	1%	48	2%	532	13%
Other (subsidiaries)	--	--	3,468	45%	9,272*	68%	1,292	43%	454	11%
Total	2,861	100%	7,768	100%	13,683	100%	3,032	100%	4,096	100%

Source: The Company

\* Including the insurer's compensation paid to cover the fire damages in Lebanon Mall

#### Zakat and Income Tax

##### Saudi Marketing Company(Farm Superstores)

1. Saudi Marketing Company has submitted its zakat returns to the Department of Zakat and Income Tax and repaid all Zakat due amounts by and by in accordance with the Department of Zakat and Income Tax instructions, for the years 2010, 2011 and 2012. The Company then obtained a certificate from the Department of Zakat and Income advising the submission of its zakat returns till 2012, and that it can finalize its transactions including collection of final payments for its contracts.

2. In 2005, the Company reached reconciliation with the Department of Zakat and Income Tax under the decision of the Primary Zakat & Tax Appeal Committee Objections in Dammam on 29/03/1434H which adjusted zakat amount to SAR907,647 and repayment of this amount was effected on 04/06/1434H.
3. Zakat final assessment concluded for the years 2006, 2007 and 2008, and repayment of Zakat differences amounting SAR353,890 was made on 19/02/2013.
4. We are preparing the data requested by the DZIT for the years 2010, 2011 and 2012, and waiting for an appointment to submit such data and finalize the assessment for these years. We expect to complete zakat final assessment by the end of January 2014. We settled Zakat due amounts in accordance with the zakat returns submitted to the Department of Zakat and income.

#### **Pure Spring Agencies & Trading Company Ltd**

1. Pure Springs Co., has submitted its zakat returns to the Department of Zakat and Income Tax and settled all zakat due amounts timely according to the instructions of DZIT for the years 2010, 2011 and 2012. The Company then obtained a certificate from DZIT advising that it has submitted its zakat returns till 2012 and that it can complete its transactions including collection of final payments for its contracts.
2. Zakat assessment for the years 2007, 2008 and 2009 is under process, and the Company submitted the data requested by the Department of Zakat and Income Tax for those years and the latest submission was on 14/05/2013. The Company is now following up its Zakat Assessment and the Company does not expect payment of large zakat differences.
3. The Company is preparing the data requested by the Department of Zakat and Income Tax for the years 2010, 2011 and 2012, and waiting for an appointment to submit the required data and complete assessment these years immediately after assessment of the years 2007, 2008 and 2009. Final assessment procedures are expected to be completed by the end of January 2014. Zakat due amounts were repaid according to the returns submitted to the Department of Zakat and Income Tax.
4. The tax due on franchising contracts is settled timely to the Department of Zakat and Income Tax. This includes exactly the tax payable on the total amounts paid to the owners of Wetzel's Pretzels and Cinnzeo agencies.

#### **Saudi Marketing and Trading S.A.L. (Holding) - SAMCO Lebanon –and Saudi Marketing and Trading – Lebanon**

The income tax for Saudi Marketing and Trading S.A.L. in Lebanon is settled timely to Tax Department. The latest tax payment was made on 31/05/2013 for the year 2012 of LL112,905,000 (SAR270,972), in addition to repayment of zakat due amount for Lebanon investments to Department of Zakat and income Tax.

The Company stresses that there is no additional obligations arising from zakat or income tax.

#### **Net Income**

Net income increased from SAR56.1 million in 2010 to SAR66.8 million in 2011 (growth rate of 19.1%) as a result of the increased revenues by 22.2%. The net income posted another rise in 2012 of SAR79 million (a growth rate of 18.3%) compared to 2011, while revenues rose greater by 19.4% in the same year and by 22.2% in 2011. The reason behind the rise in net income at a faster pace than revenues is attributed to the containment of the rise in fixed costs in light of the expansion of activity while the net income remained swinging in the range between 5.3% to 5.5% as a percentage of total revenues between 2010 and 2012 due to the high Zakat and income tax in 2011 and financial expenses in 2012.

For the period ended June 30, 2013, net income rose to about SAR46.2 million, compared to SAR 37.7 million for the period ended June 30, 2012 with a growth rate of 22.6%.

Except as stated previously, especially in the "Risk Factors", there is no government, economic, financial, monetary, or political policy or any other factors that influenced or could have a material effect on the Company's operations.

#### **6-7-2 Consolidated Balance Sheet**

**Exhibit 6-16 Consolidated Balance Sheet**

Item	2010	2011	2012	First half 2012	First half 2013
	audited	audited	audited	Reviewed	audited
SAR'000					
Cash and cash equivalents	13,435	10,172	25,095	47,062	22,327
Accounts receivable	12,907	19,740	57,842	36,498	33,586
Inventories	162,526	172,866	218,025	224,209	274,803
Investments	3,798	10,257	13,316	10,545	11,056
Due from related parties	113,929	75,920	15,372	9,932	135
Prepayments and other debit balances	11,627	18,926	32,212	39,360	46,707
<b>Total current assets</b>	<b>318,223</b>	<b>307,880</b>	<b>361,862</b>	<b>367,605</b>	<b>388,614</b>
Prepaid lease rental	2,661	2,361	2,061	2,2011	1,911
Property and equipment	395,809	448,224	516,887	462,642	532,183
Intangible assets	7,348	6,049	5,491	5,907	4,630
<b>Total non-current assets</b>	<b>405,818</b>	<b>456,634</b>	<b>524,439</b>	<b>470,760</b>	<b>538,724</b>
<b>Total assets</b>	<b>724,041</b>	<b>764,514</b>	<b>886,300</b>	<b>838,365</b>	<b>927,338</b>
Due to banks	78,667	36,031	27,178	53,349	86,186
Long term loans – current portion	87,800	65,188	64,668	67,441	55,341
Accounts payable, accruals and other liabilities	156,699	190,131	278,519	206,450	292,718
Due to related parties	994	2,502	14,387	1,731	845
<b>Total current liabilities</b>	<b>324,160</b>	<b>293,851</b>	<b>384,752</b>	<b>328,971</b>	<b>435,090</b>
Long term loans	80,101	106,730	67,006	104,726	58,317
Deferred income	1,260	1,179	1,097	2,889	8,212
End-of-service indemnities	11,989	14,551	18,723	15,840	24,748
Advance payments from partners	19,057	-	-	-	-
<b>Total non-current liabilities</b>	<b>112,407</b>	<b>122,460</b>	<b>86,826</b>	<b>123,455</b>	<b>91,277</b>
<b>Total liabilities</b>	<b>436,567</b>	<b>416,311</b>	<b>471,578</b>	<b>452,426</b>	<b>526,367</b>
Share capital	200,000	250,000	250,000	250,000	250,000
Statutory reserves	31,236	37,892	45,769	37,892	45,769
Retained earnings	55,920	59,803	118,189	97,414	104,858
<b>Total shareholders' equity before non-controlling interests</b>	<b>287,156</b>	<b>348,696</b>	<b>413,957</b>	<b>385,306</b>	<b>400,627</b>
Non-controlling interests	318	508	765	633	344
<b>Total shareholders' equity and non-controlling interests</b>	<b>287,474</b>	<b>348,203</b>	<b>414,722</b>	<b>385,939</b>	<b>400,971</b>
<b>Total liabilities, shareholders' equity and non-controlling interests</b>	<b>724,041</b>	<b>764,514</b>	<b>886,300</b>	<b>838,365</b>	<b>927,338</b>

Source: Company audited financial statements

**Exhibit 6-17 Main Performance Indicators**

Indicator	2010	2011	2012	First Half 2012	First Half 2013
Average collection period (day) (wholesales, AlGondola and Lebanon lease rentals)	33	40	104	97	53
Inventory turnover (day)	72	62	67	74	82
Days payable outstanding (day)	63	57	65	63	81
Cash conversion cycle (day)	41.8	45.3	105.5	90.4	54
Current ratio (time)	1	1	0.9	1.1	0.9
Quick ratio (time)	0.5	0.5	0.4	0.4	0.3
Ratio of liabilities to equity	152%	120%	114%	117%	131%
Ratio of liabilities to assets	60%	54%	53%	54%	57%
Return on equity	20%	19%	19%	10%	11.5%
Return on assets	8%	9%	9%	4.5%	5%

Source: Falcom analysis of financial statements

### Current Assets

#### Exhibit: 6-18 Current Assets

Item	2010	2011	2012	First Half 2012	First Half 2013
	SAR'000				
Cash and cash equivalents	13,435	10,172	25,095	47,062	22,327
Accounts receivable	12,907	19,740	57,842	36,498	33,586
Inventories	162,526	172,866	218,025	224,209	274,803
Investments	3,798	10,257	13,316	10,545	11,056
Due from related parties	113,929	75,920	15,372	9,932	135
Prepayments and other debit balances	11,627	18,926	32,212	39,360	46,707
<b>Total current assets</b>	<b>318,223</b>	<b>307,880</b>	<b>361,862</b>	<b>367,605</b>	<b>388,614</b>

Source: Company audited financial statements

### Cash and Cash Equivalents:

Cash and cash equivalents ranged between SAR10.2 million as at 31 Dec. 2011 and SAR 25.1 million as at 31 Dec. 2012, and constituted 4% - 7% of total current assets, and 1.3% - 3% of total assets during the period 2010 – 2012 and first half of 2013. This fluctuation in cash is due to the continuous opening of new branches as well as the improvement and development of some existing branches.

For the period ending on 30 June 2013, the Company continued to open new branches, which led to reduction in cash from 47.1 million Riyals in June 2012 to 22.3 million Riyals in June 2013, and thus constituted 13% and 6% respectively of current assets, and 5.6% and 2.4% respectively of total assets.

### Accounts Receivables:

Accounts receivables consist mainly from trade accounts receivables due on sub franchisee (Cinnzeo), accrued royalties, and accrued added value tax.

The increase in trade accounts receivables during the period between 31 Dec 2010 (SAR12.9 million) and 31 Dec. 2011 (SAR19.7 million) is mainly due to the increase in in accounts receivables related to exhibition agreements signed with vendors related to space leased to others within branches (Gondola). These accounts increased on 31

Dec 2012 due to increase in wholesales in the last quarter and delayed collection of rents of leased areas because of Lebanon Mall fire. These rents were collected late at the beginning of 2013.

The reduction in accounts receivables during the period between 30 June 2012 (SAR36.5 million) and 30 June 2013 (SAR33.6 million) is due mainly to the Company's strict policy in collecting accounts receivables. A monthly debt aging report is prepared for follow up of collection.

#### **Inventory:**

Inventory value consists mainly of the value of finished products in Farm Superstores in addition to ingredients and supplies related to Cinnzeo and value of goods in transit.

Increase in inventory from SAR 162.5 million on 31 Dec. 2010 to SAR 172.9 million on 31 Dec 2011 and to SAR 218 million on 31 Dec. 2012 is due to additional finished products (actually present in Company stores) for the seven shops that opened recently. Inventory of Imported household appliances has increased as the Company is concentrating more on the sale of these products.

The increase in inventory from SAR 224.2 million on 30 June 2012 to SAR 274.8 million on 30 June 2013 is due to finished products for the recently opened shops and inventory of imported household appliances.

The Company has no provisions for inventory. In accordance with Company policy related to its contracts with all vendors, any impaired or expired products or products about to expire, the vendors have to compensate the Company either by replacing such products with new products or deduct their value from their accounts with the Company as returned items.

#### **Investments:**

Investments consist of investments available for sales in:

- **Energy City Navi-Mumbai Fund:** this is an investment fund. Energy City Navi Mumbai is the second energy city within an international network of energy cities that is being established in various parts of the world. The concept of establishing a complex for energy city aims at serving all companies working in energy field and new companies in this sector by providing one specialized organization that will make possible for the employees of such companies to enjoy the benefits of working and living in one integrated environment. The city will be established on an area of 1600 hectares, and will attract investments of about US\$10 billion (SAR 37.5 billion). The Gulf Financing House (a Bahraini Shareholding Company - an Islamic Investment Bank headquartered in Bahrain) has signed an agreement to develop the first commercial city specialized in the energy sector, and a subscription amount of about US\$630 million (SAR 2363 million) has been collected to develop the first stage of the project.
- **Entertainment City Fund:** this is an investment fund with a capital of US\$500 million (SAR 1,875 million) aiming at developing Al-Lusail City in Qatar over an area of one million square meters. The Kuwaiti side, represented by the Real Estate Commercial Company, Kuwaiti Commercial Markets Complexes Company, Kuwaiti Parks Company, and the Financial and Industrial Investment Company has contributed US\$65 million (SAR 244 million). The Company has invested in this Fund through Abu-Dhabi Investment House (a UAE shareholding Company).

The Fund Manager liquidated this Fund on 30 June 2013, and the total shares value (SAR 1,875,000) has been charged to the account of Hazem Al-Aswad as the investment certificate was in his name, and thus it was closed.

- **Investments in a Local Portfolio** for trading which is an investment portfolio in shares of companies listed on the Saudi Financial Market. In 2012, the portfolio value increased from SAR 6.5 million to SAR 10.7 million due to trading.

In the period ending on 30 June 2013 the value of local portfolio increased from SAR 6.7 million to SAR 9.2 million while foreign investments decreased from 3.8 million Riyals to SAR 1.8 million.

The investments in Energy Fund and Entertainment City Fund are valued on cost basis of shares and in accordance with a certificate from Abu-Dhabi Investment House.

**Exhibit 6-19 Investments Held for Trading and Investments Available for Sale**

SAR'000	2010		2011		2012		First Half 2012		First Half 2013	
	for trading	for sale	for trading	for sale	for trading	for sale	for trading	for sale	for trading	for sale
Local portfolio	-	-	6,459	-	10,681	-	6,747	-	9,207	-
Energy City Navi Mumbai (Investment Fund)	-	1,849	-	1,849	-	1,849	-	1,894	-	1,894
Entertainment City (Investment Fund)*	-	1,904	-	1,904	-	741	-	1,904	-	-
<b>Total</b>	<b>-</b>	<b>3,798</b>	<b>6,459</b>	<b>3,798</b>	<b>10,681</b>	<b>2,635</b>	<b>6,747</b>	<b>3,798</b>	<b>9,207</b>	<b>1,894</b>

Source: Company audited financial statements

\*The entertainment city investment value registered in the name of Hazem Al-Aswad was charged to his current account with the Company in June 2013, and thus there is no investment registered in the name of any partner.

With the exception of items mentioned in the above paragraph there are no assets including financial securities whose value may be subject to fluctuations or difficult to ascertain which may significantly affect the financial position evaluation.

**Exhibit 6-20 Amounts Due from Related Parties:**

Description	2010	2011	2012	First Half 2012	First Half 2013
	SAR'000				
Hazem Al-Aswad	46,513	-	-	-	-
Al-Aswad Family	48,490	30,123	-	-	-
Al-Aswad Real Estate	10,313	29,097	1,055	-	134.6
Al-Aswad Suval	-	-	1,203	-	-
Al-Karam Restaurant	4,769	5,146	527.2	-	-
Zaina	1,531	1,516	36.9	-	-
Emerald	337.2	30.1	31.2	-	-
Maher Jeddah	-	3.5	-	-	-
Space Travel Agency	-	50.9	41.3	-	-
Farm Food, Lebanon	-	9,952	9,958	9,932	-
Al-Aswad Italy	1,407	-	-	-	-
Al-Aswad for Commerce and Contracting	506.3	-	-	-	-
Others	63.4	-	2,519	-	-
<b>Total</b>	<b>113,929</b>	<b>75,919</b>	<b>15,372</b>	<b>9,932</b>	<b>134.6</b>

Source: Company audited financial statements

The item amounts due from related parties consists mainly of accounts receivables due on Al-Aswad family, Farm Food Company (Lebanon), and Al-Aswad Real Estate. This balance was provided mainly to related family companies to finance non-related business opportunities. The balance decreased from 31 Dec 2010 to 31 Dec 2012 as a result of settlement by Al-Aswad family of this balance and most balances of Al-Aswad Real Estate for the financial year 2012.

For the period ending on 30 June 2013 and the same period of 2012 the item amounts due from related parties consists mainly of accounts receivables due on the Farm Food Company (Lebanon), and Al-Aswad Real Estate. This balance was provided mainly to related family companies to finance non-related business opportunities. The balance decreased from 30 June 2012 to 30 June 2013 as a result of settlement by Al-Aswad family of this balance and all balances of Al-Aswad Real Estate for the financial year 2012. Financial statements for first half of 2013 indicate that all previous balances were paid, and Al-Aswad Real Estate balance was reduced to about 134.6 thousands Saudi Riyals.

### Prepayments and Other Debit Balances

Prepayments consist of prepaid Farm Stores rents, advance vendor payments, and amounts due on employees.

The increase in prepayments and other debit balances from 11.6 million Riyals on 31 Dec 2010 to SAR 18.9 million on 31 Dec 2011 is due to the timing of rental payments and lease contracts renewal dates during these years. The big increase came during 2012 where it reached SAR 32.2 million due to lease contract renewals, in addition to rental prepayments for shops to be opened during 2013 and 2014.

For the period ending on 30 June 2013 prepayments increased to 46.7 million Riyals compared to SAR 39.4 million for the same period of 2012 due to timing of rental payments and rental prepayments for shops to be opened during 2013 and 2014.

### Non-Current Assets

#### Exhibit 6-21 Non-Current Assets

Item	2010	2011	2012	First Half 2012	First Half 2013
	SAR'000				
Property and equipment	395,809	448,224	516,887	462,642	532,183
Intangible assets	7,348	6,049	5,491	5,907	4,630
Prepaid lease rental	2,661	2,361	2,061	2,211	1,911
<b>Total</b>	<b>405,818</b>	<b>456,634</b>	<b>524,439</b>	<b>470,760</b>	<b>538,724</b>

Source: Company audited financial statements

### Fixed Assets

#### Exhibit 6-22 Fixed Assets during the years 2009-2010-2011-2012

	Lands	Buildings and leasehold improvements	Machinery, cold storage and equipment	Vehicles	Furniture, fixtures and office equipment	Capital work in progress	Total
	In Thousands Riyals						
<b>Net Book Value as at Dec 2009</b>	<b>65,435</b>	<b>173,255</b>	<b>32,153</b>	<b>6,111</b>	<b>71,246</b>	<b>7,199</b>	<b>355,399</b>
Additions	653	14.11	8,736	3,011	16,640	30,779	61,230
Disposals / Transfers	-	29,358	444	(803)	(3,051)	(33,459)	(7,512)
depreciation	-	(5,334)	(2,939)	(1,995)	(3,040)	-	(13,308)
<b>Net Book Value as at Dec 2010</b>	<b>66,088</b>	<b>198,690</b>	<b>38,393</b>	<b>6,324</b>	<b>81,796</b>	<b>4,519</b>	<b>395,809</b>
Additions	12,597	302	2,703	5,287	14,215	40,287	75,390
Disposals / Transfers	-	48,810	(908)	(1,217)	(35,314)	(14,439)	(3,069)
Depreciation	-	(19,239)	(2,367)	(2,001)	3,701	-	(19,906)

<b>Net Book Value as at Dec 2011</b>	<b>78,684</b>	<b>228,562</b>	<b>37,820</b>	<b>8,394</b>	<b>64,398</b>	<b>30,366</b>	<b>448,225</b>
Additions	37,235	6,470	7,631	5,194	5,089	35,082	96,972
Disposals / Transfers	-	14,248	3,967	(1,750)	12,348	(34,174)	(5,361)
Depreciation	-	(9,684)	(3,307)	(2,345)	(7,611)	-	(22,948)
<b>Net Book Value as at Dec 2012</b>	<b>*115,919</b>	<b>239,867</b>	<b>46,111</b>	<b>9,492</b>	<b>74,223</b>	<b>31,275</b>	<b>516,887</b>

Source: Company audited financial statements for 2010, 2011, 2012

\*Total value of land cost in the financial statements for 2012 is SAR 114,506, and the difference of SAR 1,414 Saudi Riyals is due to omission of the value of decorations and improvements on Beirut Mall Building due to fire. It was deducted from total land value instead of "Buildings and leasehold improvements".

#### Exhibit 6-23 Fixed Assets during the Period 30 June 2012 - 30 June 2013

	lands	Buildings and leasehold improvements	Machinery, cold storage and equipment	Vehicles	Furniture, fixtures and office equipment	Capital work in progress	Total
	SAR'000						
<b>Net Book Value as at 01/01/2012</b>	<b>78,684</b>	<b>228,562</b>	<b>37,820</b>	<b>8,394</b>	<b>64,398</b>	<b>30,366</b>	<b>448,225</b>
Additions	-	1,313	1,151	2,537	2,359	19,933	27,293
Disposals/ Transfers	-	-	(6)	(1,003)	(33)	-	(1,042)
Depreciation	-	(5,209)	(1,771)	(1,237)	(3,616)	-	(11,833)
<b>Net Book Value as at 30/06/2012</b>	<b>78,684</b>	<b>224,666</b>	<b>37,194</b>	<b>8,691</b>	<b>63,108</b>	<b>50,299</b>	<b>462,642</b>
<b>Net Book Value as at 01/01/2013</b>	<b>115,919</b>	<b>293,752</b>	<b>71,041</b>	<b>24,559</b>	<b>115,436</b>	<b>31,275</b>	<b>651,982</b>
Additions	2,034	1,518	1,955	1,796	3,526	19,638	30,467
Disposals/ Transfers	-	10,540	2,550	(3,882)	16,502)	(29,936)	(4,226)
Depreciation	-	(58,683)	(27,740)	(14,446)	(45,171)	-	(146,040)
<b>Net Book Value as at 30/06/2013</b>	<b>117,953</b>	<b>247,126</b>	<b>47,805</b>	<b>8,027</b>	<b>90,292</b>	<b>20,977</b>	<b>532,182</b>

Source: Company audited financial statements for first half of 2013

Fixed assets consist of lands and improvements on stores and buildings in Al-Ahsa, Al-Jubail, and Dhahran and equipment for Farm shops and warehouses. The increase in fixed assets value reflects expansions in operations through the opening of new shops and shopping centers. It is expected that the Company will add more fixed assets in the future as necessary to support its operations such as new equipment, machines, lands, and new branches whether owned or leased from others. In fact, the Company has leased three new locations in Riyadh City early 2013, and has entered into a contract with real estate developers to build branches for Farm Superstores, and lease them to the Company on long-term basis. The cost of these additions is estimated at 42.6 million Riyals during 2013.

The additions during financial year 2010 included mainly the building of a shopping center in Dhahran as well as furniture and furnishings and equipment necessary to open a branch for Farm Superstores in Jazan as well as machinery and equipment necessary for the AdventureWorld in Jazan.

The additions during the financial year 2011 included the purchase of land in two sites for storage in Dammam and a new shop for Farm Superstores. This is in addition to construction work and improvements on leased sites for a number of Farm Superstores shops and both new and existing shopping centers, as well as building two administrative towers for Al-Aswad Group on the highway between Al-Al Khobar and Dammam.

The additions in the financial year 2012 are mainly related to the purchase of four sites in Hail, Jeddah, Yanbu, and Dammam for more expansion. This is in addition to construction work and improvements on leased sites for Farm Superstores branches both existing and new.

#### **Exhibit 6-24 Rate of Fixed Assets Depreciation**

<b>Item</b>	<b>Rate of Depreciation</b>
Buildings	2-5%
Machinery, cold storage and equipment	5-33%
Vehicles	6-25%
Furniture, fixtures and office equipment	5-33%

Source: Company audited financial statements for 2010, 2011, 2012, and 30 June 2013

#### **Intangible Assets**

Company intangible assets consist of the following:

- Cost of Oracle program including license cost, training of program users, and applications and configurations for implementing the program.
- Pure Springs Franchise fees, which are fees paid for international trademarks (Wetzel's Pretzels, Cinnzeo).

#### **Current liabilities**

##### **Exhibit 6-25 Current Liabilities**

<b>Item</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>First Half 2012</b>	<b>First Half 2013</b>
	<b>SAR'000</b>				
Due to banks	78,667	36,031	27,178	53,349	86,186
Long term loans – current portion	87,800	65,188	64,668	67,441	55,341
Accounts payable, accruals and other liabilities	156,699	190,131	278,519	206,450	292,718
Due to related parties	944	2,502	14,387	1,731	845
<b>Current liabilities</b>	<b>324,160</b>	<b>293,851</b>	<b>384,752</b>	<b>328,971</b>	<b>435,090</b>

Source: Company audited financial statements

Short-term loans are used to finance Company expansions while overdraft facility is used to manage the Company's daily operations.

Amounts due to banks (overdraft and short-term loans) decreased from SAR 78.7 million on 31 Dec 2010 to SAR 27.2 million on 31 Dec 2012 after arrangements with banks to change these loans to long-term loans. The Company accepted the Saudi Hollandi Bank offer to reschedule short-term loans by granting the Company a new medium-

term loan for financing and restructuring. This gave the Company sufficient flexibility in monitoring and management of cash flow especially with the ongoing expansion of operations.

For the period ending on 30 June 2013, the item “Due to Banks” (consists of overdraft and short term loans) increased to 86.2 million Riyals compared to 53.3 million Riyals for the same period of 2012. While overdraft value decreased to about SAR 2.2 million compared with SAR 33.3 million during the same period of 2012, the short-term loans increased from SAR 20 million to SAR 84 million for the same period in order to be used in the management of the Company daily operations.

Accounts Payable, Accruals and Other Liabilities consist mainly of trade accounts payable, advance payments from customers, accrued expenses, Zakat payable and other liabilities. The increase in accounts payable from 156.7 million Riyals in 2010 to SAR 278.5 million in 2012 is mainly due to growth in Company activities.

For the period ending on 30 June 2013, accounts payable balance increased to 292.7 million Riyals compared to SAR 206.5 million in the same period of 2012 consistent with growth in Company operations.

The following Exhibit shows details of accounts payable.

#### Exhibit 6-26 Accounts Payable

Item	2010	2011	2012	First Half 2012	First Half 2013
SAR'000					
Trade accounts payable	142,146	175,868	249,926	189,868	270,411
Advances from Customers	1,590	3,523	3,919	5,406	5,261
Accrued expenses	6,313	3,608	8,611	6,211	11,105
Zakat and income tax payable	1,431	3,021	4,601	1,510	3,291
Other liabilities	5,220	4,111	11,461	3,455	2,650
<b>Total</b>	<b>156,700</b>	<b>190,131</b>	<b>278,519</b>	<b>206,450</b>	<b>292,718</b>

Source: Company audited financial statements

The item “Due to Related Parties” represents the financial dealings of the Company owners with the Company in their capacity as holders of the Company shares. As at 31 Dec 2012 this item includes an amount of SAR 13.7 million due to Al-Aswad family, which was used in ordinary operations in Lebanon.

The Company sought to settle this item “Due to Related Parties”, and its balance on 30 June 2013 was SAR 0.8 million compared with SAR 1.7 million during the same period of 2012.

#### Non-Current Liabilities

##### Exhibit 6-27 Non-Current Liabilities

Item	2010	2011	2012	First Half 2012	First Half 2013
SAR'000					
Long term loans	80,101	106,730	67,006	104,726	58,317
Deferred income	1,260	1,179	1,097	2,889	8,212
End-of-service indemnities	11,989	14,551	18,723	15,840	24,748
Advances from partners	19,057	-	-	-	-
<b>Non-current liabilities</b>	<b>112,407</b>	<b>122,460</b>	<b>86,826</b>	<b>123,455</b>	<b>91,277</b>

Source: Company audited financial statements

The fluctuation in value of non-current liabilities is due to the combining of both long-term loans and advances from shareholders, and the increase in end of service indemnities between 2010 and 2012. The advances from partners in 2011 were converted to a share in the capital. The long-term loans as at 31 Dec 2011 increased mainly due to changing short-term loans to long-term loans. As per the fore-mentioned agreement with the Saudi Hollandi Bank, the Company obtained a long-term loan of SAR 72 million on 25/9/2011 to reschedule short-term loans with the bank and other banks, as well as settlement of loans during 2012, the value of which was SAR 77.3 million. End of service indemnities increased with the increase in number of employees between 2010 and 2012. Payable end of service indemnities are calculated based on legal requirements.

For the period ending on 30 June 2013 the fluctuation in non-current liabilities is due to decreased long-term loans and increased end of service indemnities. The long-term loans in this period decreased mainly as a result of loan payment rescheduling with which the administration complies. Moreover, end of service indemnities increased with the increase in number of employees compared to the same period in 2012.

#### **Due to Banks:**

The Group has bank facilities provided by local banks, consisting of overdraft, loans (short, medium and long-term), letters of credit, letters of guarantee, etc. These facilities carry finance charges at the prevailing market rates.

Loans are issued mainly to finance expansion of operations, and opening of new shops, as well as managing daily operations financing requirements. Short-term facilities are repaid after 1-12 months while medium term loans after 3 years in addition to a grace period of one year.

The Company has been dealing with banks for over thirty years, and throughout its history it has always fulfilled its obligations in the agreements it signed with commercial banks. This has made it easy for the Company to obtain whatever facilities it needed.

#### **Exhibit 6-28 Bank Facilities Total Value**

	As at 31 Dec 2012		As at 30 June 2013	
	Total facility	Utilized portion	Total facility	Utilized portion
	In Thousands Riyals			
Short - term loans	225,000	27,178	315,000	84,000
Medium-term loans	131,674	131,674	37,135	16,627
Overdraft	-	-	17,000	993
Loans to finance imports	-	-	15,000	-
<b>Total</b>	<b>356,674</b>	<b>158,852</b>	<b>384,135</b>	<b>101,620</b>

Source: professional care report

The interest rate on short-term and long-term loans ranges between SIBOR +1.4% and SIBOR + 1.75%.

#### **Exhibit 6-29 Total Loans as at 31 Dec 2012**

Description	Available facility	Utilized portion	Unutilized balance as on Dec 2012
In Thousands Riyals			
<b>Short term loans</b>			
Saudi Hollandi Bank	50,000	12,178	37,822
Al-Rajhi Bank	30,000	-	30,000
Alinma Bank	65,000	15,000	50,000
International Gulf Bank	80,000	-	80,000

<b>Total Short Term Loans</b>	225,000	27,178	197,822
Saudi Hollandi Bank	96,271	96,271	-
Saudi Fransi Bank	35,404	35,404	-
<b>Total short and medium term loans</b>	131,675	131,675	-
<b>Total loan facilities</b>	356,675	158,853	197,822

Source: the Company

#### Exhibit 6-30 Total Loans as at 30 June 2013

	Available facility	Utilized portion	Unutilized balance as on June 2013
	In Thousands Riyals		
<b>Short term loans</b>			
Saudi Hollandi Bank	50,000	25,000	25,000
Saudi Fransi Bank	20,000	-	20,000
Al-Rajhi Bank	30,000	-	30,000
Alinma Bank	65,000	12,000	53,000
National Commercial Bank	50,000	5,000	45,000
Riyadh Bank	20,000	-	20,000
International Gulf Bank	80,000	42,000	38,000
<b>Total short term loans</b>	<b>315,000</b>	<b>84,000</b>	<b>231,000</b>
<b>Medium term loans</b>			
Saudi Fransi Bank	37,135	16,627	20,508
<b>Total medium term loans</b>	<b>37,135</b>	<b>16,627</b>	<b>20,508</b>
<b>Overdraft</b>			
Saudi Fransi Bank	5,000	933	4,007
Riyadh Bank	2,000	-	2,000
National Commercial Bank	5,000	-	5,000
Saudi British Bank -SAAB	5,000	-	5,000
<b>Total overdraft</b>	<b>17,000</b>	<b>933</b>	<b>16,007</b>
<b>Import Financing Loan</b>			
Saudi British Bank -Saab	15,000	-	15,000
<b>Total import financing loan</b>	<b>15,000</b>	<b>-</b>	<b>15,000</b>
<b>Total loan facilities</b>	<b>384,135</b>	<b>101,620</b>	<b>282,515</b>

Source: Company

The Company entered into credit facilities agreement for financing with the Saudi Hollandi Bank, Al-Rajhi Bank, Alinma Bank, Gulf International Bank, and Saudi Fransi Bank. By these agreements it obtained 47.3% of total bank facilities. The above-mentioned loan facilities were made available to the Company at an interest rate ranging between SIBOR +1.4% and SIBOR + 1.75%. These loans were used to finance Company operations, working capital shortage, and Company expansions.

Until the date of this Prospectus, and with exception of personal guarantees provided by Hazem Al-Aswad as a Company guarantee for banks as will be shown later, neither the Company nor its subsidiaries have any obligations under acceptance or acceptance credit, or any rental purchasing obligation, or any debts covered or uncovered by personal guarantee or mortgage.

### 6-7-3 Cash Flow

#### Exhibit 6-31 Cash Flow

Item	2010 audited	2011 audited	2012 audited	First Half 2012 (Reviewed)	First Half 2013 (audited)
	SAR'000				
Cash flow from operating activities	60,038	128,623	162,982	46,780	(17,121)
Cash flow from investment activities	(65,667)	(81,836)	(88,375)	(27,582)	(26,032)
Cash flow from financing activities	(325)	(50,051)	(59,683)	17,692	40,385
Change in Cash	(5,954)	(3,263)	14,924	36,890	(2,768)
Cash at the beginning of period	19,389	13,435	10,172	10,172	25,095
Cash at the end of period	13,435	10,172	25,095	47,062	22,327

Source: Company audited financial statements

#### Exhibit 6-32 Cash Flow from Operating Activities

Item	2010 audited	2011 audited	2012 audited	First half 2012 Reviewed	First half 2013 audited
	SAR'000				
Net income before zakat and income tax	59,040	70,145	86,173	39,246	49,194
Adjustments for:					
Depreciation	20,113	21,459	24,853	12,386	13,441
Amortization of intangible assets	2,724	2,645	1,962	947	860
Amortization of prepaid lease rental	300	300	300	150	150
End-of-service indemnities	2,887	3,525	5,016	1,726	6,149
(Gain) loss from sale/write-off of property and equipment	492	157	(9,603)	(445)	(445)
Changes in Working Capital	(22,311)	33,157	60,700	(5,264)	(82,091)
End of Service Indemnities Paid	(676)	(963)	(844)	(437)	(124)
Financial expenses paid	(1,512)	(415)	(4,057)	-	-
Zakat paid	(1,020)	(1,387)	(1,517)	(1,527)	(4,255)
<b>Cash Flow from Operating activities</b>	<b>60,038</b>	<b>128,623</b>	<b>162,982</b>	<b>46,780</b>	<b>(17,121)</b>
<b>% of Cash flow from operating activities</b>	<b>101.70%</b>	<b>183.40%</b>	<b>189.10%</b>	<b>119.20%</b>	<b>(34.80%)</b>

Source: Company audited financial statements

Cash flow from operations increased from SAR 60 million in 2010 to about SAR 163 million in 2012 due to increased earnings before interest, zakat, taxes, depreciation, and amortization as a result of expanded operations and improved working capital.

Cash flow from operations as percentage of earnings before interest, zakat, taxes, depreciation, and amortization increased from 101.7% in 2010 to 189.1% in 2012, and this reflects improvement in the Company cash position.

For the period ending on 30 June 2013 cash flow from operations decreased to about SAR (17.1) million Ryals compared to about 46.8 million Riyals in the same period of 2012 due to payment of dividends, increased inventory, and payment of zakat and financial expenses.

Cash flow from operations as percentage of earnings before interest, zakat, taxes, depreciation, and amortization decreased from 119.2% on 30 June 2012 to (34.8%) on 30 June 2013.

#### Exhibit 6-33 Cash Flow from Investments

Item	2010 audited	2011 audited	2012 audited	First Half 2012 Reviewed	First Half 2013 audited
	SAR'000				
Additions to fixed assets	(61,230)	(75,390)	(96,972)	(27,292)	(30,467)
Additions to intangible assets	(5,202)	(1,346)	(1,403)	(935)	-
Proceeds from sale of fixed assets	215	1,360	13,060	934	2,176
Net movement of investments	551	(6,459)	(3,059)	(288)	2,260
<b>Cash flow from investments</b>	<b>(65,667)</b>	<b>(81,836)</b>	<b>(88,375)</b>	<b>(27,582)</b>	<b>(26,031)</b>

Source: Company audited financial statements

Regarding additions to fixed assets, the Company continued to expand its geographical presence through the addition of new shops, opening new centers for adventure world, whole trade stores, and minimarkets, which increased the fixed assets value.

Regarding investment movement consisting of investments available for sale in City Energy Navi Mumbai (investment fund), and the Entertainment City (investment fund) in addition to investments in a local portfolio, the increase in investments during 2011 was due to additional investments in the local portfolio. In 2012, the local portfolio increased from 6.5 million Riyals to 10.7 million Riyals, and at the same time the value of investments in both investment funds decreased from SAR 3.8 million to SAR 2.6 million.

For the period ending on 30 June 2013, the increase in investment was due to additional investments in the local portfolio, which increased from SAR 6.7 million on 30 June 2012 to SAR 9.2 million. At the same time, the value of investments in the two investment funds decreased from 3.7 million Riyals on 30 June 2012 to 1.8 million Riyals due to liquidation of Entertainment City Fund.

#### Exhibit 6-34 Cash Flow from Financing Activities

	2010 audited	2011 audited	2012 audited	First Half 2012 Reviewed	First Half 2013 audited
	SAR'000				
Net change in due to banks	24,823	(42,637)	(8,852)	17,318	59,008
Net change in long term loans	(25,148)	4,018	(40,244)	249	(18,016)
Advances from shareholders	-	(11,432)	-	-	-
Dividends paid	-	-	(10,587)	-	-
Net change in non-controlling interest	-	-	-	125	(607)
<b>Cash flow from financing activities</b>	<b>(325)</b>	<b>(50,051)</b>	<b>(59,683)</b>	<b>17,692</b>	<b>40,385</b>

Source: Company audited financial statements

The Farm Superstores has used a mixture of both short-term and long-term bank financing, mainly for capital expenditures. A portion of advances from shareholders (its value SAR 19.1 million as at Dec 2010) was used to increase Company capital, and the remainder equal to 11.4 million Riyals was paid in cash to shareholders. Cash dividends paid to shareholders in 2012 was about SAR 10.6 million in addition to an amount of SAR 1.9 million settled with partners balances, and thus total dividends paid was SAR 12.5 million.

For the period ending on 30 June 2013 the balance of cash flow from financing activities was about SAR 40.4 million compared to about SAR 17.7 million in the same period of 2012 in line with continued capital expenditure on expansion.

#### 6-7-4 Obligations

Letters of guarantee are issued and credits are opened for submission to Company vendors in compliance with contracts signed by the Company and vendors. Obligations per letters of guarantee as at 31 Dec 2012 amounted to 36.8 million Riyals (SAR 11.8 million on 31 Dec 2011) while documentary credit amounted to 5.1 million Riyals (SAR 3.6 million on 31 Dec 2011).

For the period ending on 30 June 2013, Company obligations per letters of guarantee amounted to SAR 6.4 million while documentary credit amounted to SAR 3.1 million.

#### Exhibit 6-35 Open Letters of Guarantee Still Valid Until 30 June 2013

Beneficiary	Date of Expiry	Letter of Guarantee Value In Saudi Riyals
Department of Criminal Evidence, Ministry of Interior	12/12/2014	7,500
Health affairs General Directorate , Jazan	20/03/2014	9,300
Tashelat MarketingCompany Ltd	06/04/2014	40,000
King Fahad Military City Administration	10/07/2017	116,250
King Fahad Medical Military Complex	27/02/2014	120,000
Mohamed Saeed Fakhri Company	01/03/2014	600,000
Abdul-Lateef Saud Al-Babtain Company	10/10/2013	1,000,000
Sale Company for Distribution and Communication	20/06/2014	1,500,000
Basamah Commercial Company	17/05/2014	3,000,000
<b>Total</b>		<b>6,393,050</b>

Source: Company

#### Exhibit 6-36 Open Letters of Credit Still Valid Until 30 June 2013

Bank	Value of Letter of Credit in Saudi Riyals
Riyadh Bank	858,400
Saudi Fransi Bank	997,482
Saudi Hollandi Bank	1,291,041
<b>Total</b>	<b>3,146,923</b>

Source: Company

The Company's Directors and Senior Management declare that:

- Until the date of this Prospectus, none of the Company or any of its subsidiaries has issued any debt instruments or approved but not issued. There is not also, except as stated in this Prospectus, any loans covered by a personal guarantee or unsecured by a personal guarantee or secured or unsecured by a

mortgage. Until the date of this prospectus, neither the Company, nor its subsidiaries has any obligations under acceptance or acceptance of credit or hire purchase obligation or any debts covered or not covered by a personal guarantee or covered or not covered by mortgage.

- Until the date of this Prospectus, none of the Company or any of its subsidiaries has any mortgages, rights or encumbrances over properties;
- Until the date of this Prospectus, none of the Company or any of its subsidiaries has any contingent liabilities or guarantees;
- The Capital of the Company or any of its subsidiaries is not subject to any option;
- The Company and its subsidiaries declare that they have sufficient working capital, which is adequate to cover the twelve months following the date of this Prospectus.
- There has been no material adverse change in the financial position or prospects of the Company during the three years preceding the year of application and listing, in addition to the period covered by the certified public accountant's report and until the approval date of the Prospectus;
- No commissions, discounts, fees, mediation or any other non-cash awarded by the Company or its subsidiaries during the three years immediately preceding the submission of application and acceptance of the listing in the Stock Exchange regarding any issuance or sale of any securities, in addition to the names of any Board members or senior executives who handle the offer or sale of securities or experts who obtained any of such payments or benefits

## 7. Dividends Policy

The Shares will be entitled to receive dividends declared by the Company from the date of commencement of the Offer Period and subsequent fiscal years.

It is the intention of the Company to make dividend payments to its Shareholders with a view to maximizing Shareholders' value, depending on the Company's income, its financial position, restrictions on distribution of dividends under financing and debt agreements, Company results, current and projected cash and capital requirements, the Company's expansion Plans, investment requirements of its subsidiaries, and other factors including analysis of investment opportunities, the Company's reinvestment requirements, cash and capital requirements, prospects and impact of such distributions on the legal and statutory considerations.

Distribution of dividends depends on certain restriction and conditions according to the Company's By-Laws:

1. Setting a side 10% of the net profits for Statutory Reserve. The Ordinary General Shareholders Assembly may stop such provisioning when the Statutory Reserve reaches half of the Company's capital.
2. The Ordinary General Shareholders Assembly, based on the Board's recommendations, may set aside a certain percentage from the net profit to form other reserves for any other intended purposes.
3. From the remaining profits, the Company will distribute an amount equals to at least 5% of its paid up capital.
4. From the remaining amount, a sum not exceeding 10% will be dedicated for rewarding the Board Members provided that it shall not exceed at any time the maximum limit permitted pursuant to the official decisions and instructions issued by the competent authorities in this regard

Then, the rest is distributed to shareholders as an additional share of the profits or carried forward to the following years. The Company may, after meeting the regulations laid down by the competent authorities, distribute semi-annual and quarterly dividends

The following Exhibit shows the movement of profits in recent years:

### Exhibit 7.1 Profit movement(SAR)

Description	2010	2011	2012	H1 2013
Retained earningsas at 1 January	104,174,699	55,920,164	59,803,180	118,188,711
Net profit for the year	56,093,260	66,562,843	78,761,701	46,062,447
Less: Legal reserve	-5,609,326	-6,656,284	-7,876,170	-
Retained earnings after legal reserve	154,658,633	115,826,723	130,688,711	164,251,158
Capitalized profits	80,000,000 <sup>(1)</sup>	50,000,000 <sup>(2)</sup>	-	-
Dividends distributed during the year	18,738,469 For 2009	6,023,543 5,920,164 for 2010 And 103,379 for 2011	12,500,000 For 2011	59,392,726 47,303,180 for 2011 12,089,546 for 2012
Retained earningsas at 31 December	55,920,164	59,803,180	118,188,711	104,858,432

Dividends distributed for the financial year	<b>5,920,164</b>	103,379 12,500,000 47,303,180 <b>59,906,559</b>	12,089,546 57,500,000 <sup>(3)</sup> <b>69,589,546</b>	Dividends for 2013 has not been announced or distributed as at the date of this Prospectus
Percentage of dividends <sup>(4)</sup>	10.6%	90%	88.4%	-

Source: the Company

(1) Capital increased from SAR 120 million to SAR 200 million.

(2) Capital increased from SAR 200 million to SAR 250 million.

(3) The distribution of the amount was approved in the fourth quarter of 2013 regarding the earnings of 2012. It will be disbursed in two equal installments in December 2013 and January 2014.

(4) the percentage was calculated by dividing the dividend for the fiscal year by the net profit for the fiscal year. As an example: The percentage of distributions for 2010 equals to the dividend distributed for the year, amounting to SAR 5.9 million divided by the net profit of 2010 amounting to SAR 56.1 million.

1. In 2010, retained earnings after the statutory reserve amounted to SAR 154.7 million, SAR 98.7 million of them were transferred to the account of prepayments from partners, and then SR 80 million were transferred to the capital account, and the remaining amount of SAR 18.7 million had been distributed to the partners as cash dividends for 2009.
2. In 2011, retained earnings after the statutory reserve amounted to SAR 115.8 million, SAR 56.02 million of them were transferred to the account of prepayments from partners, and then SAR 50 million were transferred to the capital account, and the remaining amount of SAR 6.02 million had been distributed to the partners as cash dividends for 2010(SAR 5.9 million was distributed for the year 2010 and the remaining SAR 103.4 thousand was distributed for the year 2011).
3. In 2012, SAR 12.5 million was distributed to shareholders as dividends for the year 2011 (in addition to the amount of SAR 103.4 thousand referred to above). A cash amount of SAR 10.6 million were distributed to partners and the remaining SAR 1.9 million was settled with the partners balances where it was credited to the account of “due from related parties” against the debit balance of the partners appeared in the Company’s accounts ( non-cash transaction)
4. In the first half of 2013, an amount of SAR 59.4 million was distributed as dividend (SAR 47.3 million as dividend for 2011 and SAR 12.1 million for 2012 ), as dividends settled against amounts due from related parties.
5. In the fourth quarter of 2013, dividend distribution in the amount of SAR 57.5 million was approved for earnings of 2012. The amount will be disbursed in two equal payments in December of 2013 and January of 2014.

Except as stated in paragraph (5), the Company stresses that it has settled all dividend distributions for previous years among shareholders, as shown in the above Exhibit. The Company further confirms that there was not any announcement or distribution of dividends during the period from 2010 until the date of this Prospectus other than those mentioned in this section.

## 8. Capitalization and Indebtedness

The Company's Shareholders submitted an application to the Ministry of Commerce and Industry to convert the Company into a closed joint stock Company. On 16/05/1433H (corresponding to 08/04/201G), His Excellency the Minister of Commerce and Industry issued his resolution No. (198/Q), which declared the Company's transformation from a limited liability Company to a closed joint stock Company with a paid-up capital of SAR 250,000,000. The current shareholders of the Company will retain together (70%) of its capital after the end of the Offering.

The table below sets out the capitalization and indebtedness of the Company as derived from the audited financial statements of the Company for the financial years ended on 31 December 2010, 2011 and 2012G and the period ended on 30 June 2013. The following table should be read in conjunction with the Company's audited financial statements and the notes thereto, included in Section 19, "Auditor's Report" of this Prospectus.

### Exhibit3: Capitalization and Indebtedness

Financial Position (SAR '000)	2010	2011	2012	30/06/2013
Current Liabilities	324,160	293,851	384,752	435,090
Non-current Liabilities	112,407	122,460	86,826	91,277
<b>Total Liabilities</b>	<b>436,567</b>	<b>416,311</b>	<b>471,578</b>	<b>526,367</b>
Share capital	200,000	250,000	250,000	250,000
Statutory reserves	<b>31,236</b>	<b>37,892</b>	<b>45,769</b>	<b>45,769</b>
Retained earnings	55,920	59,803	118,189	104,858
Total Shareholders' Equity and non-controlling equity	287,474	348,203	414,722	400,971
Total Shareholders' Equity before non-controlling equity	287,156	347,696	957,413	400,627
non-controlling equity	318	508	765	344
<b>Total liabilities and Shareholders' Equity and non-controlling equity</b>	<b>724,041</b>	<b>764,514</b>	<b>886,300</b>	<b>927,338</b>

Source: Audited Financial Statements for the Company

### Exhibit4: Facilities used by the Company up to 30/06/2013G

Source of Financing	Type of Financing	Total Credit Cap 2010	Total Credit Cap 2011	Total Credit Cap 2012	Total Credit Cap 30/6/2013	Utilized Value
Al-Rajhi Bank	Facilities Agreement	53,431,683	32,058,006	30,000,000	30,000,000	---
Saudi Fransi Bank	Facilities Agreement	161,007,157	195,577,765	99,921,000	110,486,723	49,979,223
Saudi Hollandi Bank	Facilities Agreement	197,053,000	197,053,000	185,814,000	185,814,000	135,814,000
Riyadh Bank	Facilities Agreement	26,000,000	33,000,000	---	22,000,000	---
Saudi British Bank -SAAB	Facilities Agreement	40,000,000	64,600,000	---	20,000,000	---
International Gulf Bank	Facilities Agreement	---	---	100,000,000	100,000,000	42,000,000
Inmaa Bank	Facilities Agreement	---	---	75,000,000	75,000,000	12,000,000
National Commercial Bank	Facilities Agreement	---	---	70,000,000	70,000,000	5,000,000
Al Jazeera Bank *	Facilities Agreement	---	---	400,000	---	---
	Total	474,491,740	522,288,771	536,135,000	613,300,723	244,793,223

Source: The Company

\* The amount is a letter of Guarantee issued by the Ministry of Interior which was expired and revoked on 22/04/2013.

The Board members confirm that neither the Company's capital nor the capital of the any of its subsidiaries and affiliates is under option. They also confirm that the Company as well and its subsidiaries do not have any debt instruments other than what is stated in this Prospectus. The Directors of the Company confirm that the Company separately or jointly with its affiliates will have sufficient working capital for the 12 month period immediately following the Offering. The Board of Directors of the Company confirm that they have no intention to make material change in the nature of the business activity and there has been no interruption in the business of the Company which may have or have had a significant effect on its financial position in the last 12 months. In addition, there has been no material adverse change in the financial or trading position of the Company in the past three fiscal years that preceded the listing year and during the period from the end of the duration covered in the auditors' report up to and including the date of approval of this Prospectus.

## **9. Use of Offering Proceeds**

The total proceeds from the Offering are estimated at SAR 270, of which an estimated amount of SAR 13 million will be applied towards issue expenses, which includes fees due to the financial advisor, legal advisor, certified public accountants, underwriting expenses, receiving agent expenses, and other issue related expenses such as marketing, printing, distribution and others.

The Offering Net proceeds estimated at SAR 257 million will be paid to the Selling Shareholders pro-rata based on each such Selling Shareholder's percentage of ownership in the Shares being sold in the Offering. The Company will not receive any part of the proceeds from the Offering to use them in financing its future projects.

## **10. Experts' Statement**

None of the advisors/ professionals whose names are mentioned in pages (h & i) of this Prospectus has provided any notes or statements that should have been included in the Prospectus other than what is stated in it. The Financial Advisor, Legal Advisor, Certified Public Accountant, Market Study Consultant, Due Diligence Consultant and Media Advisor have consented to the inclusion in the Prospectus of the references made to their names and logos in the form and context in which they appear, and has not withdrawn such consent until the date of the Prospectus. It is also worth noting that neither the parties, nor their employees and relatives have any kind of interest of what so ever or shares in the Company or any of its affiliates/subsidiaries.

## 11. Declarations

The Directors, Chief Executive Officer, Chief Financial Officer, Board Secretary, and other Senior Management members declare that:

- a. There has been no interruption in the Company's business or any of its subsidiaries that may affect or could have materially affected its financial condition during the 12 months preceeding this Prospectus.
- b. The Company has not given any commissions, deductions, brokerage fees or any cash considerations during the past two years preceding directly the date of this Prospectus, with regard to the issuance or sale of any securities appertaining to the Company.
- c. The Company or any of its subsidiaries has not given any commessions, deductions, brokerage fees or non monetary considration during the past two yearr preceding directly the application for listing the Company shares in the Stock Exchange, with regard to any issuance or sale of any securities appertaining to the Compnay.
- d. Except as disclosed in item 4-7 of this Prospectus, they do not themselves, nor do any relatives, have any shares or material interest in the Company or any of its subsidiaries;

## **12. Description of Shares**

### **12-1 Share Capital**

The Company has a Share Capital of two hundred fifty million Saudi Riyals (SAR 250,000,000), divided into twenty five million (25,000,000) nominal Shares of equal nominal value of ten Saudi Riyals (SAR 10) per share.

### **12-2 Shareholders Rights**

Pursuant to Article 108 of the Companies Regulations, the shareholder is given all rights associated with the share, and in particular, the right to receive a portion of the distributed dividends; the right to receive a portion of the Company's assets upon liquidation; the right to attend the assemblies of shareholders, participate in their deliberations and vote on their decisions; the right to dispose of the shares; and the right to request access to the Company's books and documents, and to monitor the work of the Board of Directors and bring a claim of liability against the members of the Board and appeal the invalidity of the decisions of the shareholders' assemblies. All this shall be conducted in accordance with the conditions and restrictions contained in the Companies Regulations. In accordance with the provisions of the Companies Regulations, there are no provisions that give the Company shareholders the right to request a refund or repurchase of their shares by the Company.

### **12-3 Shareholders Assemblies**

The General Assembly duly convened shall be deemed to represent all the shareholders, and it shall be held in the city where the Company's head office is located. Each Shareholder owning twenty (20) shares (or more) shall have the right to attend the General Assembly's meetings, and each Shareholder may authorize, in writing, another Shareholder, other than the members of the Board of Directors, and other than the employees of the Company, to attend the General Assembly on his behalf.

The Extraordinary General Assembly is responsible for amendment of the Company's Articles of Association, except for the provisions that it is prohibited to amend as per regulations. It may pass resolutions on matters within the jurisdiction of the Ordinary General Assembly, under the same terms and conditions applicable to the last Assembly. Except for matters reserved for the Extraordinary General Assembly, the Ordinary General Assembly shall be in charge of all matters concerning the Company. The Ordinary General Assembly shall be convened at least once a year during the six (6) months following the end of the financial year of the Company. Other Ordinary Assemblies may be convened whenever the need arises.

### **12-4 Invitation to hold a Meeting**

The Ordinary General Assembly shall convene a meeting by a call from the Board of Directors. The Board of Directors shall call the Ordinary General Assembly to convene if requested to do so by the Auditors or by a number of Shareholders representing at least five percent (5%) of the Company's capital. The invitation to convene the General Assembly meeting shall be published in the official gazette, and a daily newspaper circulated in the city where head office of the Company is located, before at least twenty five (25) days prior the date specified for holding the meeting. If the shares are nominal shares, the Company may send the invitations via the registered mail during the period mentioned above. The invitation includes the agenda and a copy of the invitation. The agenda shall also be sent to the General Department of Companies at the Ministry of Commerce and Industry within the period specified for publishing the invitation.

### **12-5 Proof of Attendance**

Upon the meeting of the General Assembly, a list of shareholders attending personally or represented in the meeting shall be prepared, including the number of shares held by the shareholders, either by their own or by proxy, and the votes attached thereto. All concerned stakeholders shall have the right to look at such a list.

### **12-6 Quorum of the Ordinary General Assembly**

To have a quorum, the meeting of the Ordinary General Assembly should be attended by Shareholders representing at least 50% of the Company's capital. If such requirement is not met in the first meeting, an invitation for a second meeting shall be sent to convene within thirty (30) days following the previous meeting. Such invitation shall be published in the same manner described in article (31) of the Company's Bylaws. The second meeting shall be deemed valid if attended by shareholders representing any number of the Company's Share Capital.

### **12-7 Quorum of the Extraordinary General Assembly**

To have a quorum, the meeting of the Extraordinary General Assembly should be attended by Shareholders representing at least 50% of the Company's capital. If such requirement is not met in the first meeting, an invitation for a second meeting shall be sent to convene under the same conditions provided for in the previous article. The second meeting shall be deemed valid if attended by shareholders representing at least one quarter of the Company's Share Capital.

### **12-8 Voting Rights**

Votes at the meetings of Ordinary and Extraordinary General Assemblies shall be calculated on the basis of one vote for each share represented at the meeting. Resolutions of the Constituent Assembly shall be adopted by an absolute majority of the shares represented thereat. However, if these decisions are related to assessment of shares in kind or special benefits, it is required to have the approval of the majority of shareholders subscribed in shares in cash, which represent two-thirds of the shares mentioned after excluding what was subscribed by the providers of the shares in kind or beneficiaries of the special benefits, and do not have opinion in these decisions, even if they were the owners of the shares in cash.

Resolutions of the Ordinary General Assembly shall be adopted by an absolute majority of the shares represented thereat. Resolutions of the Extraordinary General Assembly shall be adopted by a majority vote of two thirds of the shares represented at the meeting. However, if the resolution to be adopted is related to increasing or reducing the capital, extending the Company's period, dissolving the Company prior to the expiry of the period specified under the Company's By-Laws or merging the Company with another Company or establishment, then such resolution shall be valid only if adopted by a majority of three quarters of the shares represented at the meeting.

### **12-9 Shares**

The shares shall be nominal shares and may not be issued at less than their nominal value. However, the shares may be issued at a value higher than their nominal value, in which case the difference in value shall be added to the statutory reserve, even if the reserve has reached its maximum limit. A share shall be indivisible vis-à-vis the Company. In the event that a share is owned by several persons, they shall select one person from amongst them to exercise, on their behalf, the rights pertaining to the share, and they shall be jointly responsible for the obligations arising from the ownership of the share.

### **12-10 Share Trading**

Shares are tradable under the laws and regulations applicable in the Kingdom of Saudi Arabia in this regard. Other than that, no trading shall be made for shares which are given in lieu of in kind equities, or cash shares, in which founders subscribe or the stock which are owned by the partners in the Company, before the publication of the

balance sheets and the income statement for two (2) full years of not less than twelve (12) months for each year from the date of the resolution approving the conversion of the Company, or from the date of obtaining the approval of the Capital Market Authority.

#### **12-11 Duration of the Company**

The duration of the Company shall be ninety-nine (99) years commencing on the date of issuance of the Minister of Commerce's resolution announcing the Conversion of the Company. The Company's period may always be extended by a resolution of the Extraordinary General Assembly taken at least one year prior to the expiration of the term of the Company.

#### **12-12 Dissolution and Winding-up of the Company**

Upon the expiry of the Company's period, or if it is dissolved prior to the time set for the expiry thereof, the Extraordinary General Assembly shall, based on a proposal by the Board of Directors, decide the method of liquidation, appoint one or more liquidators and specify their powers and fees. The powers of the Board of Directors shall cease upon the Company's expiry. However, the Board of Directors shall remain responsible for the management of the Company until the liquidator is specified. The Company's administrative departments shall maintain their powers to the extent that they do not interfere with the powers of the liquidators.

## **13. Summary of Company's By-Laws**

### **Name of the Company**

The name of the Company shall be "Saudi Marketing Company (FARM Superstore), a Saudi closed joint-stock Company.

### **Objectives of the Company**

The objectives of the Company are:

The principal activities of the Company are the retail and wholesale of foodstuff, household consumables, toys, textiles and stationary. Also, the Company's activities include marketing services on behalf of and for third parties and managing and operating bakeries. The Company's activities also cover Farm Superstore, wholesale division, Farm Mini-market and Adventures World.

### **Head Office of the Company**

The Company's head office shall be in the city of Dammam, Kingdom of Saudi Arabia. The Board of Directors may establish branches, offices or agencies for the Company within or outside the Kingdom of Saudi Arabia.

### **Duration of the Company**

The duration of the Company shall be ninety-nine (99) years commencing on the date of issuance of the Minister of Commerce's resolution announcing the conversion of the Company. The Company's period may always be extended by a resolution of the Extraordinary General Assembly taken at least one year prior to the expiration of the term of the Company.

### **Capital of the Company**

The share capital of the Company shall be Two Hundred Fifty Million Saudi Riyals (SAR. 250,000,000) divided into Twenty Five Million (25,000,000) shares of equal value of SAR 10 per each.

### **Non-Payment of Shares**

If a Shareholder fails to pay the value of the shares at the times set therefore, then the Board of Directors may sell such shares in a public auction, after having warned the Shareholder by means of a registered letter to the address stated in the Shareholders Register. However, the Shareholder may still, in such a situation, pay the value due plus the expenses incurred by the Company up to the day set for the auction. The Company shall recover what is due to it from the sale proceeds and refund the balance to the Shareholder. If the sale proceeds are insufficient to cover the Company's dues, then the Company may recover the entire amount due from the Shareholders' wealth. If this is done, then the Company shall cancel the share sold and give the purchaser a new share bearing the same number of the cancelled share, a notation of which shall be made in the Shareholders Register.

### **Shares**

The shares shall be nominal shares and may not be issued at less than their nominal value. However, the shares may be issued at a value higher than their nominal value, in which case the difference in value shall be added to the statutory reserve, even if the reserve has reached its maximum limit. A share shall be indivisible vis-à-vis the Company. In the event that a share is owned by several persons, they shall select one person from amongst them to exercise, on their behalf, the rights pertaining to the share, and they shall be jointly responsible for the obligations arising from the ownership of the share.

## **Transfer of Shares**

Shares are tradable after the issuance of their certificates. As an exception to the foregoing, cash shares subscribed for by the founders shall not be negotiable before the publication of the balance sheet and the profit and loss statement for two complete financial years, each consisting of at least twelve months from the issue of the resolution approving the conversion thereof, or having obtained the approval of the Capital Market Authority.

The provision of this Article shall also apply to such shares as the founders may subscribe for in case of increase of capital before the expiry of the period of suspension until the end of such period. However, if the conversion of the Company coincides with the increase of its capital through public subscription, the said prohibition shall not apply to the shares subscribed through a public subscription; A notice shall be placed on the shares certificates indicating their type, date of conversion of the Company and the trading prohibition period.

Nevertheless, during the period of suspension, title to shares issued for cash may, in accordance with the legal provisions for the sale of rights, be transferred from one founder to another, or to a director who will submit them as qualification shares, or from the heirs of a deceased founder to a third party.

## **Shareholders Register**

The registered shares shall be transferred by being recorded in the Shareholders Register which shall contain the names of the Shareholders, their nationalities, their occupations, their domicile and address. The transfer of title to a share shall not be effective vis-à-vis the Company or any third party except from the date of such recording in the said Register or the completion of the transfer procedures through the Shares Information Computerized system. The subscription or ownership of the shares by a Shareholder shall mean the acceptance by the Shareholder of these By-Laws and his submission to the resolutions duly passed by the General Assembly of the Shareholders in accordance with these By-Laws, whether the Shareholder was present or absent and whether the Shareholder agreed to such resolutions or objected to them.

The Company shall issue share certificates with serial numbers. The share certificates shall be signed by the Chairman of the Board of Directors, or by a member of the Board of Directors authorized on the Chairman's behalf, and stamped with the Company's stamp. The share certificate shall, in particular, show the number and date of the Ministerial Resolution licensing the conversion of the Company and the number and date of the Ministerial resolution announcing such conversion, the value of the capital, the number of shares, the par value of a share, the amount paid-up on the shares, a summary of the Company's objectives and the Company's head office and term. The shares may have coupons with serial numbers, and each coupon shall bear the number of the share to which it is attached.

## **Increase of Capital**

After having satisfied themselves of the feasibility and obtaining the approval of the competent authorities, the General Assembly may, in an Extraordinary Meeting, adopt a resolution to increase the Company's capital once or several times by issuing new shares having the same nominal value as the original shares, provided that the original capital shall have been paid in full, with due consideration to the requirements of the Companies Regulations. The said resolution shall specify the mode of increasing the capital, and the Shareholders shall have preemptive rights to subscribe for the new cash shares. The Shareholders shall be notified of the preemptive rights vested in them by notice to be published in a daily newspaper addressing the capital increase resolution and the conditions of subscription. Each Shareholder shall express the desire to exercise such preemptive rights, if they so wish, within fifteen (15) days of the publication of such notice.

The said shares shall be allotted to the original Shareholders who have expressed their desire to subscribe thereto, in proportion to the original shares owned by them, provided that the number of shares allotted to them shall not exceed the number of new shares they have applied for. The remaining new shares shall be allotted to the original

Shareholders who have asked for more than their proportionate share, in proportion to the original shares they own, provided that their total allotment does not exceed the number of new shares they have asked for. Any remaining new shares shall be offered for public subscription.

### **Decrease of Capital**

The Company may by a resolution adopted by the General Assembly in an Extraordinary Meeting, based on certain justifiable causes, subject to the approval of the Ministry of Commerce and Industry, reduce its capital if it proves to be in excess of the Company's needs or if the Company sustains losses. Such resolution shall be issued only after reading the auditor's report on the reasons calling for such reduction, the obligations to be fulfilled by the Company and the effect of the reduction on such obligations, with due consideration to the provisions of the Companies Regulations. The resolution shall provide for the manner in which the reduction shall be made. If the reduction of the capital is due to its being in excess of the Company's needs, then the Company's creditors must be invited to express their objection thereto within sixty (60) days from the date of publication of the reduction resolution in a daily newspaper published in the city where the Company's head office is located. Should any creditor object and present to the Company evidentiary documents of such debt within the time limit set above, then the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later date.

### **Preferred Shares**

Upon the approval of, and in accordance with guidelines set by, the Minister of Commerce and Industry, the Company may issue non-voting preferred shares in an amount not to exceed fifty percent (50%) of the Company's capital. In addition to their right to receive dividends preferential to ordinary shares, holders of such shares shall be granted the following:

- (a) The right to a specified percentage of the net profits, after deducting statutory reserves and before distributing any of the Company's profits, in an amount not less than five percent (5%) of the par value of each share, and
- (b) Preference in recovery of the value of their shares in the capital upon liquidation of the Company, and in receiving a specified percentage of the proceeds on the liquidation date.

The Company may purchase these shares pursuant to a decision adopted by the General Assembly of Shareholders. Such shares shall not be counted in the quorum of the Company's General Assembly.

### **Bonds**

The Company may issue negotiable and indivisible bonds, sukuk, whether through public subscription or otherwise, inside or outside the Kingdom in line with the rules and regulations in force.

### **Constitution of the Board of Directors**

The Company shall be managed by a Board of Directors composed of four (4) members to be appointed by the Ordinary General Assembly for a term of three years. The first Board of Directors shall be appointed for five (5) years commencing from the date of the Ministerial Resolution declaring the conversion of the Company.

### **Qualification Shares**

Each member of the Board of Directors shall be a holder of a number of the Company's shares having a nominal value of no less than ten thousand Saudi Riyals (SAR 10,000). Such shares shall be deposited in a bank designated by the Minister of Commerce and Industry within thirty (30) days from the date of the appointment of the director. Such shares shall be kept aside to guarantee the liability of the Board members and shall remain non-negotiable until the expiry of the period specified for hearing the liability action provided for under Article 76 of the Companies Regulations or until a judgment is passed on said action. Should a member of the Board of Directors fail to submit

such qualification shares within the period specified therefor, his membership in the Board shall be deemed null and void.

### **Vacancies**

Membership of the Board of Directors shall be terminated upon the expiration of the appointment period, or resignation of the Director, or death of the Director or if a director is dismissed by an Extra-Ordinary resolution by the ultimate majority of the shares represented at the meeting, or if a director has become unqualified for the Board membership under any regulations or rules applicable in the Kingdom of Saudi Arabia, or if the office of a Board member becomes vacant, the Board may appoint a member in the vacant position temporarily, provided that such appointment is put forward before the first meeting of the Ordinary General Assembly for endorsement. The term of office of the new member designated to fill a vacancy shall only extend to the term of office of his predecessor. In case the number of the members of the Board of Directors falls below the quorum required for the proper convening of the Board meetings, the General Assembly shall be called for an Ordinary Meeting as soon as possible in order to appoint the necessary number of Board members.

### **Chairman, Managing Director and Secretary**

The Board of Directors shall appoint a Chairman, a Managing Director from among its members.

The Chairman and the Managing Director shall be authorized to, jointly and severally, represent the Company in its relationship with Government departments, companies and individuals, Notaries Public, courts of law, all judicial bodies, Commissions for settlements of disputes, Boards of Arbitration, Chambers of Commerce and Industry, commercial banks, and sign all documents including contracts and agreements, pledge documents, lease contracts, and documents and title deeds of sale and purchase of lands.

The Board of Directors shall appoint a Secretary from among its members or others, and shall determine his remuneration and powers. The term of office of the Chairman, the Managing Director and the Secretary – if he is a Board member – shall not exceed their respective terms of membership on the Board; however they may always be reappointed.

### **Powers of the Board of Directors**

Without prejudice to the powers conferred on the General Assembly, the Board of Directors shall be vested with full powers to manage the business of the Company.

The Board of Directors is empowered, for example and without limitation, to:

1. Represent the Company in its relationship with others
2. To raise, defend, plead, settle, acknowledge and arbitrate; to accept and reject judgments and to request or reject enforcement of decisions on behalf of the Company
3. To negotiate, approve, conclude and sign all types of contracts and documents.
4. To open, operate and close banking accounts, open documentary credits and sign all financial loans and banking facilities on behalf of the Company based on the provisions of the Company's Articles of Association.
5. To sell, buy and pledge the Company's properties and assets.
6. To approve the incorporation of affiliates, branches, offices, agencies, subscriptions, and participations in any companies
7. To Provide financial support to any of the companies in which the Company participates or the affiliates and sister companies, and to secure the credit facilities obtained by them.
8. To relieve creditors of the Company from their liability in line with its interests.

The Board of Directors may, within the limits of its jurisdiction, authorize and delegate one or more of its members or a third party to undertake any of the said authorities.

### **Remunerations of Directors**

Remuneration of the members of the Board of Directors shall consist of a percentage of the Company's profits not exceeding (10%) of the net profits remaining after the distribution of 5% to shareholders up to maximum of SAR 200,000 for each director and within the limits provided for by the Companies Regulations and the laws or regulations complementary thereto. The report submitted by the Board of Directors to the Ordinary General Assembly shall contain a statement of all payments made to the members of the Board during the fiscal year; salaries, share in profits, attendance allowance, expenses and other benefits. It shall as well contain a statement of payments made in consideration for technical, administrative or consultancy assignments carried out by the Board's members, which assignments have been approved by the Company's General Assembly.

### **Board Meetings**

The Board of Directors shall be convened at least two (2) times a year upon a call by the Chairman. The Chairman of the Board shall call for a meeting if so requested by any two (2) Board members.

### **Quorum and Representation**

A Board meeting shall be valid only if attended by 3 members. In the event that a member of the Board of Directors gives a proxy to another member to attend the Board meetings on his behalf, then such proxy shall be given accordance with the following:

1. A member of the Board of Directors may not act on behalf of more than one Board member as to attending the same meeting.
2. A proxy shall be made in writing and for a certain meeting.
3. A Board member acting by proxy may not vote on resolutions on which his principal is prohibited from voting under the law.

The Board resolutions shall be adopted with the approval of the majority vote of the members present. In case of a tie, the Chairman of the Board shall have a casting vote.

The Board may adopt its resolution by circulation unless one Board member requests a meeting for deliberations on such a resolution. Such Resolutions shall be laid before the Board in its first following meeting.

### **Minutes of Meetings**

The Board deliberations and resolutions shall be drawn in minutes to be signed by the Board Chairman and the Secretary. Such minutes shall be recorded in a special register to be signed by the Board Chairman and the Secretary.

### **General Assembly**

Each shareholder, regardless of the number of shares held, shall have the right to attend the Conversion General Assembly in his name or on behalf of other subscribers. Each shareholder owning twenty (20) shares (or more) shall have the right to attend the General Assembly, whether in person or by proxy. Each Shareholder may authorize in writing another Shareholder, other than the members of the Board of Directors, to attend the General Assembly on his behalf.

### **Conversion General Assembly:**

The Conversion General Assembly shall be competent to deal with the following matters:

1. To ascertain that the capital of the Company has been fully subscribed for and paid in line with the provisions of the Articles of Association and Companies Regulations considering the minimum capital and share value requirements.
2. To approve the final text of the Company's By-Laws. No essential amendments may be made to the offered By-Laws unless approved by all subscribers represented.
3. To appoint the first Board of Directors for a period of five (5) years.
4. To appoint the first auditors and appoint a director in the vacant position.
5. To deliberate on the report in respect of the activities and expenses required by the Company's conversion.

The Conversion General Assembly in its first meeting shall be valid only if attended by a number of Shareholders representing at least fifty (50%) of the Company's capital. Each subscriber shall have a vote for each share subscribed or represented.

### **Ordinary General Assembly**

Except for matters reserved for the Extraordinary General Assembly, the Ordinary General Assembly shall be in charge of all matters concerning the Company. The Ordinary General Assembly shall be convened at least once a year, within six (6) months following the end of the Company's fiscal year. Additional Ordinary General Assembly meetings may be convened whenever needed.

### **Extraordinary General Assembly**

The Extraordinary General Assembly shall have the power to amend the Company's By-Laws, except for such provisions as may be impermissible to be amended under the law. Furthermore, the Extraordinary General Assembly may pass resolutions on matters falling within the competence of the Ordinary General Assembly under the same conditions applicable to the latter.

### **Manner of Convening General Assemblies**

The General Assembly shall be convened by the Board of Directors. The Board of Directors shall convene a meeting of the Ordinary General Assembly if requested to do so by the Auditors or by a number of Shareholders representing at least five percent (5%) of the Company's capital. The summons shall be published in the Official Gazette and in a daily newspaper circulated in the city where the Company's head office is located at least twenty-five (25) days prior to the time set for such meeting. The summons shall include the agenda of the meeting. A copy of the notice and the agenda shall be sent, within the period set for publication, to the Companies Department at the Ministry of Commerce and Industry.

### **Record of Attendance at the Meetings of the General Assembly**

At the start of the General Assembly, a statement shall be prepared showing the names of the Shareholders, present or represented, and their addresses, as well as the number of shares held by them and the number of votes to which they are entitled. Any interested party shall have the right to examine such list

### **Quorum of Ordinary General Assembly**

A meeting of the Ordinary General Assembly shall be valid only if attended by Shareholders representing at least fifty percent (50%) of the Company's capital. If such quorum cannot be attained at the first meeting, a second meeting shall be held within thirty (30) days following the time set for the preceding meeting. Such notice shall be published in the manner prescribed in Article (33) hereof. The second meeting shall be deemed valid irrespective of the number of shares represented therein

### **Quorum of Extraordinary General Assembly**

A meeting of the Extraordinary General Assembly shall be valid only if attended by Shareholders representing at least fifty percent (50%) of the Company's capital. If such quorum cannot be attained at the first meeting, a second meeting shall be convened in the same manner provided for in the preceding Article. The second meeting shall be valid only if attended by a number of Shareholders representing at least one-quarter (1/4) of the Company's capital.

### **Voting Rights**

Each shareholder shall have one vote for each share he represents at the Conversion General Assembly. Votes at the meetings of Ordinary and Extraordinary General Assemblies shall be computed on the basis of one vote for each share.

### **Resolutions**

Resolutions of the Conversion General Assembly shall be adopted by an absolute majority of the shares represented thereat. However, if the resolution to be adopted is related to the assessment of in-kind shares or special privileges, the approval of the majority of cash share subscribers representing two thirds of the said shares after excluding the shares subscribed by the providers of in-kind shares, or the beneficiaries of the special privileges. Such subscribers shall not express an opinion regarding such resolutions even if they were of the holders of cash shares.

Resolutions of the Ordinary General Assembly shall be adopted by an absolute majority of the shares represented at the meeting.

Resolutions of the Extraordinary General Assembly shall be adopted by a majority vote of two thirds (2/3) of the shares represented at the meeting unless the resolution to be adopted is related to increasing or reducing the capital, extending the Company's period, dissolving the Company prior to the expiry of the period specified therefor under these By-Laws or merging the Company with another Company or establishment, then such resolution shall be valid only if adopted by a majority of three-quarters (3/4) of the shares represented at the meeting.

### **Discussion of Agenda**

Each shareholder shall have the right to discuss the items listed in the General Assembly's agenda and to direct questions in respect thereof to the members of the Board and the auditors in this respect. The members of the Board or the auditors shall answer the Shareholders' questions to the extent that does not expose the Company's interest to any damage. If the Shareholder deems the answer to the question unsatisfactory, then he may refer the issue to the General Assembly and its decision in this regard shall be conclusive and binding.

### **Proceedings of the General Assembly**

The General Assembly shall be presided over by the Chairman of the Board of Directors or, in his absence, the Director designated by him. The Chairman shall appoint a secretary for the meeting and a canvasser. Minutes shall be written for the meeting showing the number of shareholders and the number of votes attached to such shares, the resolutions adopted at the meeting, the number of votes assenting or dissenting to such resolutions and a comprehensive summary of the discussions that took place at the meeting. Such minutes shall be regularly recorded after each meeting in a special register to be signed by the Chairman of the Assembly and the secretary and canvasser.

### **Appointment of Auditor**

The Company shall have one auditor or more to be selected from among the auditors certified licensed to work in the Kingdom. The auditor shall be appointed annually and its compensation shall be fixed by the General Assembly.

### **Access to Records**

The auditor shall have access at all times to the Company's books, records and any other documents, and may request information and clarification as it deems necessary. It may further check the Company's assets and liabilities

### **Auditor's Report**

The auditor shall submit to the annual General Assembly a report showing how far the Company has enabled it to obtain the information and clarifications it has requested and what it has discovered of violations of the Companies Regulations and these By-Laws and its opinion as to whether the Company's accounts conform to the facts.

### **Financial Year**

The Company's fiscal year shall commence as at 1<sup>st</sup> January and expire on 31<sup>st</sup> December of each Gregorian year. However, the Company's first fiscal year shall cover the period commencing as of the date of issuance of the Ministerial Resolution announcing the conversion of the Company and expiring on 31<sup>st</sup> December of the following year.

### **Annual Accounts**

The Board of Directors shall prepare at the end of each fiscal year an inventory of the Company's assets and liabilities on such date, the Company's balance sheet and profit and loss account, a report on the Company's activities and its financial position for the preceding year and its proposals as to the distribution of the net profits 60 days at least prior to the Ordinary General Assembly. The Board of Directors shall put such documents at the auditor's disposal at least fifty-five (55) days prior to the time set for convening the General Assembly. Such documents shall be signed by the Chairman of the Board of Directors and a set thereof shall be available at the Company's head office for the Shareholders' review at least twenty-five (25) days prior to the time set for convening the General Assembly. The Chairman of the Board of Directors shall cause the Company's balance sheet, profit and loss account, a comprehensive summary of the Board of Directors' report and the full text of the auditor's report to be published in a newspaper circulated in the city where the Company's head office is located, and shall send copies of such documents to the Companies Department at the Ministry of Commerce at least twenty-five (25) days prior to the date set for convening the General Assembly.

### **Distribution of Annual Profits**

After deducting all general expenses and other costs, the Company's annual net profits shall be allocated as follows:

- Ten percent (10%) of the annual net profits shall be set aside to form a statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly when said reserve totals one-half (1/2) of the Company's capital.
- The Ordinary General Assembly may, upon request of the Board of Directors, set aside a percentage of the annual net profits of 5% to form an additional reserve to be allocated for special purpose/s.
- Out of the balance of the profits, if any, there shall be paid to the Shareholders an initial payment of not less than five percent (5%) percent of the paid-up capital.
- No more than ten percent (10%) of the remaining amount shall be paid as compensation to the members of the Board of Directors provided that it shall in no event exceed the limits set pursuant to the official resolutions and directives issued by the competent authorities in this regard.

### **Distribution of Dividends**

The profits to be distributed among the Shareholders shall be paid at such place and times as determined by the Board of Directors, in accordance with the instructions issued by the Ministry of Commerce and Industry.

### **Company Losses**

If the Company's losses total three-quarters (3/4) of its capital, then the members of the Board of Directors shall call the Extraordinary General Assembly for a meeting to consider whether the Company shall continue to exist or be dissolved prior to the expiry of the period specified therefor under these By-Laws. In all cases the Assembly's resolution shall be published in the Official Gazette.

### **Liability Action**

Each Shareholder shall have the right to file a liability action, vested in the Company, against the members of the Board of Directors if they have committed a fault which has caused some particular damage to such Shareholder, provided that the Company's right to file such action shall still be valid. The Shareholder shall notify the Company of his intention to file such action.

### **Dissolution of the Company**

Upon the expiry of the Company's period, or if it is dissolved prior to the time set for the expiry thereof, the Extraordinary General Assembly shall, based on a proposal by the Board of Directors, decide the method of liquidation, appoint one or more liquidators and specify their powers and fees. The powers of the Board of Directors shall cease upon the Company's expiry. However, the Board of Directors shall remain responsible for the management of the Company until the liquidators are specified. The Company's administrative departments shall maintain their powers to the extent that they do not interfere with the powers of the liquidators.

### **Companies Regulations**

The Companies Regulations shall apply to all other matters not specifically provided for herein.

### **Publication**

These By-Laws shall be filed and published in accordance with the Companies Regulations.

## 14. Legal Information

### 14.1 Incorporation

The Company was incorporated as a Limited Liability Company and registered in the Commercial Register of Dammam under No. 2050006430 on 02.01.1399H (corresponding to 02.12.1978G).

The Company commenced its activities in 1978 with a capital of SAR 2,000,000 divided into 2,000 shares of SAR 1,000 each and divided equally between the founding partners (Hazem Fayeز Al-Aswad and Afaf Mohammad Al-Shawaf).

For further information on the capital changes, please refer to section 4.2 "Company's History and Evolution of Capital" of this Prospectus.

On 26.03.1433H (corresponding to 18.02.2012G), the partners resolved to assign some of their shares to their children and to convert the Company and branches from a Limited Liability Company to a Closed Joint-Stock Company" with all its rights and liabilities. The Share Capital of the Company, amounting to SAR 250 million, is divided into 25 million shares of SAR 10 each and divided between the shareholders as at December 31. Accordingly, the Founding shareholders were as follows:

Shareholder	No of shares	Value (SAR)	Shareholding %
HazemFayez AL Aswad	18,750,000	187,500,000	75%
Sahar Abdul Kareem al Madani	1,250,000	12,500,000	5%
Maher Hazem Al Aswad	1,250,000	12,500,000	5%
Tariq Hazem Al Aswad	1,250,000	12,500,000	5%
Mohammad Hazem Al Aswad	1,250,000	12,500,000	5%
Lina Hazem Al Aswad	625,000	6,250,000	2.5%
Hala Hazem Al Aswad	625,000	6,255,000	2.5%
Total	25,000,000	250,000,000	100%

Source: Company

A resolution by the Minister of Commerce and Industry under No (198/Q) was issued on 16.05.1433H (08.04.2012G) endorsing the conversion of the Saudi Marketing Company from a Limited Liability Company to a Closed Joint-Stock Company with a capital of SAR 250,000,000 divided into 25,000,000 shares each of a nominal value of SAR 10,00.

The principal activities of the Company are the retail and wholesale of foodstuff, household consumables, toys, textiles and stationary. Also, the Company's activities include marketing services on behalf of and for third parties and managing and operating bakeries. The Company's activities also cover Farm Superstore, wholesale division, Farm Mini-market and Adventures World.

As per commercial registration, the Company is licensed to conduct the following business:

Acquisition of commercial agencies, imports and trading of stationary, electrical and mechanical tools and spare parts and equipment; all types of detergents, fertilizers, decoration plants, flowers and accessories; building and decoration materials and accessories; general building contracting (Repair, Construction, Demolition, Renovation); electrical and mechanical contracting; water and sewerage maintenance and contracting; management and operations of restaurants; management, operation and acquisition of rest houses; provision of cooked and uncooked catering; maintenance and operation of telecommunication networks and electronic, telephone and electrical networks; wholesale and retail of food corps (vegetables, fruits and legumes); commercial agencies; construction, operation and management of commercial and residential complexes and recreation and entertainment services (construction, maintenance and operation of recreational cities and centers); provision of marketing services for third parties; sale and purchase of lands and properties in favor of the Company.

## 14.2 Structure of Shareholding:

**Exhibit 14-1 Details of present shareholders' interests and their shareholding percentages before and after the Offering:**

Present Shareholders	Before IPO			After IPO		
	No. of shares	Capital (SAR)	%	No. of shares	Capital (SAR)	%
Hazem Fayeز AL Aswad	18,750,000	187,500,000	75%	13,125,000	131,250,000	52.50%
Sahar Abdul Kareem Al Madani	1,250,000	12,500,000	5%	875,000	8,750,000	3.50%
Maher Hazem AL Aswad	1,250,000	12,500,000	5%	875,000	8,750,000	3.50%
Tariq Hazem AL Aswad	1,250,000	12,500,000	5%	875,000	8,750,000	3.50%
Mohammad Hazem AL Aswad	1,250,000	12,500,000	5%	875,000	8,750,000	3.50%
Lina Hazem AL Aswad	625,000	6,250,000	2.5%	437,500	4,375,000	1.75%
Hala Hazem AL Aswad	625,000	6,250,000	2.5%	437,500	4,375,000	1.75%
Subscribers	0	0	0%	7,500,000	75,000,000	30%
<b>Total</b>	<b>25,000,000</b>	<b>250,000,000</b>	<b>100%</b>	<b>25,000,000</b>	<b>250,000,000</b>	<b>100%</b>

Source: Company

## 14.3 Branches in the Kingdom of Saudi Arabia

The Company has 51 branches registered at the Ministry of Commerce and Industry under sub-registers. The following Exhibit shows details of the branches:

**Exhibit 14-2: Company's branches in the Kingdom of Saudi Arabia**

S/N	Name	City	District / Street	C.R. No	Expiry date
1	Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	Jubail Industrial City	Mahalt Al Hajjara	2055001486	30.5.1438H (27.2.2017)
2	Saudi Marketing Company Branch (Farm Superstore) (Closed Joint-Stock Co.)	Jubail Industrial City	Fanateer, Fanateer Commercial Center	2055007463	9.3.1437H (21.12.2015)
3	Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	Dammam	Fakhriah	2050070704	3.6.1436H (24.3.2015)
4	Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	Dhahran	Doha District, Naif Commercial Center	205200879	8.2.1438H (9.11.2016)
5	Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	Jubail Industrial City	Fayha, Taiba Commercial center	2055007399	5.2.1437H (18.11.2015)
6	Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	Dhahran	Al Dana District	2052000604	18.12.1435 (13.10.2014)
7	Saudi Marketing Company Branch (Farm Superstore)	AlAl Khobar	Aziziah Street	2051026992	11.1.1439 (1.10.2017)

	(Closed Joint Stock Co.)				
8	Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	AlAl Khobar	Golden Belt	2051023875	11.10.1435 (8.8.2014)
9	Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	AlAl Khobar	Aziziah Housing	2051023874	11.10.1435 (8.8.2014)
10	Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	Dammam	Al Mazruiyah District	2050046049	2.5.1435 (4.3.2014)
11	Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	Jubail Industrial City	Northern Najd District	2055007398	5.2.1437 (18.11.2015)
12	Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	Dammam	Plan 71	2050046079	2.5.1435 (4.3.2014)
13	Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	Qatif	Al Quds Street	2053014486	19.10.1438 (13.7.2017)
14	Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	AlAl Khobar	Al Aqrabiah District	2051029721	2.5.1435 (4.3.2014)
15	Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	Dammam	Petromin District	2050047426	20.12.1435 (15.10.2014)
16	Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	Ras Tannoura	Naif Bin Abdulaziz Street	2066002140	22.8.1435 (21.6.2014)
17	Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	Safwa	Plan No. 11/67	2063015989	22.8.1435 (21.6.2014)
18	Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	Jeddah	Mohammadiyah District, Prince Sultan Street	4030149428	4.4.1435 (5.2.2014)
19	Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	Jubail Industrial City	Al Qayrawan District	2055007400	5.2.1437 (18.11.2015)
20	Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	Dammam	Al-Shifa District	2050053732	15.2.1438 (16.11.2016)
21	Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	Jubail Industrial City	Al Farooq- Karama Center – Store No.112	2055009051	9.4.1439 (27.12.2017)
22	Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	Hofuf	Al Mazroaa District (2)- Qatar Circle	2251036566	18.1.1439 (9.10.2017)
23	Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	AlAl Khobar	Aziziah Road, Khuzama District (Aziziah Plaza)	2051037258	8.5.1439 (25.1.2018)
24	Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	Jeddah	Rawda, Hamad AL Jasser Street	4030179993	9.4.1439 (27.12.2017)
25	Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	Qatif	Al-Shate'a District, Qatif Center, City Mall	2053019428	5.6.1439 (21.2.2018)

26	Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	Jeddah	Al Safa District, Prince Mute'b Street	4030179904	9.4.1439 (27.12.2017)
27	Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	Safwa	Um Al-Sahek – Plt No. 21/G	2063020578	30.5.1435 (1.4.2014)
28	Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	Khafji	Al-Khaleej Plan, N.S. 810	2057003568	7.5.1435 (9.3.2014)
29	Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	Jubail Industrial City	Al Fanateer District, Al Houty Commercial Center	2055012058	28.6.1436 (18.4.2015)
30	Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)5900014581	Jubail Industrial City	Al Fanateer District, Manama Commercial center	2055012059	28.6.1436 (18.4.2015)
31	Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	Dammam	Al Faisaliah District	2050070995	17.6.1436 (7.4.2015)
32	Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	Jazan	Cadi Mall, Corniche Road	5900014581	7.7.1436 (25.4.2015)
33	Adventures World -Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	Dammam	Mohammad Bin Saud Al-Kabeer District	2050050416	22.1.1437 (5.11.2015)
34	Adventures World -Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	Hofuf	Al Mazroaa 2, Qatar Circle, Farm Complex	2251036644	26.1.1439 (16.10.2017)
35	Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	Jazan	Cadi Mall, Corniche Road	5900014580	7.7.1436 (25.4.2015)
36	Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	Dammam	Khaldia, Meena Road	2050007771	30.5.1438 (27.2.2017)
37	Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	Riyadh	Shumaisi District, Sabbalah Street	1010228155	9.4.1438 (27.12.2017)
38	Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	Dammam	Mohammad Bin Saud Al-Kabeer District	2050006046	30.5.1436 (31.3.2014)
39	Adventures World - Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	Khafji	Al-Khaleej District Plan, N.S. 810	2057004613	2.2.1438 (2.11.2016)
40	Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	Hafrul Batin	King Abdulaziz Road	2511012061	22.5.1437 (1.3.2016)
41	Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	Khafji	Siteen Street	2055013625	1.7.1437 (8.4.2016)
42	Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	Khafji	Internal Security Forces Housing	2057004408	3.11.1437 (6.8.2016)

43	Adventures World -Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	Hafur Batin	Al Mohammadiyah District, King Abdulaziz Street	2511012130	16.5.1437 (4.3.2016)
44	Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	Jeddah	Al Olaya Plan, Madina Road West	403219007	3.1.1438 (4.10.2016)
45	Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	Ihsa	Al Mabraz Plan – Al Hasen District	2250047819	17.8.1438 (13.5.2017)
46	Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	Jeddah	Al Henaki Plan	4030230447	3.8.1438 (29.4.2017)
47	Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	Hail	Sedian District, King Fahd Road	3350036643	29.12.1436 (21.10.2015)
48	Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	Hail	Sedian District, King Fahd Road	3350037344	2.2.1439 (22.10.2017)
49	Adventures World -Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	Jeddah	Aziziah District, Prince Majed Road, Siteen District	3040245169	13.6.1439 (27.5.2018)
50	Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	Yanbu	Al Bahr Al-Sharbatly – AliBin Abi Taleb Street	4700016176	22.7.1939 (7.4.2018)
51	Saudi Marketing Company Branch (Farm Superstore) (Closed Joint Stock Co.)	Baljurashi	Hospital Street	5801015416	12.7.1439 (28.3.2018)

Source: The Company

#### 14.4 Branches out of Kingdom of Saudi Arabia

The Company does not have any branches out of the Kingdom of Saudi Arabia; however each of Farm Superstore and Adventures World has a branch in Lebanon. The trademarks of both branches are owned by the Saudi Marketing and Trading Company (SAL), a subsidiary of SAMCO-Lebanon

#### 14.5 Subsidiaries:

##### **Pure Springs Agencies and Trading Co. Ltd ("Pure Springs") (A Limited Liability Company)**

The Company was incorporated in 1424H (2003G) as a Limited Liability Company and registered in the Commercial Register of Dammam under No. 2050045816 on 04.04.1425H (23.05.2004). The principal activity of the Company is to construct, manage and operate restaurants and rest houses; acquisition of commercial agencies after registration at the Ministry of Commerce and Industry. Pure Springs is the holder of **Cinnarol Bakeries Limited** franchise which in turn holds the trademark "CINZEO", **bakery and coffee**, and **Wetzel's pretzels LLC** in the Middle East and North America. Pure Springs has 21 branches located in the Kingdom's regions in addition to 19 agent branches in the Kingdom and 13 agent branches out of the Kingdom. Pure Springs contributes to about 1% of the total income of the Company as of 30 June 2013.

The capital of Pure Springs amounts to SAR 1,000,000 divided into 1,000 shares of equal value of SAR 1,000 each divided by the two constituent partners as follows:

**Exhibit 14-3 Partners shareholdings of the subsidiary Pure Springs Company:**

S	Partner	No. of shares	Shareholding %
1	Saudi Marketing Company Ltd. (Farm Superstore)	900	90%
2	Hazem Bin Fayeze Al Aswad	100	10%
	<b>Total</b>	<b>1000</b>	<b>100%</b>

Source: The Company

Pure Springs Company is managed by Hazem Fayeze Al Aswad and his two sons Maher Hazem Al Aswad and Mohammad Hazem Al Aswad each of whom has all powers and authorities as per the latest amendment of the memorandum of association of Pure Springs Company.

Pure Springs Company has established and registered the following branches with the Ministry of Commerce and Industry:

**Exhibit 14-4 Branches of the subsidiary Pure Springs Company:**

S	Branch	City	Commercial Register No.	Date of issue	Expiry date
1	Al Rashid Commercial Center	Al Khobar	2051031179	13.5.1426 (20.6.2006)	13.5.1436 (4.3.2015)
2	Fanateer Commercial Center	Jubail Industrial/ Fanateer District	2055008157	20.2.1428 (10.3.2007)	19.2.1438 (19.11.2016)
3	Cadi Mall	Jazan / Corniche Road	5100014579	7.7.1431 (19.6.2010)	7.7.1436 (26.4.2015)
4	Farm Commercial Center	Hofuf/ Mazro'a District	2251036994	14.3.1429 (22.3.2008)	13.3.1439 (1.12.2017)
5	Mohammadiyah Branch	Hafrul Batin	2511012131	15.6.1432 (18.5.2011)	15.6.1437 (24.3.2016)
6	Al Qateef City Mall Center	Qateef / Hai Al Shate'a	2053018972	2.3.1429 (10.3.2008)	2.3.1439 (20.10.2017)
7	Prince Mohammad Bin Fad Bin Abdul Aziz Branch	Dammam	2050089637	23.4.1434 (5.3.2013)	23.4.1439 (10.1.2018)
8	Dareen Mall Center	Dammam, Gulf Road, Azizia District	2050089636	23.4.1434 (5.3.2013)	23.4.1438 (10.1.2018)
9	Prince Fahd Bin Salman Branch	Khafji	2057006037	1.5.1434 (13.3.2013)	30.4.1439 (17.1.2018)
10	Fanateer Commercial Center (Kastadoro)	Jubail Industrial / Fanateer District	2055018241	17.2.1434 (30.12.2012)	16.2.1439 (5.11.2017)
11	Al Rashid Commercial center - Carrefour	Al Khobar	-	-	-
12	Dhahran Complex – Farm Superstore 9	Al Khobar	-	-	-
13	Naf Center – Farm Superstore 5	Doha District	-	-	-
14	Farm Superstore 19	Safwa	-	-	-
15	Pearl Center, King Abdulaziz Road	Dammam	-	-	-
16	Othaim Mall Center	Ihsa	-	-	-
17	Fanateer Commercial center (Wetzel's Pretzels)	Jubail Industrial / Fanateer District	-	-	-
18	Danah Mall (CINNZE0)	Yanbu			

19	Yanbu University College (Girls)	Yanbu			
20	Yanbu Industrial College (Boys)	Yanbu			
21	Abul Khair Mall (Cinnzeo) Baljurashi	Baha			

Source: The Company

**Note:** Branches from 1 to 10 have commercial registrations, branches from 11 to 17 are merely "Kiosks – previously defined" because the area stipulated by the Ministry of Commerce to qualify for separate commercial registration does not apply as they exist in commercial centers; branches from 18 to 20 have been acquired on 01.10.2013 and the process of commercial registration is underway.

### The Saudi Marketing and Trading Company (SAL) Holdings – Lebanon

The Saudi Marketing and Trading Company (SAL) Holdings ("SAMCO Lebanon") is a Lebanese joint-stock Company duly registered under the Lebanese Laws and was registered in the Commercial Register of Beirut on 29.10.1427H (corresponding to 21.11.2006) under No. 1900803. The Company does not have any commercial activity at present, but it holds the Saudi Marketing and Trading Company (SAL) which in turn holds a lease contract of a commercial center (Beirut Mall). The income of the holding Company is mainly derived from the fees it collects against supervision of Saudi Marketing and Trading Company (SAL) which are estimated at 2% of its total sales. The Saudi Marketing Company (Farm Superstore) holds 99.95% of the shares of SAMCO-Lebanon.

SAMCO-Lebanon capital which amounts to USD 20,000 (SAR 75,000) is divided into 20,000 shares each of USD 1.00 (SAR 3.75) divided as follows:

#### Exhibit 14-5: Partners interests in the subsidiary Saudi Marketing and Trading Company (Holdings), Lebanon:

S	Partner	No. of shares	Shareholding %
1	Saudi Marketing Company Ltd. (Farm Superstore)	19,990	99.95%
2	Sahar Bint Abdulkareem Al Madani	5	0.025%
3	Hazem Bin Fayez Al Aswad	5	0.025%
	<b>Total</b>	<b>20,000</b>	<b>100%</b>

Source: The Company

### The Saudi Marketing and Trading Company (SAL):

The Saudi Marketing and Trading Company (SAL) is a Lebanese joint-stock Company duly registered under the Lebanese Laws. Its principal activity is to hold, operate and manage central markets (Supermarkets) and commercial centers. The Company holds a lease contract of and manages the commercial center (Beirut Mall) which is constructed on an area that exceeds 50,000 square meters and which includes a branch of Farm Superstore and a branch of Adventure World, which Lebanon trademarks are held by the Company, in addition to 86 commercial outlets leased to third parties. SAMCO-Lebanon holds 99.97% of the shares of the Saudi Marketing and Trading Company (SAL).

The capital of the Saudi Marketing and Trading Company SAL which amounts to LBP 300,000,000 (SAR 720,000) is divided into 30,000 shares each of LBP 10,000 (SAR 24.00) held as follows:

#### Exhibit 14-6 Partners' interests in the subsidiary Saudi Marketing and Trading Company (S.A.L.)

S	Partner	No. of shares	Shareholding %
1	Saudi Marketing and Trading Company (Holding)- SAMCO Lebanon	29,990	99.967%
2	Hazem Bin Fayez Al Aswad	5	0.0167%
3	Zaher Shatilla	5	0.0167%
	<b>Total</b>	<b>30,000</b>	<b>100%</b>

Source: The Company

## 14.6 Debt, Working Capital and Capitalization

"Capitalization and Indebtedness" section of this Prospectus reflects a summary of the Company's debts as of 30.06.2013. There is no essential change in the Company's debt position till the date of this Prospectus. The Directors, taking into consideration the outstanding banking facilities, believe that the Company has a working capital which is adequate to meet its present requirements for the coming 12 months period, at least, from the date of this Prospectus. The "Financial Information and Management Discussion and Analysis" and "Debt and Capitalization" sections of this Prospectus include a summary of the Company's capitalization as of 30.06.2013, and there is no essential change in the Company's capitalization in the period from 30.06.2013 to date.

The Directors of the Board confirm also that neither the Company nor any of its subsidiaries does have any debt instruments or term loans except the contingent liabilities and obligations stated in "Finance Agreements" section hereof.

## 14.7 Borrowing from the Company:

In line with the Companies Regulations, the Company is not permitted to grant cash loans of any type to Directors of the Board or senior executives or to secure any loans to any of them by third parties.

## 14.8 Board Directors Restrictions:

The Company's Articles of Association and the rules and regulations in force in the Kingdom of Saudi Arabia do not entitle any of the Board directors to vote at any contract or proposal in which they have any personal interest, or to recommend any awards to any of them or the right to borrow from the Company.

## 14.9 Dissolution and Liquidation:

Upon expiry of the Company term, or if the Company is wound up before expiry of its term, the Extra-ordinary Meeting would decide, upon recommendation by the Board of Director, the proper way for liquidation of the Company and appointment of one or more liquidators and fixing of their powers and fees. The powers of the Board of Directors will expire with the expiry of the Company's term. However the Board will continue to exercise its authorities in the management of the Company until a liquidator is appointed. The Company's departments will continue to conduct their business to the extent they do not contradict with the liquidators' authorities.

## 14.10 Finance Agreements

The Company entered into the following credit facility agreements:

### First: Facilities to the Company:

#### (A) Saudi Hollandi Banking Facility Agreement

The Company entered into a banking facility agreement dated 01.07.1433H (22.05.2012) with the Saudi Hollandi Bank for an overall credit limit of SAR 185,814,000 ("Saudi Hollandi Facility Agreement"). The facilities under the Saudi Hollandi Facility Agreement are available for the Company's use for an unlimited period. The Company provided the following securities under the Saudi Hollandi facility Agreement:

1. A Promissory Note from the Company for SAR 197,053,000 as security to the whole facilities
2. A personal guarantee by Hazem Bin Fayez Al Aswad for SAR 197,053,000 as security to the facilities.
3. Endorsement of the Insurance Policy of Farm Superstore for a value of not less than SAR 40,000,000 in favor of the Bank
4. A minimum of 60% of the Company's annual sales is to be deposited with Saudi Hollandi Bank.
5. Debt service / coverage ratio shall not exceed 1:1 throughout the loan period.
6. Financial efficiency ratio (total indebtedness to net equity) shall not exceed 1:2

**(B) Banking Facilities Agreement with Saudi Fransi Bank:**

The Company entered into a Basic Facility agreement dated 02.04.1434H (02.02.2013) with the Saudi Fransi Bank to provide the Company with banking facilities ("Saudi Fransi Facility Agreement") for a total amount of SAR 110,486,723, most of which is medium term loans, and expires on 12.02.2014. The Company provided the following securities and undertakings under the Saudi Fransi facility Agreement:

1. Promissory Note payable upon demand of SAR 110,486,723 by the Company.
2. A Promissory Note payable upon demand of SAR 110,486,723 by Hazem Bin Fayeze Al Aswad
3. As per the previous agreement which is still valid, the Bank's approval shall be obtained before the drawdown of any amount in cash which accumulative total amounts to SAR 3.000.000 in one fiscal year.
4. As per the previous agreement which is still valid, the Bank's approval should be obtained before the drawdown of any cash amount in excess of 30% of the net profits in one fiscal year.

**(C) Banking Facilities Agreement with Al-Rajhi Bank:**

The Company entered into a Basic Facilities agreement dated 11.01.1434H (25.11.2012) with Al Rajhi Bank (Al Rajhi Facility Agreement") for a total amount of SAR 30,000,000 to be used to finance the working capital, to purchase food stuff and consumables and to meet any shortage in the cash position. This agreement expired on 25.11.2013. (The Company is now reviewing the terms of the new agreement proposed by the Bank and will be executed upon completion of revision and approval). The Company provided the following general securities for Al-Rajhi Facility Agreement:

- A Promissory Note by the Company for SAR 30,189,367 with a value date on 30.9.2013 secured by HazemFayeze Al Aswad.

**(D) Credit Facility Agreement with Al Inma Bank:**

The Company entered into a credit Facility agreement dated 06.08.1433H (26.06.2012) with Al Inma Bank (Al Inma Facility Agreement") which expires on 30.06.2013 and is renewable with the written agreement of the two parties two months at least prior to expiry. The agreement was extended for another term to 28.08.2014. Under the agreement, the Company will be extended credit facilities for a total amount of SAR 75,000,000 to finance its working capital. The Company provided the following general securities for Al Inma Facility Agreement:

1. A Surety for the amount of SAR 75,000,000 by HazemFayeze Al Aswad
2. Promissory Note for SAR 75,000,000 by the Company guaranteed by HazemFayeze Al Aswad.

**(E) Finance Agreement by way of Murabaha to purchase commodities with International Gulf Bank**

The Company entered into a finance agreement to purchase commodities by way of Murabaha (Finance Agreement) and Murabaha Agreement to finance letters of credit ("Murabaha Agreement") with International Gulf Bank dated 10.10.1433H (28.08.2012) ("Gulf Bank Facility Agreement"). Under this agreement the Company is extended facilities of SAR 120,000,000. This agreement is in the process of renewal for another period.

The Company provided the following general securities for Gulf Bank Facility Agreement:

1. A personal guarantee for SAR 100,000,000 by Hazem Bin Fayeze Al Aswad dated 20.09.1433H (08.08.2012)
2. Promissory Note by the Company for SAR 100,000,00 payable on demand and guaranteed by Hazem Bin Fayeze Al Aswad
3. Total Liabilities to Total Net shareholders equity ratio shall not exceed 1:2
4. Shareholders net equity shall not be less than SAR 300,000,000

#### **(F) Credit Facilities Agreement with National Commercial Bank**

The Company entered into a credit facility agreement with National Commercial Bank dated 10.4.1434H (20.02.2013) ("NCB Facilities") under which the Company is extended credit facilities for SAR 70,000,000 as follows:

- Overdraft facilities: SAR 5,000,000
- Short Term Loan: SAR 50,000,000
- Common Limit for deferred documentary credits.
- Partial Limit from deferred documentary credits to Sight Documentary Credits.

The Company issued to the order of National Commercial Bank a Promissory Note for SAR 70,000,000 as a security to NCB facilities by Hazem Bin Fayeze Al Aswad.

#### **Second: Facilities to subsidiaries:**

SAMCO-Lebanon is not bound by any credit facilities to any financing party. The Saudi Marketing and Trading Company (SAL), a subsidiary of SAMCO-Lebanon is bound by the following banking agreements which are secured by Hazem Al Aswad and SAMCO-Lebanon:

#### **(A) Banking facilities from the Lebanese-French Bank - The Saudi Marketing and Trading Company (SAL):**

- Advances / personal guarantees of up to: USD 1,000,000 (SAR 3,75,000) at an interest of 6% plus 0.007% as fees.
- Foreign currency remittances of up to: USD 2,500,000 (SAR 9,375,000)

#### **(B) Banking facilities from Bank Oudeh (SAL) – Oudeh-Sardar Group – the Saudi Marketing and Trading Company (SAL):**

The Saudi Marketing and Trading Company (SAL) entered into a general contract to open and operate credit accounts with Bank Oudeh (SAL)-Oudeh-Sardar Group to open one or more single credit accounts under one identifier in the Bank's books. Under this contract the Saudi Marketing and Trading Company (SAL) can operate the current accounts by means of cheques or messages delivered thereto by the Bank, or by direct debit at the Bank's counters. The Saudi Marketing and Trading Company can also open saving accounts with the Bank. The Saudi Marketing and Trading Company (SAL) maintained an overdraft account with the bank for USD 400,000 (SAR 1,500.00) as of 26.12.1432 (23.11.2011).

The Company has prepared a list of all facilities secured by Hazem AL Aswad, including Promissory Notes issued, and communicated with the involved banks for cancellation thereof once the initial public offering and listing of the Company are approved. The concerned banks agreed without any conditions or restrictions

## 14.11 Letters of Guarantee / Credit

The Company obtained the following letters of credit:

### Exhibit 14-7 Letters of Credit obtained by the Company:

S/N	Bank	Beneficiary	LC expiry	Amount
1	Saudi Hollandi Bank	Chaozhou Wide Ceramics Marketing Co. Ltd	4.3.2013	USD 83,113.02 (SAR 311,674)
2		Shenzhen Shuangyiying Import export Trading Co. Ltd.	21.3.2013	USD 16,160.40 (SAR 60,602)
3		Xiamen Zhongxin Metal Products Co. Ltd.	1.2.2013	USD 53,020.26 (SAR 198,826)
4		Ningbo Yiyipack Industry Co. Ltd.	31.1.2013	USD 12,960 (SAR 48,600)
5		Minqing Henda Arts & Crafts Co. Ltd.	21.3.2013	USD 14,397 (SAR 53,989)
6		Shenzen K and L Union Porcelain Co. Ltd.	21.3.2012	USD 26,275.20 (SAR 98,523)
7		Chaozhou Yongxuan Domestic Ceramics Manufactory Co. Ltd.	21.3.2013	USD28,952 (SAR 108.57)
8		Farm Chalk Investment Ltd.	21.1.2013	USD 46,146.32 (SAR 173,052)
9		(Luck Basin Co. Limited) H.K.	21.5.2013	USD 21,131.02 (SAR 79,241)
10		PAK IHRACAT A.S	30.4.2013	USD39,087.00 (SAR 146,576)
11		SHANTOU CITY BIG TREE TOYS CO. Ltd.	21.5.2013	USD 21,639.59 (SAR 81,148)
12		Lumenflon S.P.A	31.5.2013	Euro 68,002.62 (SAR343,957.25)
13		Guangzhou Worline Houseware Ltd.	21.6.2013	USD 20,520.00 (SAR 76,950)
14		MEARO SAL OS	8.5.2013	USD 69,100.00 (SAR 259,125)
15		Shenzel Leader Houseware Co. Ltd.	21.6.2013	USD 61,500.00 (SAR 230,625)
16		AL Salem Air Conditioning	31.8.2013	SAR 824,000.00
17		(Guangdon Overseas Chinese) OCIE (ENT Co. Ltd)	21.6.2013	USD 36,179.78 (SAR 135,674)
18		P.W. SPOMET SP.J.Spolka Jawna	21.6.2013	EUR 20,457.97 (SAR 103,476)
19		Trigon Food BV	21.6.2013	EUR 38,986.79 (SAR 197,195)
20		Zhejiang Kagshuai Imp & Export Co. Ltd	21.1.2013	USD34,888.32SAR130,831 (10% + -)
21		(Alphaline International Enterprise) Asia Ltd.	21.2.2013	USD47,194.29 (SAR176,979)
22	Saudi Fransi Bank	Jiangmen Yihui Stainless Steel Products Co. Ltd.	21.2.2013	USD35,015.20SAR131,307 (10% + -)
23		Chaozhou Hongjia Ceramics Making Co. Ltd.	21.2.2013	USD31,882.60SAR119,560 (10% + -)
24		Schenzen Fairway Fine China Co. Ltd.	21.4.2013	USD121,717.98SAR456,442 (10% + -)
25		SOCIETE BLEED CONSERVES SARL	21.6.2013	EUR 21,693.24SAR109724
26		CAMRY Electronic Zhaqing Ltd.	21.9.2013	USD24,732SAR 92,745
27		Shenzel Leader Hopuseware Co. Ltd.	21.8.2013	USD 90,980SAR341,175
28		Xiamen Five Continents International Trading Co. Ltd.	21.3.2013	USD38,250.90SAR143,441
29		OMS Uiuslarasi Ltd. STI	21.12.2012	USD54,030SAR202,613
30		Guandong Stationary & Sporting Goods Import & Export	21.3.2013	USD21,552SAR80,820
31		Shenzen SHS Trade Co. Ltd.	21.3.2013	USD24,600SAR92,250
32		Fujian Ningade Baoxin Econonmy Development Co. Ltd.	28.2.2013	USD17,349.75SAR65,062
33		Zhejiang Grant Waving Coat Co. Ltd.	21.3.2013	USD64,746SAR242,798
34		Zhejiang Jiadun Garden Tools Co. Ltd.	21.2.2013	USD29,546.30 SAR110,799
35		Nonchau Investment Company Limited	31.1.2013	USD54,250 SAR203,438
36	Riyad Bank	Guandong Shunxiang Porcelain Co. Ltd.	31.3.2013	USD50.673.76 SAR190,027
37		Ningbo Jiangdong Cheng You Import and Export Company Ltd.	31.3.2013	USD109,528.41 SAR 410,732
38		Banazrum Agro Exports P. Ltd.	21.2.2013	USD12,600 SAR 47,250
39		Metton Industrial Limited	21.5.2013	USD 213,600 SAR 801,000
40		Pensofal International S.P.A	21.2.2013	EUR 222,281.84 SAR112,702
41		NEW ZHENG DA Hardware Co. Ltd.	31.3.2013	USD35,000SAR131,250
42		Ningbo Shuayang Wrapping Co. Ltd.	21.7.2013	EUR 73,952.07SAR374,050
43		LANCEA A.S.	21.7.2013	USD31,999.20 SAR119,997
44		Ningbo Shuayang Wrapping Co. Ltd.	21.7.2013	USD11,760.27 (SAR44,101)
45		LANCEA A.S.	21.8.2013	USD88,357.50 (SAR331,341)
Total Value of L/Cs				USD 1,794,437.1(SAR 6,729,139) + Euro 245,435.91 (SAR 1,241,414) + SAR 824,000

Source: Company

The Company also obtained the following letters of guarantee:

**Exhibit 14-8 Letters of Guarantee obtained by the Company:**

S/N	Bank	Beneficiary	Expiry of L/G	Notes
1	Saudi Fransi Bank	Ministry of Defense and Aviation	10.7.2017	Extended LG for lease and operation of a commercial center "Supermarket" at King Fahd Military City for SAR 116,250.-
2		Mohammad Saeed Fakhri and Partners Company	01.03.2014	For SAR 600,000 against purchase of tobacco cigarettes
3		King Fahd Medical Complex	27.02.2014	SAR 120,000. - Bid for lease of Supermarket at King Fahd Medical Complex in Dhahran for 5 years.
4		And Distribution for Sale Ltd. Co Communication	20.06.2014	Guarantee increased on 10.04.2013 to SAR 1,500,000 for supply of SAWA pre-paid chips
5		Tasheelat Marketing Company Ltd.	16.04.2014	SAR 40,000 – Bid for supply of fuel
6		Directorate General of Health	20.03.2014	SAR 9,300 – Bid for investment of supermarket at the internal Residence area of King Fahd Hospital in Jazan
7		Abdullatif Saud Al Babtain Company	10.10.2013	SAR 1,000,000 - against purchase of tobacco cigarettes
8		Ministry of Interior – Public Security – Criminal Investigations Department	12.12.2014	SAR 7,500
9	Saudi Hollandi Bank	Basamah Commercial Distribution Company	17.05.2014	SAR 3,000,000
<b>Total Value of Letters of Guarantee</b>				<b>SAR 6,393,050</b>

Source: The Company

## 14.12 Summary of major contracts:

The Directors of the Boards of the Company and subsidiaries declare that all major contracts have been disclosed in this Prospectus as per the following section:

### 14-12-1 Contracts with suppliers:

The Company uses a standard format for the contracts concluded with suppliers for display and sale of their products at its branches:

#### Supply Contract format:

Parties	Duration	Price and Payment	Notification of Termination	Agreement
The Company and Supplier	One year in general	As agreed between the two parties, usually deductible from the value of products and purchases	In most cases the contract is renewable automatically with the same conditions unless either party has advised the other party in writing of his intention not to renew the contract prior to the expiration of original or extended duration.	Display the suppliers' products at all or some of the Company branches and, in some contracts, provision of temporary advertising spaces.

Source: The Company

The Company, up to the date of this Prospectus, has entered into about 167 supply contracts with different suppliers for supply of goods to the Company and branches. The income for the Company generated from such contracts is fixed either based on a percentage or a lump-sum amount. Pure Springs Agencies and Trading Company Limited entered into 9 supply contracts, some of which are based on a payment period that extends to 60 days.

#### List of major suppliers of the Company:

**Exhibit 14-9 Major Suppliers:**

S	Supplier	S	Supplier
1	Al Maraii Company	11	AlWafi Al Takamul International For Food Stuff Ltd. (SADIA)
2	Arabian Catering Commercial Co.	12	Al Muhaideb Catering
3	Taleed Gulf Commercial Services Company	13	Basamah Commercial Distribution Company
4	NAPCO Consumable Products Company	14	Al Safi – Danon Limited Company
5	General Trade Company (CRAFT)	15	Nestle Saudi Arabia
6	Bin Zagr Company	16	Ismail Abu Dawood Trading Company Limited.
7	Al Rabie Food Stuff Saudi Arabia	17	Al Naghi Company
8	Al Quraishi Marketing Company Limited	18	Afia International Company
9	Al Munajem Cold Stores Company	19	Omar Qassem Al Esai and Partners Marketing Company
10	Olayan Kembriy Clark Company	20	Al Othman Agricultural Production and Manufacturing Company

Source: The Company

**14-12-2 Sales Contracts**

The Company entered into 12 contracts to displays its products at others outlets. The objectives of these contracts are to display the Company's products such as household appliances and tools at their third parties for a rental payable to them. The terms of such contracts vary in terms of duration. Payment under such contracts is fixed either based on a percentage or a lump-sum amount

**14-12-3 Distribution and Commercial Representation Contracts:**

The Company entered into the following two distribution contracts with the following two companies:

**(A) Emsa Werke Wulf & Co KG (German Company)**

This contract was concluded on 05.10.1421 (1.1.2001) under which the Company was appointed exclusive distributor of the products of the said Company in the Kingdom of Saudi Arabia to promote and sell its products and goods, namely temperature saving kettles for coffee and tea. The contract's term is one year renewable with the agreement of the two parties, however the contract valid to date. Under this contract the Company gets 66.33% on the products covered under the commercial distribution contract excluding certain products which are determined by Emsa Werke Wulf & Co KG. The contract is governed by and construed in line with the German Laws.

**(B) Windham Ferdinands Caesar & Co. (German Company)**

This contract was concluded on 20.04.1423 (1.7.2002) under which the Company was appointed the exclusive distributor of the products of the said Company in the Kingdom of Saudi Arabia and Bahrain to promote and sell its products and goods, namely cooking and bakery equipment, certain decorations for on kitchen ware. The contract's term is unlimited; however Windham Ferdinands Caesar & Co may terminate the contract under a written notice presented to the Company three months of the actual termination date.

The subsidiary Pure Springs Company concluded two commercial agencies and exclusive representation as follows:

- a. An exclusive commercial representation contract with Cinnarol Bakeries Limited.
- b. This contract was concluded on 23.07.1425 (8.9.2004) with Cinnarol Bakeries Limited which is established under the Canadian Laws and the holder of the trade mark "CINNZE0". Under this contract, Pure Springs is appointed as exclusive distributor and seller of Cinnarol Bakeries Limited products. The franchise term is 12 Gregorian years commencing from the contract date renewable for 10 years under a prior written notice of 6

months. Pure Springs Company is awarded an exclusive right to distribute the said Company's products in the following countries:

Kingdom of Saudi Arabia, United Arab Emirates, Kuwait, Lebanon, Kingdom of Bahrain, Qatar, Oman, Jordan, Egypt, Syria, Turkey, Cyprus, Iraq, Tunisia, Sudan and Yemen.

Under this contract, Pure Springs Company provides bakeries services following the recipes and styles prescribed by Cinnarol Bakeries Limited and promotes the products of such bakeries which bear the trade mark "CINNZE0" provided Pure Springs Company shall abide by the terms and quality prescribed by Cinnarol Bakeries Limited. Pure Springs Company is also committed under the agreement to use "CINNZE0" logo in promoting its products and bakeries.

Pure Springs Company pays against the franchise rights and for the opening of 35 sales stores as per the agreement made with the franchise owner the amount of USD 210,000 (SAR 787,500) in addition to USD 3,500 (SAR 13,125) for each additional store apart from the franchise fees which amount to 3% of total income.

This contract is governed by Canadian Alberta State Laws in case of any dispute, and the Alberta courts shall have jurisdiction in respect of any arising dispute.

c. Exclusive Commercial Representation Contract with Wetzel's Pretzels:

This contract was entered into on 16.1.1427H (15.2.2006) with Wetzel's Pretzels Company which is incorporated under the American Laws, Pasadena, California. Under this contract, Pure Springs Company is awarded an exclusive right to distribute and sell the Wetzel's Pretzels products. Pure Springs Company provides bakeries services following the recipes and styles prescribed by Wetzel's Pretzels and promotes the products of such bakeries which bear the Company's trade mark, provided Pure Springs Company shall abide by the terms and quality set by Wetzel's Pretzels. Pure Springs Company is also committed under the agreement to use Wetzel's Pretzels logo in its promotion for stores and bakeries.

The contract covers the following countries: Kingdom of Saudi Arabia, United Arab Emirates, Kuwait, Lebanon, Kingdom of Bahrain, Qatar, Oman, Jordan, Egypt, Syria, Iraq, Tunisia, Sudan and Yemen.

The contract's term is 10 years renewable by Pure Springs Company for a similar period through negotiations in the last year of the original or extended term.

The commercial representation contract value is fixed at USD 250,000 (SAR 937,500) payable once and covers the geographical zone set hereinabove. The Company may also open 24 centers or bakeries without payment of any charges to Wetzel's Pretzels, however it should pay USD 1,000 (SAR 3,750) per store or bakery opened (in excess of the 24 centers / bakeries) by Pure Springs Company, or by any one awarded an exclusive distribution right under the contract. The subsidiary, Pure Springs Company, shall also pay 3% of the total annual sales under the franchise contract and 3% of the total sales income generated in the previous month in terms of the described geographical zone.

Based on the above-mentioned two representation contracts, Pure Springs Company concluded 14 sub-franchise agreements in and out of the Kingdom with third parties giving them the right to use the franchise rights extended to Pure Springs. Such agreements covered the following countries and cities: Kuwait, Qatar, Bahrain, Oman, Jordan, Syria, Egypt, Tabuk, Medina, Taif, Makkah, Jeddah, Qassim, Riyadh and Al Khobar. Based on commercial agencies and exclusive representation contracts entered into by Pure Springs Company, the latter concluded sub-franchise contracts (the contracts made with Cinnarol and Wetzels give Pure Springs the right to award sub-franchise rights of the two commercial trademarks to third parties in specified countries and cities as herein-above shown):

**Exhibit: 14-10 Sub-franchise contracts of Cinnarol and Cinnzeo to the subsidiary, Pure Springs Company:**

S/ N	Representation Sub-Agent	Franchise Country/City	No. of stores	Duration	Fees
1	Khan International Group	Qatar	Up to 8 stores	10 years from 24.6.2012 renewable for 5 years between the parties in the agreement	USD 165,000 (SAR 618,750). Franchise fees: 7% of total income per annum (USD 15,000 (SAR 56,250) for each extra store)
2	SNAS International Trading and Contracting	Kuwait	Up to 8 stores	5 years from 20.5.2012 renewable for 5 years between the parties in the agreement	USD 172,500 (SAR 646,875). Franchise fees: 7% of total income per annum (USD 10,000 (SAR 37,500) for each extra store)
3	Bin Mirza International	Oman	Not less than 4 and not more than 8 stores	10 years from 30.3.2005 renewable for 5 years between the parties in the agreement	USD 100,000 (SAR 375,000). Franchise fees: 7% of total income per annum (USD 10,000 (SAR 37,500) for each extra store)
4	Awad Misfer Al-Khadraa Al Wadia	Tabuk, Saudi Arabia	1 store	10 years from 11.4.2007 renewable for 5 years between the parties in the agreement	USD 20,000 (SAR 75,000). Franchise fees: 7% of total income per annum
5	Global Franchising Ltd.	Al Khobar, Saudi Arabia	1 store	15 years from 3.1.2009 renewable for 5 years with the parties in the agreement	USD 24,000 (SAR 90,000). Franchise fees: 7% of total income per annum
6	Mohammad Saad Mutlaq Abuthneen Trading Est.	Riyadh, Saudi Arabia	Up to 15 stores	10 years from 1.3.2011 renewable for 5 years between the parties in the agreement	USD 240,000 (SAR 900,000). Franchise fees: 7% of total income per annum
7		Buraidah, Onaiza, Saudi Arabia	3 stores	10 years from 1.3.2011 renewable for 5 years between the parties in the agreement	USD 40,000 (SAR 150,000). Franchise fees: 7% of total income per annum (USD 10,000 (SAR 37,500) for each extra store)
8	Mrs. Hadha Awdha Awad Al Balawi	Taif, Saudi Arabia	1 store	10 years from 27.12.2010 renewable for 5 years between the parties in the agreement	(SAR 90,000). Franchise fees: 7% of total income per annum
9	Shaden Qassim Establishment	Al Rass, Saudi Arabia	1 store	10 years from 25.10.2010 renewable for 5 years between the parties in the agreement	USD 24,000 (SAR 90,000). Franchise fees: 7% of total income per annum (USD 10,000 (SAR 37,500) for each extra store)
10	Mohammad Musaid Al Jihni Commercial Services Establishment	Madina, Saudi Arabia	2 stores	10 years from 05.05.2005 renewable for 5 years between the parties in the agreement	USD 35,167 (SAR 131,876). Franchise fees: 7% of total income per annum (USD 10,000 (SAR 37,500) for each extra store)
11	Mohammad Ayman Al Masri	Syria	5 stores as a minimum	10 years from 12.04.2008 renewable for 5 years between the parties in the agreement	USD 180,000 (SAR 675,000) + Franchise fees: 7% of total income per annum
12	SAAB Food Global Agencies	Egypt	12 stores	10 years from 12.05.2010	USD 90,000 (SAR 337,500) + Franchise fees: 7% of total income per annum (USD 10,000 (SAR 37,500) for each extra store)
13	Al Amer Group	Lebanon	1 store	10 years from 01.05.2013 renewable for 5 years between the parties in the agreement	USD 18,000 (SAR 67,500) + Franchise fees: 7% of total income per annum

Source: The Company

**Exhibit: 14-11 Sub-Franchise contracts of Wetzel's Pretzels to the subsidiary, Pure Springs Company**

S	Representation Sub-Agent	Franchise Country/City	No. of stores	Duration	Fees
1	Arjan Al-Jazeera General Trading and Contracting	Kuwait	Up to 8 stores	10 years from 19.2.2008 renewable for a similar period between the parties in the agreement	USD 120,000 (SAR 450,000) Franchise fees + 7% of total income per annum (USD 10,000 (SAR 37,500) for each extra store)

Source: The Company

The following Exhibit shows the revenues generated by Pure Springs Company from franchise contracts:

**Exhibit 14-12 Revenues from franchise contracts:**

Description	2010	2011	2012	30 June 2012	30 June 2013
Revenues (SAR)	1,366,058	1,611,644	1,561,428	673,891	867,310

Source: The Company

### 14.13 Properties held by the Company

The Company owns a total of 21 properties covered by 44 title deeds. The following Exhibit includes details of properties held by the Company:

**Exhibit 14-13 Properties and assets held by the Company:**

S/ N	Land Description	Registered owner	Total area (m2)	No. of title deed	Date of title deed	Book value (SAR)	Location
1	Plots Nos. 212-213-214-215-216-217-218-219-220	Saudi Marketing Company (Farm Superstore)	10,079,20	27/1	5.1.1423 (18.3.2002)	5,105,000	Ihsa
2	Two Plots Nos. 330 and 331 of plan 68/1	Saudi Marketing Company (Farm Superstore)	390 + 390	730120001375 730120001376	30.11.1433 (16.10.2012)	1,800,000	Dammam, Nassiriyah District
3	Plot No. 30, Block 18, plan 105	Saudi Marketing Company (Farm Superstore)	500 with a building constructed thereon	330105003644	10.7.1428 (25.7.2007)	925,000	Dammam, Mohammad Bin Saud District
4	Plot No 153, block 13	Saudi Marketing Company (Farm Superstore)	500	Issue 3029/1, Record 162/2, Register 724/4	28.5.1395 (7.6.1975)	333,333	Dammam
5	Plots Nos. 149 and 151, block 13	Saudi Marketing Company (Farm Superstore)	1,000	Issue 294/1, Record 26/3, Register 77/1	24.5.1395 (5.6.1975)	666,667	Dammam
6	Plots No 1, plan 337/1	Saudi Marketing Company (Farm Superstore)	4,335.6	630112002142	15.4.1432 (21.3.2011)	26,013,600	Dammam
7	Plots Nos. 840, 841, 842, 843, 844, 845	Saudi Marketing Company (Farm Superstore)	4,731	126/1/3	11.5.1431 (25.4.2010)	12,123,187	Jeddah
8	Plots Nos. 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 158	Saudi Marketing Company (Farm Superstore)	12,000	209/1	26.3.1397 (17.3.1977)	12m	Dammam - Khaldiyah
9	Plots Nos. 2 and 4 of block 10	Saudi Marketing Company (Farm Superstore)	5,000	430205000960 230205000963	22.3.1434 (3.2.2013)	5,500,000	Khobar, Tahlia Beach Plan
10	Plot No 298	Saudi Marketing Company (Farm Superstore)	1,200	11 Vol 42	11.4.1424 (11.6.2003)	508,000	Jubail

		Superstore)					
11	Two Plots Nos. 577 and 578	Saudi Marketing Company (Farm Superstore)	461,570.48	First Deed: 228/1/1 Second Deed: 78/1/5	6.9.1433 (25.7.2012)	110,000 + 350,000	Ihsa
12	Plot No 75 plan A	Saudi Marketing Company (Farm Superstore)	400	6	15.4.1430 (11.4.2009)	290,000	Jazan
13	Plot No 793, plan 9	Saudi Marketing Company (Farm Superstore)	392	4	13.1.1432 (20.12.2010)	200,000	Jazan
14	Plot No 214 plan A	Saudi Marketing Company (Farm Superstore)	392	482	8.10.1411 (20.4.1991)	163,000	Jazan
15	Plot No 225 from piece 227 and Plot 225 from block 18 of plan 811/SH	Saudi Marketing Company (Farm Superstore)	2,213,03	230107105701	4.4.1433 (27.2.2012)	3,269,059	Dammam, Industrial City
16	Plots Nos. 87, 88,89,90	Saudi Marketing Company (Farm Superstore)	3,640	32/1/5	2.2.1433 (28.12.2011)	9,327,500	Jeddah, Samer District
17	Plots No 297-296 , block 22, plan 2/121B	Saudi Marketing Company (Farm Superstore)	4,880	6/253/3	26.7.1433 (16.6.2012)	3,489,050	Al Khobar, Amwaj District
18	Plot No 7/2	Saudi Marketing Company (Farm Superstore)	2,995	43/625	20.10.1429 (20.10.2008)	563,510	Hail Alfaisaliyah
19	Plot Nos. 37, 38, 39, 40, 41, 42 of plan 227/BB	Saudi Marketing Company (Farm Superstore)	19,500	320211010062 320211010063 320211010064 320211010065 320211010066 320211010067	18.2.1434 (31.12.2012)	16,989,404	Jeddah, Alwadi District
20	Plots Nos.292,293,294,295,296,297,298,299,300,301,302,303,304,305,306,307, plan m/e/81	Saudi Marketing Company (Farm Superstore)	11,699,7	841701000280 841701000277 841701000279 841701000276 841701000278 841701000275 841701000274 841701000536 841701000537 841701000538 841701000283 841701000540 841701000541 841701000539 841701000282 841701000281	Dates of title deeds between: 25.2.1434 – 6.2.1434 (18.12.2012 – 19.12.2012)	16,193,050	Yanbu, District A/2
21	Plot No 56 of plan 105/1	Saudi Marketing Company (Farm Superstore)	939	830112008353	11.3.1434 (23.1.2013)	2,800,000	Dammam, Mohammad Bin Saud District
Total Book value of properties (as per Company)					SAR 118,719,360		

Source: The Company

\* This plot (item No. 6) is the only invested land, while other plots are used for Company operations.

#### 14.14 Properties leased to third parties:

The Company entered into 171 lease contracts in the capacity of lessor under which it leased to third parties devoted spaces within its branches for display and sale of their products. Most of these contracts are automatically renewable and are mostly related to its business such as automated teller machines of banks.

#### 14.15 Properties leased by the Company:

The Company's policy provides for diversification in terms of properties by holding or leasing its branches for the Farm superstores, wholesales, mini-market or Adventure World. To this effect, the Company, up to the date of this Prospectus, concluded 96 lease contracts in the capacity of lessee including contracts with related parties as referred to in "Related Parties Transactions" section hereof as well as contracts with third parties. Pure Springs Company has also concluded 13 contracts under which it leases properties from third parties, including the Company.

The terms of the contracts concluded by the Company ranges between 1 and 15 years. The provisions of the contract vary from one contract to another. However the majority of these contracts are automatically renewable unless either party has advised the other party in writing of his intention not to renew the contract 3 months usually before expiry. Some contracts include provisions which commit the Company to return the leased asset in good condition and to perform maintenance during the lease term.

The subsidiary of SAMCO-Lebanon concluded a lease investment contract on 28.3.2003 under which it was entitled to construct buildings and projects on the leased property. Under this contract a commercial center, Beirut Mall, was constructed on the land. The lease term is twenty years commencing from 1.11.2005 renewable for a similar period. The rent of this land amounts to USD 525,000 (SAR 1,968,750) subject to an annual increase by 1.78%.

SAMCO-Lebanon entered into 73 lease contracts to invest the commercial center, Beirut Mall, most of which for a term of 3 years renewable with an annual increase by 2%.

#### 14.16 Employment contracts:

The Company uses a standard employment contract for all staff. The following is a summary of the contract terms:

##### Exhibit 14-14: Summary of employment contracts:

Duration	Salary	Annual Leave	Termination	Medical Insurance
12 months including the first 3 months as probationary period. The contract is renewable automatically unless either party has otherwise notified the other party of his intention not to renew 30 days prior to the contract end.	A monthly salary inclusive of all allowances less nay taxes or Social Insurance fees.	21 days paid leave per each contractual period of 12 months.	Either party may terminate the contract prior to its end by serving a written notice one month prior to termination against payment of one month salary (to either party).	Not stipulated in the contract, however, medical insurance should be provided by the Company in line with the Laws and regulations of the Kingdom of Saudi Arabia

Source: The Company

#### 14.17 Insurance:

The Company has insured all its assets and properties. 11 agreements were signed with Trade Union Cooperative Insurance Company. The subsidiary, "Pure Springs Agencies and Trading Company Ltd." has concluded 5 comprehensive insurance contracts with Trade Union Cooperative Insurance Company.

All insurance policies are valid, and the Company is keen to renew such policies yearly upon expiration. The Company has not received any notice of expiry of any of such policies.

**Exhibit 14-15 Details of insurances of the Saudi Marketing Company:**

S/N	Policy	Policy No.	Coverage in SAR	Term
1	All property and business interruption risks policy	1/34/6/13/R/19	799,112,250	1.1.2013 – 31.12.2013
2	Shipping Insurance Policy	11/30/1/12/37	1,000,000 Coverage cap per shipment	
3	Public liability Insurance Policy	11/35/9/13/57	Total cap of coverage per accident: SAR 3,000,000	
4	Company Vehicles Cover	1/1/29/13/73	Total cap of coverage per accident: SAR 10,000,000 and SAR 5,000 per case of emergency medical treatment	
5	Fidelity / Breach of Faith Cover	1/1/35/9/13/57	Cover cap to each insured staff: SAR 100,000 and total coverage of SAR 2,000,000 per accident per year. Coverage for 341 staff members.	
6	Cash Insurance Policies	1/1/35/8/13/56	Coverage limits are as follows: <ul style="list-style-type: none"> <li>• Cash in hand: SAR 13,974,000</li> <li>• Cash in transit: SAR 700,000</li> <li>• Total value of cash transferred per year: SAR 300,000,000</li> </ul>	
7	Staff Risk Insurance policy	1/1/35/1/13/72	1,500,000 per one accident	
8	Contractor site and tools cover	1/1/36/8.13.15	10 equipment for a total value of SAR 531,400	
9	Cargo shipping cover	1/1/30/3/13/38	Cover cap per accident: SAR 100,000 per shipment up to SAR 3,000,000 per year	
10	Medical Insurance cover	KH-243R-2012	SAR 300,000 per Insured	
11	Public Liability cover	1/35/23/13/59/E392	SAR 3,000,000	

Source: The Company

Note: (1) Item No. 5 in the above Exhibit, insurance against breach of faith, covers cashiers and store keepers totaling 341 staff;  
(2) The SAR 300.000 cover, Item 10, is the cap of medical insurance cover for all staff of the Company.

**Exhibit 14-16 Details of subsidiary insurances (Pure Springs Company Ltd.):**

S/N	Policy	Policy No.	Coverage in SAR	Term
1	All property and business interruption risks policy	1/1/34/6/12/41	SAR 3,785,000 for damages (SAR 500,000 for loss of income)	1.1.2013 – 31.12.2013
2	Cash in hand and tellers Cover	1/1/35/8/13/64	SAR 71,700	
3	Pure Springs vehicles cover	1/1/29/1/13/49	10,000,000 against third party per case.	
4	Fidelity / Breach of faith cover	1/1/35/9/13/67	750,000	
5	Staff indemnity cover	1/1/35/1/13/66	72,000 up to 15 employees.	

Source: The Company

\* Renewal of insurances is not automatic. Usually quotations are sought from different insurance companies, and the most appropriate quotation is then selected.

The subsidiary of SAMCO-Lebanon concluded insurance contracts with AROPE Insurance Company in Lebanon. The total value of premiums amounts to USD 68,170 (SAR 255,638). All Lebanese insurance contracts expire on 31.12.2013

**Exhibit 14-17: Details of the subsidiary, Saudi Marketing and Trading Company (Holdings) Lebanon insurances:**

S	Policy	Cover amount
1	Tellers and store keepers cover	USD 100,000 (SAR 375,000)
2	Stock damage cover	USD 100,000 (SAR 375,000)
3	Cash in hand cover	USD 350,000(SAR 1,312,500)
4	Cash loss in transit cover	USD 30,000 (SAR 112,500)
5	Bodily damage due to accidents including damages to customers	USD 250,000 (SAR 937,500) per person or one accident
6	Wreckage removal cover	USD 500,000 (SAR 1,875,000)
7	Breakage of thick glass	USD 100,000 (SAR 375,000)
8	Architects charges cover	USD 250,000 (SAR 937,500)
9	Strikes and Riots cover	USD 3,090,000 (SAR 11,587,500)
10	Damages to neighborhood and tenants	USD 2,000,000 (SAR 7,500,000)
11	Comprehensive insurance coverage against all risks covering properties and Company buildings including decorations, business interruption, stock and generators	USD 42,650,000 (SAR 159,937,500)
12	Accident risks for staff operating at Beirut Mall	Subject to compensation policy under the Lebanese laws

Source: The Company

The subsidiary, SAMCO-Lebanon concluded with Trade Union Cooperative Insurance Company an insurance contract to cover the risks of terrorism, sabotage and business interruption of up to USD 40,000,000 (SAR 150,000,000) which expires on 25.1.2014.

### 14.18 Related Party Transactions:

The Company, in its capacity as a tenant, before conversion into a closed joint-stock Company, concluded lease contracts with AlAswad Trading and Contracting Establishment as lessor, a Saudi Company holding CR No. 2050005395 issued in Dammam on 21.01.1398 and is held and managed by its chairman Hazem bin Fayez Al Aswad. 14 lease contracts were concluded, details of which are listed in the following Exhibit:

**Exhibit 14-18: Present lease contracts entered by the Company as lessee with Al Aswad Trading and Contracting Establishment as Lessor:**

S/N	Lessor	Type	Location	Area (m2)	Rent (SAR)	Contract End	Rent upon renewal for similar period	Notes
1	Al Aswad Trading and Contracting Establishment	Supermarket	Jubail – Farm 2	2492	2,000,000	27.10.2014	-	Al Aswad Establishment contract with the Royal Commission is under renewal
2	Al Aswad Trading and Contracting Establishment	Store	Tharmad district, Jubail	105	100,000	27.10.2014	-	Renewable for similar periods with the agreement of the two parties as per contract provisions
3	Al Aswad Trading and Contracting Establishment	Supermarket	Jubail – Farm 3	324	150,000	31.12.2016	165,000	Renewable for similar periods with the agreement of the two parties as per contract provisions

4	Al Aswad Trading and Contracting Establishment	Supermarket	Dhahran Farm 5	2899	3,600,000	12.7.2014	-	Contract Under renewal
5	Al Aswad Trading and Contracting Establishment	Supermarket	Dammam-Farm 14	982	165,000	30.8.1438	-	Renewable for similar periods with the agreement of the two parties as per contract provisions
6	Al Aswad Trading and Contracting Establishment	Supermarket	Dammam-Farm 17	771	200,000	30.12.2016	220,000	Renewable for similar periods with the agreement of the two parties as per contract provisions
7	Al Aswad Trading and Contracting Establishment	Supermarket	Dammam-Farm 18	2,241	750,000	30.12.2016	825,000	Renewable for similar periods with the agreement of the two parties as per contract provisions
8	Al Aswad Trading and Contracting Establishment	Supermarket	Dammam-Farm 19	2979	750,000	31.12.2015	825,000	Renewable for similar periods with the agreement of the two parties as per contract provisions
9	Al Aswad Trading and Contracting Establishment	Supermarket	Jubail-Farm 21	1,284	450,000	31.12.2015	495,000	Renewable for similar periods with the agreement of the two parties as per contract provisions
10	Al Aswad Trading and Contracting Establishment	Supermarket	Jubail-Farm 31	525	240,000	30.12.2016	264,000	Renewable for similar periods with the agreement of the two parties as per contract provisions
11	Al Aswad Trading and Contracting Establishment	Supermarket	Jubail-Farm 32	874	210,000	30.12.2016	231,000	Renewable for similar periods with the agreement of the two parties as per contract provisions
12	Al Aswad Trading and Contracting Establishment	Mini-Market	Jubail – Elegant House	146	130,000	14.10.1439	-	Renewable for similar periods with the agreement of the two parties as per contract provisions
13	Al Aswad Trading and Contracting Establishment	Mini-Market	Jubal - Alaadin 14. 10.1439	80	75,000	14.10.1439	-	Renewable for similar periods with the agreement of the two parties as per contract provisions
14	Al Aswad Trading and Contracting Establishment	Play Area	Dammam – Adventures World	3213	1,100,000	30.12.2015	1,210,000	Renewable for similar periods with the agreement of the two parties as per contract provisions
Total					9,920,000			

Source: The Company

The sales of the above branches represent about 18% of the total sales of the Company as stated in "Risk factors" section of this Prospectus. All such branches are bound by contracts most of which are long term and priced at the market prevailing rates to secure continuity and protect the Company's rights.

The Company's management confirms that all contracts and transactions with the related parties are conducted in a legal and regular manner and on commercial basis; they do not affect in any way the business and income of the Company.

After conversion to a closed joint-stock Company, and in line with Article 69 of the Companies Regulations, the Board of Directors approved on 15.5.2012 the above 1-14 lease contracts in which the chairman of the Board is interested, but in which he does not have the right to vote at. The Extra-Ordinary General Meeting has also endorsed the resolution of the Board of Directors regarding the said contracts on 22.9.1434H (30.7.2013).

The Company, in its capacity as lessor, before conversion to a closed joint-stock Company, concluded a number of lease contracts, as lessee, with Pure Springs Agencies and Trading Ltd. Which is 10% held by the Chairman of the Board Hazem Al Aswad. The total rent payable to the Company under these 7 contracts amounts to SAR 453.000 per annum. Details of these contracts are reflected in the following Exhibit:

**Exhibit 14-19 Current lease contracts between the Company as lessor with Pure Springs Agencies and Trading as lessee**

S/N	Type	Location	Area (m2)	Rent (SAR)	Contract End	Notes
1	Store	Naf Commercial Center, Dhahran	60	40,000	12.7.2014	Renewable for similar term
2	Store	Dhahran Commercial Center, Al Khobar	26	40,000	1.7.2023	Renewable for similar term
3	Store	Safwa	12	18,000	2.11.2022	Renewable for similar term
4	Store	Ihsa	107	87,000	31.12.2014	Renewable for similar term
5	Store	Khafji	166	115,000	31.12.2031	Renewable for similar term
6	Store	Hafir Albaten	75	75,000	5.7.2016	Renewable for similar term

Source: The Company

Board of Directors approved on 15.5.2012 the above lease contracts in which the Chairman of the Board is interested, but in which he does not have a right to vote at. The Extra-Ordinary General Meeting has endorsed the resolution of the Board of Directors regarding the said contracts on 13.11.1433H (29.9.2012).

Pure Springs Agencies and Trading Company Ltd. concluded also 3 lease contracts in the capacity of lessee with Al Aswad Trading and Contracting Establishment owned by the Chairman of the Board Hazem Al Aswad. Details of these contracts are reflected in the following Exhibit:

**Exhibit 14-20 Lease contracts made between the Company as lessor and each of Al Aswad Electro-mechanic, Al Karam Barbeque Restaurant and Zeina Al-Atfal ready-made wears.**

S/N	Lessee	Type	Location	Area (m2)	Rent (SAR)	Contract End	Renewal	Notes
1	Al Aswad Electro-mechanic	Offices	Dammam	25	30.000	31.12.2015	Renewable for similar period	Valid
2	Al Aswad Electro-mechanic	warehouse	Khaldiah	795	100.000	31.12.2014	Renewable for similar period	Valid
3	Al Karam Barbeque Restaurant	Restaurant	Khafji	81	58.400	31.12.2023	Renewable for similar period	Valid
4	Zeina Al Atfal Ready-Made Wears	Store	Ihsa	91	Percentage of sales 20%	31.12.2013	Percentage of sales 20%	Valid
5	Zeina Al Atfal Ready-Made Wears	Store	Khafji	86	Percentage of sales 20%	31.12.2013	Percentage of sales 20%	Valid

6	Zeina Al Atfal Ready-Made Wears	Store	Hafr Albaten	50	Percentage of sales 20%	31.12.2013	Percentage of sales 20%	Valid
7	Zeina Al Atfal Ready-Made Wears	Space within Farm Market 5	Doha	55	Percentage of sales 20%	31.12.2013	Percentage of sales 20%	Valid

Board of Directors approved on 15.5.2012 the above lease contracts in which the chairman of the Board is interested, but in which he does not have a right to vote at. The Extra-Ordinary General Meeting has endorsed the resolution of the Board of Directors regarding the said contracts on 13.11.1433H (29.9.2012).

**Exhibit 14-21: Present lease contracts entered into by Pure Springs Agencies and Trading Company Limited as lessee and Al Aswad Trading and Contracting Establishment owned by the Chairman of the Board, Mr. Hazem Al Aswad.**

S/N	Lessor	Type	Location	Area (m2)	Rent (SAR)	Contract End	Notes
1	Al Aswad Trading and Contracting Establishment	Kiosk	Al Jubail	34	50.000	1.5.2014	Renewable automatically every year
2	Al Aswad Trading and Contracting Establishment	Store	Al Jubail	80	60.000	28.2.2015	Renewable automatically every year
3	Al Aswad Trading and Contracting Establishment	Store	Al Jubail	14	35.000	30.6.2014	Renewable automatically every year

Source: The Company

Board of Directors approved on 15.5.2012 the above lease contracts in which the chairman of the Board is interested, but in which he does not have a right to vote at. The Extra-Ordinary General Meeting has endorsed the resolution of the Board of Directors regarding the said contracts on 13.11.1433H (29.9.2012).

The Company has also concluded an agreement on 27.3.2013 with Space Travel Agency, a branch of Al Aswad Trading and Contracting Establishment which is a related party. The term of the contract is for one year from the date thereof and is renewable automatically unless either part has otherwise advised the other party in writing one month before the expiry thereof. Under this contract the Agency shall provide travel and tourism services to the Company and issue tickets to staff at the market rates payable by the Company at the end of each month.

The Company has also concluded an agreement on 27.3.2013 with Dar Al Karam Barbeque Restaurant, a branch of Al Aswad Trading and Contracting Establishment which is a related party. The term of the contract is for one year from the date thereof and is renewable automatically unless either part has otherwise advised the other party in writing one month before the expiry thereof. The objective of the contract is to supply goods from the Company branches to the restaurant at the shelf rate; value of purchase are then computed and paid to the Company.

The two contracts with Space Travel Agency and Dar Al Karam Barbeque Restaurant were endorsed by the Extra-Ordinary meeting held on 22.9.1434H (30.7.2013).

The Directors of the Board confirm that the rental provided for in each of these lease contracts with the related parties represent a fair and equal-to- market rates.

The Directors of the Board confirm also the Company's compliance with the provisions of Articles 69 and 70 of the Companies Regulations and Article 18 of Corporate Governance in terms of transactions with related parties as follows:

- All contracts with related parties are voted at the Ordinary General Meeting of the Company
- The Directors of the Board confirm that such contracts do not compete with the Company's activities and related parties are dealt with at length arms on commercial basis.
- Except as to the above, no other commercial transactions existed with any of the directors of the Board, chief executive officer, senior management or any shareholder holding 5% or more of the Company's shares, or any of their relatives who have direct or indirect material interest in such transactions; there existed no authority for any of them to vote at such transactions.

## 14.19 Intellectual Property Rights:

The Company's inability to protect its intangible assets represented by its proprietary trademarks as well as its subsidiaries' trademarks, the Company's inability to obtain the approval of the Ministry of Commerce and Industry to register any trademark, or in certain instances, the need for a legal protection action, may adversely affect such trademarks, and it might cause the business to be more costly which consequently might cause the Company operations to be adversely affected.

The Company has registered the below mentioned trademarks (1), (2) and (4). The subsidiary; Pure Springs Company has also registered the trademark (3) with the Ministry of Commerce and Industry in the Kingdom of Saudi Arabia:

### Exhibit 14-22: Trade-Marks registered in the Kingdom of Saudi Arabia:

S/ N	Owner	Registration No.	Date of first registration	Beginning of protection	End of protection	Category	Types of Goods	Description of Trade Mark
1	Company *	1524/80	18.12.1434	11.6.1434	10.6.1444	35	Sales promotion services	 <p>أسواق المزرعة FARM Superstores</p> <p>The words "أسواق المزرعة" in Arabic letters and red color, and the words "FARM Superstores" in Latin letters and red color with a green inclined line underneath</p>
2		1168/65	25.6.1431 (8.6.2010)	5.4.1427 (4.5.2006)	4.4.1437 (15.1.2016)	35	Sales promotion services	 <p>سامكو samco</p> <p>The word "سامكو" in Arabic letters and SAMCO in Latin letters with an engineering drawing like a flower and a tiny circle.</p>
3	Pure Springs Agencies and Trading Company Ltd. **	639/59	13/6/1422 (1/9/2001)	25.3.1432 (28/2/2011)	24.3.1442 (9/11/2020)	35	Advertising Services promotion	 <p>CINNAROL</p> <p>The word "CINNAROL" in distinguished Latin letters within a closed-sided stripe with the words "Bakery and Cinnamon Treasures" in Latin letters underneath. Protection does not cover the words "Bakery and Cinnamon".</p>
4	Adventure World	89/1498	21/10/1434	24/4/1434	23/4/1444	41	Education and training services as well as entertainment, sports and cultural services	 <p>عالم المغامرات Adventures World</p> <p>The words: عالم المغامرات in Arabic letters and "Adventures World" beneath in Latin letters separated by red and orange colors with an oval shape in blue in the middle and a car and some trees inside.</p>

Source: The Company

- \* This trade mark represents the new logo adopted by the Company, and it is displayed at all Company branches, on cars and in special advertisements and sales promotion services.
- \*\* Pure Springs Company is an agent in the Middle East and not the owners of the trade mark; CINNAROL trademark is owned by the Canadian Company "CINNAROL".
- \* Protection will be renewed every 10 years; hence, the period between starting and completing the protection is 10 years.

### The Company has also concluded the following software licensing contracts:

1. The Company concluded a licensing and services contract with Oracle Systems Limited in Cyprus on 4.8.2009 under which the Company will be provided with 31 licenses for a number of programs relating to purchases, finance, stock management, inventory, order managements, pricing and work group for 12 months period together with the accompanying services, for a total cost of USD 56.121.80 (SAR 210.457).
2. The Company has also concluded a licensing and services contract with Oracle Systems Limited in Dubai on 22.2.2010 under which the Company will be provided with 50 licenses for Oracle Landed Cost

Management - \$M Cost of Goods Sold Perpetual for the period of 12 months with the accompanying services, for a total value of USD 56,12180 (SAR 210,457).

- The Company has also concluded a licensing and services contract with Oracle Systems Limited in Dubai on 18.3.2012 under which the Company will be provided with 10 licenses for Oracle Mobile Supply Chain Applications for Oracle Inventory Management- Application User Perpetual, for a total value of USD 18,940.50 (SAR 71,027).

The subsidiary of SAMCO-Lebanon has registered the following trademarks with the Ministry of Economy and Commerce – Directorate General of Economy and Commerce – Intellectual Property Rights Protection Department in Lebanon:

**Exhibit 14-23 Trademarks registered out of the Kingdom of Saudi Arabia**

S/ N	Owner	Registration	Date of Registration	Protection	Category	Description of trade mark
1	Subsidiary of SAMCO-Lebanon	122747	26.6.2009	Protection of registered trademarks for 10 years. Renewal of registration may be made unlimited (for subsequent periods from 10 years provided renewal fees are settled in the proper time.	35	Advertising services, promotion of advertising materials and business guidance. A name on the Internet network, sale, export and import services.  The words <b>Beirut Mall</b> in Latin letters in red and dark blue colors and the words "FAMILY THE-DESTINATION" in dark blue color underneath.
2		122748	3-29-30-32-25	----	(3)	Special products for bleaching of fabrics and other materials used in washing clothes. Detergents, dirt removal and scraping materials, soaps, aromatic materials, evaporating oils, cosmetics, hair solutions, dentifrice, shoe polish (category 3), all types of meat, fish, poultry, animals and hunting birds, meat extracts, preserved, dried and cooked fruits and vegetables, all types of jams. Eggs, yogurt and other products of yogurt and other dairy products; oils and fats, preserved foods and pickles (Category 29), coffee, tea, cocoa, sugar, rice, tapioca, sajooma (coffee replacement) wheat, cereal products, bread, biscuit, cake, pies, sweets, ice-cream, honey, black honey, yeast, yeast powder, salt, mustard, peppers, sauce, peppers and ice. (Cat. 30), beer, black beer, mineral and soda water and other non-alcoholic drinks, drinks and other products for making drinks (cat. 32) advertising and publishing and its name on the internet (cat.35)  The word Superstores in Arabic language in green color with an inclined line in green color beneath below the words FARM SUPERSTORES in Latin letters in red color.
3		122746			9-43-41	Cat. 9) Automatic equipment which operates by inserting coins, etc., office machinery, cash safes.  In yellow, brown and dark and light green color in distinguished Latin letters with a drawing including a jeep car in brown and beige color with luminous lights in yellow color, a large wheel and mushroom tree in green color; hills and palm trees; blue sky; astrologer and sea. Cat. 41) Entertainment and amusement services Cat. 43) food and drinks provision services

## 14.20 Litigations

The subsidiary, Pure Springs Company, filed a case before the Committee for Settlement of Banking Disputes against Arab National bank for SAR 145,850. This case relates to a dispute which arose between Pure Springs Company and the Bank subsequent to the Company's claim that the said amount was not credited to its account. The defendant bank claimed that the deposit slips claimed to be issued by the bank were forged and therefore rejected the Company's request. The case is still not decided up to date.

Apart from the above dispute, the directors confirm that neither the Company nor any of its subsidiaries are a party to any litigation, arbitration or administrative case which would individually or jointly adversely affect the financial position or results of the Company's operations.

## 15. Underwriting

### 15-1 Underwriter

Under the Underwriting Agreement with the Company and Selling Shareholders, Falcom Financial Services undertook to underwrite all of the Offer Shares totaling to 7,500,000 shares representing all Offer Shares at the offer price of being SAR36 per share.

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#### Falcom Financial Services

Riyadh, Olaya Street

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Tel: 8004298888

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Website: [www.falcom.com.sa](http://www.falcom.com.sa)



### 15-2 Offering of Offer Shares and Underwriting

Under the terms of the underwriting agreement:

- a) The Selling Shareholders undertake to the underwriter that, on the first business day after the CMA approves the allocation of the Offer Shares following the end of the Subscription Period, they will:
  - sell and allocate the Offer Shares to the subscribers whose applications to the Offer Shares have been accepted by the Receiving agents; and/or
  - sell and allocate to the underwriter any Offer Shares that are not purchased by successful applicants or institutional investors pursuant to the Offering; and
- b) The underwriter undertakes to the Selling Shareholders that, on the allocation date, it will purchase the Offer Shares that are not subscribed for by successful applicants (retail or institutional). The Company and Selling Shareholders have committed to satisfy all terms of this Prospectus and underwriting agreement.

### 15-3 Fees and Expenses

The Selling Shareholders shall incur the fees and costs paid by the Underwriter during the Offering process based on the total revenues of the Offering

The Selling Shareholders will pay all costs relating to the IPO which is estimated to total SAR 13 million. Such costs will be deducted from the total Offering Proceeds amounting to SAR 270 million. Offering expenses include fees of the Financial Advisor, Legal Advisor, Certified Public Accountant, in addition to underwriting expenses, Receiving Agents expenses, as well as marketing, printing, distribution and other expenses relating to the Offering.

## **16. Exemptions**

Neither the Company, nor the Financial Advisor have submitted ant request to CMA to be exempted from any requirements stipulated in the Listing Rules.

## 17. Subscription Terms and Conditions

The Company has submitted an application to the CMA for the admission of the Shares to the Official List and all relevant approvals pertaining to this Prospectus and all other supporting documents requested by the CMA in addition to all relevant regulatory approvals required to conduct the Offering have been granted.

All Subscribers must carefully read the Subscription Terms and Conditions prior to completing the Subscription Application Forms, since the execution of the Subscription Application Form constitutes acceptance and agreement to the Subscription Terms and Conditions.

### 17-1 Subscription

The Initial Public Offering will include 7,500,000 Ordinary Shares at a nominal value of SAR10 per share fully paid, representing 30% of the Company's issued Share Capital totaling to SAR 270 million. The Offer price is SAR 36 per share. The offering is directed at and may be accepted by two categories:

Tranche (A): Institutional Investors (collectively the “Institutional Investors”), comprise of certain institutions including investment funds, referred to collectively as (“Institutional Investors”) (Please see section “Definitions and Abbreviations”. The Institutional Investors are initially allocated 7,500,000 shares representing 100% of the total Offer Shares. If Retail Investors (referred to in Tranche A) subscribe for the Offer Shares, the Institutional Book Runner shall have the right, after approval of CMA, to reduce the number of shares allocated for Institutional Investors to 3,750,000 shares, representing 50% of the Offer Shares. 70% of the shares allocated for this Tranche will be allotted for investment funds, provided that such a percentage shall be subject to amendment if Institutional Investors subscribed for the full remaining percentage (30%) or in case investment funds do not subscribed for the full percentage dedicated to them (70%).

Tranche (B): Retail Investors, being Saudi Arabian nationals, including Saudi women who are divorced or widowed and who have children from a non-Saudi husband subscribing for Offer Shares in the name(s) of their children who are minors (a “Retail Investor” and collectively “Retail Investors”), providing that she produces a valid evidence of being so. A subscription for the divorced wife will be deemed invalid, and if it is proven that an applicant had subscribed in the name of his divorced wife, he will be subject to disciplinary action. 3,750,000 Offer Shares maximum, representing 50% of the public Offer Shares, will be allocated to Retail Investors. In the event of subscription in the Offer Shares by the individuals defined in Tranche B, the Book Runner shall have the right, following obtaining approval from CMA, to reduce the number of shares allocated for the retail subscribers so that they shall be consistent with the number of shares they subscribed for.

### How to Apply

Selling Shareholders request from the subscribers (Individual and Institutional) to submit their Subscription Application Forms at the predefined times and days according to the method identified for each segment in the form. Signing the Subscription Form by the subscriber and sending it to one of the Receiving Agents shall represent a legally binding agreement between the Selling Shareholders and the Subscriber.

Selling Shareholders own now 100% of the Company’s Capital and their ownership will decrease to 70% from the Capital after completion of the IPO. Subscribers may collect the full and mini prospectuses and Subscription Application Forms from any of the following Receiving Agents.

FALCOM فالكوم



Falcom Financial Services  
P.O. Box 884, Riyadh 11421



Saudi Fransi Bank  
P.O. Box 397, Al Khobar 31952



Riyad Bank  
P.O. Box 22622, Riyadh 11614



The National Commercial Bank  
P.O. Box 3555, Jeddah 21481



Samba Financial Group  
P.O. Box 833, Riyadh 11421



Al Rajhi Banking and Investment Corporation  
P.O. Box 28, Riyadh 11411



Arab National Bank  
P.O. Box 56921, Riyadh 11564

The Receiving Agents will commence receiving Subscription Application Forms at their branches throughout Saudi Arabia from Wednesday 21/03/1435H (corresponding to 22/01/2014G) up to and including Tuesday 27/03/1435H (corresponding to 28/01/2014G). Once the Subscription Application Form is signed and submitted, the Receiving Agent will stamp it and provide to the Subscriber a copy of the completed Subscription Application Form. The Subscription Application Form will be considered void if the information presented therein is incomplete or inaccurate and not signed by the Receiving Agent:

The Subscriber shall specify in his Application Form the number of shares he intends to subscribe for, so the total amount of subscription shall be the number of shares subscribed for multiplied by the Offer Price of SAR 36 per share. Each individual subscriber to the Offer Shares must apply for a minimum of 10 Offer Shares and any increase must be for the multipliers of the minimum number of shares. A subscriber may not apply for more than 250,000 Offer Shares.

Each Subscriber is required to submit the Subscription Application Form during the Offering Period accompanied by (as applicable) and the receiving agent's officer must match the submitted copies against the originals:

- The original and copy of the national Civil identification card (for individual subscribers);
- The original and copy of the Family Civil record (when subscription is made on behalf of the family members)
- The original and copy of the power of attorney (when application is made by an agent on behalf of the subscriber);
- The original and copy of the certificate of guardianship for orphans (when subscription is made on behalf of orphans);
- The original and copy of the deed of divorce (for a Saudi divorced woman subscribing for her minor children from a non-Saudi husband);
- The original and copy of the death certificate (for a Saudi widowed woman subscribing for her minor children from a non-Saudi husband); and
- The original and copy of the birth certificate (of the minor children of a Saudi divorced or widowed woman previously married to a non-Saudi).

A power of attorney is acceptable by first degree family members (parents and children) only. In the event an application is made on behalf of a Subscriber the name of the person signing on behalf of the Subscriber should be stated in the Subscription Application Form accompanied by the original and a copy of the power of attorney supporting such person's authority to act on the behalf of the Subscriber. The power of attorney must be issued before a Notary Public for those who are in the KSA and must be legalized through the Saudi Embassy or Consulate in the relevant country for those residing outside the KSA. The Receiving Banks will verify all copies against the originals and will return the originals to the Subscriber.

One Subscription Application Form should be completed for each head of family applying for himself and members appearing on his family identification card if dependent Subscribers apply for the same number of Offer Shares as the prime Subscriber. In this case:

- (i) all Offer Shares allocated to the prime Subscriber and dependent Subscribers will be registered in the prime Subscriber's name;
- (ii) the prime Subscriber will receive any refund in respect of amounts not allocated and paid for by himself and dependent Subscribers, and
- (iii) the prime Subscriber will receive all dividends distributed in respect of the Offer Shares allocated to himself and dependent Subscribers.

Separate Subscription Application Forms must be used if:

- (i) the Shares that will be allocated are to be registered in a name other than the name of the prime Subscriber/head of family; or
- (ii) dependent Subscribers wish to apply for a different quantity of Offer Shares than the prime Subscriber.
- (iii) if the wife wishes to subscribe in her name and to add allocated shares to her account, however, she must complete a separate Subscription Application Form as a prime subscriber. In such case, applications made by the husbands on behalf of their spouses will be cancelled and the independent application of the wives will be processed by the Selling Agent.

A divorced or a widowed Saudi woman who has children from a non-Saudi husband, shall have the right to subscribe in their name for her interest providing that she shall introduce an evidence to prove he situation and motherhood.

During the Offering, only a valid Iqama will be an acceptable form of identification for non-Saudi dependents. Passports or birth certificates will not be accepted. Non-Saudi dependents can only be included as dependents with their mothers and cannot subscribe as primary subscribers. The maximum age for non-Saudi dependents to be included with their mother is eighteen (18) years. Any documents issued by a foreign government must be notarized (attested) by a Saudi consulate or embassy.

Each Subscriber agrees to subscribe for and purchase the number of Offer Shares specified in the Subscription Application Form submitted by the Subscriber for an amount equal to the number of Offer Shares applied for multiplied by the Offer Price of SAR 36 per Share. Each Subscriber shall have purchased the number of Offer Shares allotted to him upon fulfillment of the following:

- (a) delivery by the Subscriber of the Subscription Application Form to the Selling Agents;
- (b) payment in full by the Subscriber to the Selling Agents of the total value of Offer Shares subscribed for; and
- (c) delivery to the Subscriber by the receiving bank the allotment letter specifying the number of Offer Shares allotted to him.

The total value of the Offer Shares subscribed for must be paid in full to a branch of the Receiving Agents by authorizing a debit of the Subscriber's account held with the Receiving Agent where the Subscription Application Form is being submitted. The Company shall have the right to reject the Subscription Application Form in full or in part if it does not meet the Subscription Terms and Conditions. The subscriber shall accept the shares allotted to him unless they are more than the shares he subscribed for.

## **Allocation and Refunds**

The Lead manager and Receiving Agents shall open an Escrow Account named (IPO of Saudi Marketing Company “Farm Superstores”). Each of the Lead Manager and Receiving Agent shall deposit the amounts it received from subscribers in the said account.

Notification of the final allotment and refund of subscription monies, if any, will be made no later than Tuesday 04/04/1435H (corresponding to 04/02/2014G). The allocation will be in the following manner:

### **Allocation to Institutional Investors**

Final allotment of Offer Shares to the Institutional Investors will be at the discretion of the Company in consultation with the Lead Manager after completing the allocation process for Individual segment.

### **Allocation to Retail Investors**

Each Subscriber will be allocated a minimum of 10 Offer Shares with the remaining Offer Shares, if any, being allocated on a pro-rata basis based on the number of shares requested by every subscriber. The Lead Manager shall have the right to reduce the number of shares allotted to individual subscribers to 50% of the total Offer Shares and reduce the number of shares allotted to Institutional Investors to 50% of the Offer Shares. In the event that the number of Subscribers exceeds 375,000, the Offer Shares will be allocated equally among all Subscribers. If the number of Subscribers exceeds 3,750,000 (the number of Offer Shares), the allocation will be left to the discretion of CMA.

The final number of Offer Shares allocated to each Subscriber, together with refund of monies, if any, due to the Subscriber, is expected to be announced no later than Tuesday 04/04/1435H (corresponding to 04/02/2014G).

The Lead manager and Receiving Agents will start refunding the excess money and sending confirmations/notifications to Subscribers through announcements in newspapers informing them of the final number of Offer Shares allocated, together with the amounts, if any, to be refunded to them. The Receiving Banks will also refund to the Subscribers any monies in respect of which no Offer Shares have been allocated to the relevant Subscribers, as provided in the confirmations/notifications. Refunds will be made in full without any charge or withholding by crediting Subscribers' accounts at the respective bank. Subscribers should communicate with the branch of the Receiving agents where they submitted their Subscription Application Forms for any further information.

## **Acknowledgements**

By completing and delivering the Subscription Application Form, the Subscriber:

- Accepts a subscription for the number of Offer Shares specified in the Subscription Application Form;
- Warrants and represents that he has read the Prospectus and understood all its contents;
- Accepts the By-Laws of the Company and all subscription instructions, terms and conditions mentioned in the Prospectus and on the basis of which he subscribed for shares;
- Retains his/her right to sue the Company for damages caused by incorrect or incomplete information contained in the Prospectus, or due to the omission of major information that should have been part of the Prospectus and could affect the Subscriber's decision to purchase the Offer Shares;
- Declares that none of his family members included in the Subscription Application Form has previously subscribed to the Company's shares and the Company has the right to reject all applications if he repeated the application;
- Accepts the number of shares allocated to him and all other subscription terms and conditions mentioned in the Prospectus and the Subscription Application Form; and
- Warrants not cancelling or amending the Subscription Application Form after submitting it to the Receiving Bank.

## Miscellaneous

The Subscription Application Form and all related terms, conditions and covenants hereof shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators and heirs; provided that, except as specifically contemplated herein, neither the Subscription Application Form nor any of the rights, interests or obligations arising pursuant thereto shall be assigned or delegated by any of the parties to the subscription without the prior written consent of the other party.

### 17-2 Times and Circumstances when Listing may be Suspended or Cancelled

#### Listing Suspension or Cancellation

1. The Capital Market Authority (CMA) may at any time suspend or cancel the listing as it deems fit, in any of the following circumstances:
  - The CMA considers it necessary for the protection of investors or the maintenance of an orderly market;
  - The issuer fails, in a manner which the CMA considers material, to comply with the Capital Market Law and its Implementing Regulations, including a failure to pay on time any fees or fines due to the CMA;
  - The liquidity requirements set out in paragraph (a) of Article 13 of the Listing Rules are no longer met;
  - The CMA considers that the issuer does not have a sufficient level of operations or sufficient assets to warrant the continued trading of its securities on the Exchange; or
  - The CMA considers that the issuer or its business is no longer suitable to warrant the continued listing of its securities on the Exchange.
2. Where a suspension of an issuer continues for six (6) months, without the issuer taking appropriate action to resume its trading, the CMA may cancel the listing.
3. Upon an announcement of an Extraordinary General Assembly's approval on a capital increase resulting in a reverse takeover, the issuer's listing shall be cancelled. The issuer must submit a new application for registration and admission to listing in accordance with these Rules, should it wish to list its securities.

#### Voluntary Cancellation or Suspension of a Listing

1. An issuer whose securities have been admitted to listing may not suspend or cancel the listing of its securities on the Exchange without the prior approval of the CMA. The issuer must provide the following to the CMA:
  - Specific reasons for the request for the suspension or cancellation;
  - A copy of the form of the announcement for the reason of cancellation; and
  - If the cancellation is to take place as a result of a takeover or other corporate action by the issuer, a copy of the relevant documentation and a copy of each related communication to shareholders.
2. Once approval from the CMA has been obtained for the cancellation of listing, the issuer must obtain the consent of its extraordinary general assembly.
3. Where a suspension or cancellation is made at the issuer's request, the issuer must announce as soon as possible the reason for the suspension or cancellation, the anticipated period of the suspension, the nature of the event resulting in the suspension or the cancellation which affects the issuer's activities.
4. The CMA may accept or reject the request for suspension or cancellation at its discretion.

#### Temporary Trading Halt

1. An issuer may request a temporary trading halt upon the occurrence of an event that occurs during trading period which requires immediate disclosure under the Listing Rules, where the issuer cannot maintain the confidentiality of this information until the end of the trading period.
2. To enable the CMA to assess the need for the trading halt and the appropriate duration of the trading halt, the request must be supported by:

- Specific reasons for the request for the trading halt and the duration of the requested trading halt; and
  - A copy of the announcement on the cause for trading halt, its anticipated period and the nature of incident that caused the suspension.
3. Where a trading halt is made at the issuer's request, the issuer must announce, as soon as possibly practicable, the reason for the trading halt, the anticipated period of the trading halt, the event affecting the issuer's activities and the current state of events with respect to the issuer's activities.
  4. The CMA may accept or reject the request for trading halt at its discretion.
  5. The CMA may impose a trading halt without a request from the issuer where the CMA becomes aware of information or circumstances affecting the issuer's activities which the CMA considers would be likely to interrupt the operation of the Exchange or the protection of investors. An issuer whose securities are subject to a trading halt must continue to comply with the Capital Markets Law and its Implementing Regulations.
  6. A trading halt will be lifted following the elapse of the period referred to in the announcement specified in paragraph (c) of this Article, unless the CMA decides otherwise.

### Lifting of Suspension

1. Where a listing has been suspended, the lifting of such a suspension shall depend on:
  - the events which led to the suspension have been sufficiently remedied, and the suspension is no longer necessary for the protection of investors; and
  - the issuer complying with any other conditions that the CMA may require.
2. The CMA may lift a suspension even where the issuer has not requested it.

### Re-listing of Cancelled Securities

An issuer is required to submit a new application for registration and admission to listing in order to re-list securities which have been cancelled.

Other than the Lock-up period applicable to the Selling Shareholders referenced in page N "Lock-in Period / Share restrictions". There are not any standing arrangements to restrict trading in certain shares.

### 17-3 The Saudi Arabian Stock Exchange (Tadawul)

Tadawul was founded in 2001G as the successor to the Electronic Securities Information System. In 1990G, full electronic trading in Saudi Arabia equities was introduced. The market capitalization was SAR 5,325,439,620.45 by the close of business on Tuesday 21/02/1435H (corresponding to 24/12/2013G) and 159 companies were listed and traded on Tadawul as of that date.

Trading on the Exchange occurs through a fully integrated trading system covering the entire process from trade order through to settlement trading on the Exchange. Trading occurs each Business Day between 11.00 am to 3.30 pm. After close of exchange trading, orders can be entered, amended or deleted from 10.00 am to 11.00 am. New entries and inquiries can be made from 10.00 am for the opening phase (starting at 11.00 am).

Transactions take place through the automatic matching of orders. Each valid order is accepted and generated according to the price level. In general, market orders (orders placed at best price) are executed first, followed by limit orders (orders placed at a price limit), provided that if several orders are generated at the same price, they are executed according to the time of entry.

The Exchange distributes a comprehensive range of information through various channels, including in particular the Exchange website and Tadawul Information Link. The Tadawul Information Link supplies trading data in real time to information providers such as Reuters. Exchange transactions are settled on the same day, i.e. on a T+0 basis, meaning that ownership transfer takes place immediately after the trade is executed.

Issuers are required to report all material announcements via the Exchange for onward dissemination to the public. Surveillance and monitoring is the responsibility of Tadawul as the operator of the market. The aim of supervision is to ensure fair trading and an orderly market.

#### **17-4 Trading on Tadawul**

It is expected that dealing in the Company Shares will commence on Tadawul upon finalization of the allocation process. Tadawul will announce the start date of trading once determined. Dates and times included in this Prospectus are indicative and may be changed or extended subject to the approval of the CMA.

Shares can only be traded after allocated Shares have been credited to Subscribers' accounts at Tadawul, the Company has been registered in the Official List and its Shares listed on the Saudi Stock Exchange. Pre-trading is strictly prohibited and Subscribers entering into any pre-trading activities will be acting at their own risk. The Company shall have no legal responsibility in such an event.

## 18. Documents Available for Inspection

The following documents will be available for inspection at the Lead Manager's Head Office, from 9:00 am until 4:00 pm from Sunday until Thursday, 1 week prior to starting date of subscription and during the subscription Period.

1. By-Laws of the Company and its subsidiaries;
2. Commercial Registration certificate of the Company and its subsidiaries;
3. The Resolution of H.E. the Minister of Commerce and Industry No. 198/Q, dated 16/05/1433H (08/04/2012G) approving the conversion of the Company from Limited Liability Company to closed joint stock Company;
4. Company's Article of Association and the latest amendment thereto based on the shareholders' resolution to convert the Company from Limited Liability Company to closed joint stock Company and what is related to subsidiaries;
5. CMA's approval of the Offering;
6. The contracts entered into with any board member, senior executive or their relatives;
7. Underwriting Agreement;
8. Assessment report prepared by the Financial Advisor;
9. A written consent from the Financial Advisor, Falcom Financial Services, to include its name and logo in the prospects;
10. The Market Study prepared by Price Waterhouse Coopers;
11. Capital Adequacy Report;
12. A written consent from the certified Public Accountant, Deloitte & Touche Bakr Abulhair & Co. to include their name and logo in the prospects;
13. A written consent from the Legal Advisor (Loa'y bin Mohammad Al Akkas Law and Legal Consulting Office in cooperation with Vinson& Elkins LLP) to include their name and logo in the prospects;
14. A written consent from the Market Advisor (Price Waterhouse Coopers) to include their name in the prospects;
15. A written consent from the Due Care Advisor (Price Waterhouse Coopers) to include their name in the prospects;
16. Intellectual property right and brand registration certificates for the Company and its subsidiaries;
17. A written consent from the Media Advisor (Advert 1 - Shawaf International Company) to include their name and logo in the prospects;
18. Audited financial statements for the years 2010G, 2011G, 2012G, including:
  - a- The financial statements of the Saudi Marketing Company (Farm Superstores);
  - b- The financial statements of Pure Springs Agencies and Trading Co. Ltd;
  - c- The financial statements of the Saudi Marketing and Trading (S.A.L.) Holding Company (SAMCO Lebanon);
  - d- The financial statements of the Saudi Marketing and Trading Company (S.A.L.);
  - e- The financial statements of the Saudi Marketing Company (Farm Superstores) and its subsidiaries;
19. Audited financial statements for the period ending on 30 June 2013G, including:
  - a- The financial statements of the Saudi Marketing Company (Farm Superstores);
  - b- The financial statements of the Pure Springs Agencies and Trading Co. Ltd;
  - c- The financial statements of the Saudi Marketing and Trading (S.A.L.) Holding Company (SAMCO Lebanon);
  - d- The financial statements of the Saudi Marketing and Trading Company (S.A.L.);
  - e- The financial statements of the Saudi Marketing Company (Farm Superstores) and its subsidiaries;
20. The reviewed financial statements for the period ending 30 September 2013G, including:
  - a- The financial statements of the Saudi Marketing Company (Farm Superstores);
  - b- The financial statements of the Pure Springs Agencies and Trading Co. Ltd;
  - c- The financial statements of the Saudi Marketing and Trading (S.A.L.) Holding Company (SAMCO Lebanon);
  - d- The financial statements of the Saudi Marketing and Trading Company (S.A.L.);
  - e- The financial statements of the Saudi Marketing Company (Farm Superstores) and its subsidiaries;

## **19. Auditors Report**

### **19.1 The Consolidated Financial Statements for the year 2010**

## AUDITORS' REPORT

To the shareholders  
Saudi Marketing Company Limited  
Dammam – Saudi Arabia

We have audited the consolidated balance sheet of Saudi Marketing Company Limited (a Saudi limited liability Company) and its subsidiaries as of December 31, 2010, and the related consolidated statements of income, shareholders' equity and cash flows for the year then ended, and notes 1 to 23 which form an integral part of these consolidated financial statements as prepared by the Company and presented to us with all the necessary information and explanations. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2010, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles appropriate to the nature of the Company, and comply with the relevant provisions of the Regulations for Companies and the articles of the Company as these relate to the preparation and presentation of these consolidated financial statements except that due from related parties include amounts due from shareholders. However, the Company accounts show that sufficient retained earnings exist as at December 31, 2010 to offset such amounts due from shareholders.

Deloitte & Touche  
Bakr Abulhair & Co.

Nasser M. Al-Sagga  
License No. 322  
6 Rajab, 1432  
June 8, 2011

## SAUDI MARKETING COMPANY LIMITED AND SUBSIDIARIES

(LIMITED LIABILITY COMPANY)

## CONSOLIDATED BALANCE SHEET

AS OF DECEMBER 31, 2010

	Note	2010 SR	2009 SR
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	13,434,864	19,388,962
Accounts receivable	4	12,907,365	30,104,675
Inventories	5	162,525,815	123,568,415
Investments	6	3,797,958	4,349,040
Due from related parties	18	113,929,303	93,314,146
Prepayments and other debit balances	7	11,627,214	25,973,669
<b>Total current assets</b>		<b>318,222,519</b>	296,698,907
<b>Non-current assets</b>			
Prepaid lease rental	8	2,660,704	2,960,704
Property and equipment	9	395,809,121	355,398,623
Intangible assets	10	7,348,382	4,870,618
<b>Total non-current assets</b>		<b>405,818,207</b>	363,229,945
<b>TOTAL ASSETS</b>		<b>724,040,726</b>	659,928,852
<b>LIABILITIES, SHAREHOLDERS' EQUITY AND NON CONTROLLING INTERESTS</b>			
<b>Current liabilities</b>			
Due to banks	11	78,667,173	53,844,499
Long term loans – current portion	15	87,799,775	72,585,929
Accounts payable, accruals and other liabilities	12	156,699,110	150,120,131
Due to related parties	18	993,624	1,400,581
<b>Total current liabilities</b>		<b>324,159,682</b>	277,951,140
<b>Non-current liabilities</b>			
Long term loans	15	80,100,538	120,462,355
Deferred income		1,260,363	1,342,112
End-of-service indemnities	14	11,989,281	9,778,087
Advances from shareholders	19	19,056,872	318,403
<b>Total non-current liabilities</b>		<b>112,407,054</b>	131,900,957
<b>Shareholders' equity</b>			
Share capital	1	200,000,000	120,000,000
Statutory reserve	20	31,236,070	25,626,744
Retained earnings		55,920,164	104,174,699

The accompanying notes form an integral part of these financial statements

SAUDI MARKETING COMPANY LIMITED AND SUBSIDIARIES

(LIMITED LIABILITY COMPANY)

CONSOLIDATED BALANCE SHEET

AS OF DECEMBER 31, 2010

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<b>Total shareholders' equity before non-controlling interests</b>		<b>287,156,234</b>	249,801,443
Non-controlling interests		<b>317,756</b>	275,312
<b>Total shareholders' equity and non-controlling interests</b>		<b>287,473,990</b>	250,076,755
<b>TOTAL LIABILITIES, SHAREHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS</b>		<b>724,040,726</b>	659,928,852

The accompanying notes form an integral part of these financial statements

## SAUDI MARKETING COMPANY LIMITED AND SUBSIDIARIES

(LIMITED LIABILITY COMPANY)

## CONSOLIDATED STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 2010

	Note	2010 SR	2009 SR
Revenues	18	997,234,102	899,122,339
Cost of revenues	18	773,657,296	703,393,519
<b>Gross profit</b>		<b>223,576,806</b>	195,728,820
Selling and distribution expenses	16,18	105,526,279	93,081,149
General and administrative expenses	17,18	42,510,971	39,107,820
Depreciation	9	19,362,212	15,326,956
<b>Operating income</b>		<b>56,177,344</b>	48,212,895
Finance charges	11,15	(1,511,601)	(3,659,990)
Other income, net		2,862,083	1,824,124
<b>Net income before zakat and income tax</b>		<b>57,527,826</b>	46,377,029
Zakat and income tax	13	1,392,252	1,037,814
<b>NET INCOME</b>		<b>56,135,574</b>	45,339,215
<b>Attributable to:</b>			
Stockholders of the Company		56,093,260	45,305,614
Non-controlling interest		42,314	33,601
<b>TOTAL</b>		<b>56,135,574</b>	45,339,215

The accompanying notes form an integral part of these financial statements

## SAUDI MARKETING COMPANY LIMITED AND SUBSIDIARIES

(LIMITED LIABILITY COMPANY)

## CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

YEAR ENDED DECEMBER 31, 2010

	Share capital	Statutory reserve	Retained earnings	Total
	SR	SR	SR	SR
January 1, 2009	120,000,000	21,096,183	63,399,646	204,495,829
Net income for 2009	-	-	45,305,614	45,305,614
Transferred to statutory reserve	-	4,530,561	(4,530,561)	-
December 31, 2009	120,000,000	25,626,744	104,174,699	249,801,443
Increase in share capital	<b>80,000,000</b>	-	-	<b>80,000,000</b>
Net income for 2010	-	-	<b>56,093,260</b>	<b>56,093,260</b>
Transferred to statutory reserve	-	<b>5,609,326</b>	<b>(5,609,326)</b>	-
Dividends	-	-	<b>(98,738,469)</b>	<b>(98,738,469)</b>
December 31, 2010	<b>200,000,000</b>	<b>31,236,070</b>	<b>55,920,164</b>	<b>287,156,234</b>

The accompanying notes form an integral part of these financial statements

## SAUDI MARKETING COMPANY LIMITED AND SUBSIDIARIES

(LIMITED LIABILITY COMPANY)

## CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2010

	2010 SR	2009 SR
<b>OPERATING ACTIVITIES</b>		
Net income before zakat and income tax	57,527,826	46,377,029
Adjustments for:		
Depreciation	20,113,399	15,326,956
Amortization of intangible assets	2,724,486	1,172,364
Amortization of prepaid lease rental	300,000	300,000
End-of-service indemnities	2,887,218	2,277,118
Loss (gain) from sale of property and equipment	491,731	(64,145)
Finance charges	1,511,601	3,659,990
Changes in operating assets and liabilities:		
Accounts receivable	17,197,310	(2,734,454)
Due from/to related parties, net	(21,021,984)	(27,922,592)
Inventories	(38,957,400)	(22,358,403)
Prepayments and other debit balances	14,346,455	3,342,109
Accounts payable, accruals and other liabilities	6,206,376	39,139,832
Deferred income	(81,749)	(2,012,174)
Cash from operations	63,245,269	56,503,630
End-of-service indemnities paid	(676,024)	(582,319)
Finance charges paid	(1,511,601)	(3,659,990)
Zakat paid	(1,019,649)	(762,649)
<b>Net cash from operations</b>	<b>60,037,995</b>	<b>51,498,672</b>
<b>INVESTING ACTIVITIES</b>		
Additions to property and equipment	(61,230,300)	(45,554,329)
Additions to intangible assets	(5,202,250)	(4,725,326)
Proceeds from sale of property and equipment	214,672	135,254
Net movements of investments	551,082	5,794,455
<b>Net cash used in investing activities</b>	<b>(65,666,796)</b>	<b>(44,349,946)</b>
<b>FINANCING ACTIVITIES</b>		
Net change in due to banks	24,822,674	(33,987,740)
Net change in long term loans	(25,147,971)	25,557,368
Advances from shareholders	-	318,403

The accompanying notes form an integral part of these financial statements

## SAUDI MARKETING COMPANY LIMITED AND SUBSIDIARIES

(LIMITED LIABILITY COMPANY)

## CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2010

<b>Net cash used in financing activities</b>		<b>(325,297)</b>	<b>(8,111,969)</b>
<b>Net change in cash and cash equivalents</b>		<b>(5,954,098)</b>	<b>(963,243)</b>
Cash and cash equivalents, January 1		<b>19,388,962</b>	20,352,205
<b>CASH AND CASH EQUIVALENTS, December 31</b>		<b>13,434,864</b>	19,388,962
<b>Non-cash transactions:</b>			
Dividends		<b>98,738,469</b>	-
Advances from shareholders transferred towards increase in share capital		<b>80,000,000</b>	-

The accompanying notes form an integral part of these financial statements

## 1. ORGANIZATION AND ACTIVITIES

Saudi Marketing Company Limited (“SAMCO” or “the Company”) and subsidiaries (“the Group”) consist of the Company and its following subsidiaries:

Subsidiary	Effective ownership %	Country of incorporation
Pure Spring Agencies & Trading Company Ltd	90	Kingdom of Saudi Arabia
Saudi Marketing and Trading S.A.L. (Holding)	99.95	Lebanon

SAMCO is a Saudi limited liability Company registered on 2 Muharram 1399 (December 3, 1978) under commercial registration number 2050006430 in Dammam. During the year, the shareholders of the Company resolved to increase the share capital from SR 120 million to SR 200 million by transferring an amount of SR 80 million from advances from shareholders. The legal formalities related to the increase in share capital have completed as of the year end. The share capital of the Company, amounting to SR 200 million, is divided into 20 million shares of SR 10 each and divided between the shareholders as follows:

	Amount SR	Ownership Percentage
Mr. Hazem Al Aswad	180,000,000	90%
Mrs. Sahar Abdulkarim Al Madani	20,000,000	10%
	200,000,000	100%

The principal activities of the Company are the retail and wholesale of foodstuff, household consumables, toys, textiles and stationary. Also, the Company’s activities include marketing services on behalf of and for third parties and managing and operating bakeries.

The Company operates through its head office in Dammam and has 35 branches with individual commercial registrations. The Company’s registered head office is located in Dammam, Saudi Arabia.

Pure Springs Agencies and Trading Co. Ltd. (“Pure Springs”) is a Saudi limited liability Company registered under commercial registration number 2050045816 dated May 24, 2004, (4 Rabi’ II, 1425) issued in Dammam. The principal activity of Pure Springs is to manage and operate restaurants and coffee shops.

Pure Springs has acquired exclusive rights and licenses from the respective franchisors to operate "CINNZE" and "WETZEL'S PRETZELS" bakeries in Saudi Arabia and in certain other Middle East countries. Under the Master Franchise Agreements, it also has the exclusive right to sub-franchise the licenses within its franchise territory. Pure Springs also acts as exclusive distributor in Saudi Arabia and in certain other Middle East countries for "COSTADORO" coffee products, which it distributes and also uses in its bakery outlets.

The rights and licenses of CINNZEO were originally franchised to SAMCO under franchise agreements signed in 2001, and were transferred to the Company in September 2004. The rights and licenses of WETZEL'S PRETZELS were franchised by the Pure Springs under franchise agreements signed in February 2007.

On November 21, 2006, the Company acquired 99.95% of Saudi Marketing & Trading SAL Holding ("Lebanon Holdings"), registered in the Beirut Commercial Court under Registration No.1900803 on November 21, 2006. Lebanon Holdings acquired more than 90% of the equity capital in Saudi Marketing & Trading SAL ("SAL"), also registered in the Beirut Commercial Court under Registration No. 1006376 on November 30, 2006. On January 31, 2007, SAL sold all the assets and liabilities and operations of its Beirut branch to Lebanon Holdings at book value, which amounted to US\$ 33,530,773 (equivalent to SR 125,740,400).

The principal activities of Lebanon Holdings are owning and operating supermarkets and shopping malls and distribution of foodstuff.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying consolidated financial statements have been prepared in compliance with the accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants. The following is a summary of significant accounting policies applied by the Group:

### **Accounting convention**

The consolidated financial statements are prepared under the historical cost convention.

### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company prepared up to December 31, each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

Subsidiaries are consolidated from the date on which control is effectively transferred to the Company and are no longer consolidated from the date that control ceases.

Inter-group transactions and balances between group companies are eliminated at consolidation.

Non-controlling interest represents the interest in the subsidiary companies not held by the Company.

### **Use of estimates**

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

**Sales**

Revenue from sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from product display agreements is recognized according to the terms of the agreements.

Outlet sales, and sales to sub-franchisees, are recognized on supply of goods and services to the customer.

Royalty income is recognized based on weekly reports of sub-franchisee sales.

Initial sub-franchise fees received in respect of outlets up to the specified number covered by the Area Franchise Agreements are credited to deferred income and recognized as revenue on a straight-line basis over the period of the sub-franchise agreement. Further sub-franchise fees received in respect of additional outlets are credited directly to income when received.

**Inventories**

Inventories are stated at the lower of cost or net realizable value. Cost is determined predominantly based on a weighted average cost basis. In previous years, the First-in-first-out basis was predominantly used. There was no significant effect on the financial statements of the change in basis. Appropriate provisions are made for obsolete and slow moving items.

*Pure Springs and Lebanon Holdings:* Inventories are stated at the lower of cost or net realizable value. Cost is determined based on a first-in-first-out (“FIFO”) basis. The effect of determining cost on this basis rather than on a weighted average basis is not significant. Appropriate provisions are made for obsolete and slow moving items.

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

**Investments**

Investments in securities held for trading purposes are presented at fair market value under current assets. Realized gain or losses on sale of trading securities, and change in fair value at the balance sheet date, are charged to the consolidated statement of income.

Investments in funds, which are held for trading purposes, are classified as available for sale investments. Subsequent to the initial recognition, such investments are measured at fair value and any change therein, other than impairment losses, is recognized in the equity. Fair value is determined by reference to the market value in an open market if exists. In the absence of an open market, the cost is considered to be the fair value of these investments.

**Accounts receivable**

Accounts receivable are stated at their estimated net realizable value. The provision for doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original term of the receivables.

### **Property and equipment**

Property and equipment are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining term of the lease.

The depreciation rates of the principal classes of assets are as follows:

	<u>Rate</u>
Buildings	5%
Machinery, cold storage and equipment	5%-33%
Vehicles	6% -25%
Furniture, fixtures and office equipment	5%-33%

### **Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its property and equipment to determine whether there is any indication that those assets have suffered an 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 (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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. Impairment losses are recognized as an expense immediately.

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 years. A reversal of an impairment loss is recognized as income immediately.

### **Intangible assets**

Intangible assets comprise of Murabaha loan up-front fees which are amortized over the period of the loan. Additionally, intangible assets consist of franchise fees paid on the commencement of Area Franchise Agreements to acquire area licenses or rights for a specified number of outlets. The costs are amortized over the remaining period of the franchise agreement. Additional franchise fees paid for further outlets are expensed as incurred.

### **Prepaid lease rental**

Prepaid lease rental represents key money paid in advance upon signing the lease agreements. The prepaid lease rent is deferred and amortized over the lease period.

**Accounts payable and accruals**

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

**Zakat**

SAMCO and Pure Springs are subject to the Regulations of the Department of Zakat and Income Tax (DZIT) in the Kingdom of Saudi Arabia. Zakat is provided on an accruals basis and charged to the consolidated statement of income. The Zakat charge is computed on the Zakat base. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

Income tax regarding the Lebanese subsidiaries is calculated on the basis of the tax law enacted or substantively enacted at the balance sheet date.

**End-of-service indemnities**

End-of-service indemnities are provided in the consolidated financial statements based on the employees' length of service according to labor laws in the country of incorporation.

**Selling and distribution and general and administrative 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 a consistent basis.

**Foreign currency translation**

***SAMCO and Pure Springs:*** Transactions denominated in foreign currencies are translated into Saudi Riyals at exchange rates prevailing at the dates of such transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Saudi Riyals at exchange rates prevailing at the balance sheet date. Exchange gains or losses are charged to the consolidated statement of income.

***Lebanon Holdings:*** Lebanon Holdings financial statements are denominated in Lebanese Pounds which have been translated into Saudi Riyals using the weighted average exchange rate for the statement of income and exchange rate prevailing at the reporting date for balance sheet. There have been no accumulated exchange gains or losses as the exchange rate of the Lebanese Pound against the Saudi Riyal was consistent throughout the year.

**Leases**

Leases are classified as capital leases whenever the term of the lease transfers substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

***Leasing – the Group as lessor***

Rental income from operating leases is recognized on a straight line basis over the operating lease period.

***Leasing – the Group as lessee***

Rentals payable under operating leases are charged to income on a straight line basis over the term of the operating lease.

### 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and bank balances, demand deposits and highly liquid investments with original maturities of three months or less.

	2010 SR	2009 SR
Cash on hand	834,433	3,718,176
Bank balances	4,789,254	2,364,190
Time deposit	7,811,177	13,306,596
	<b>13,434,864</b>	19,388,962

### 4. ACCOUNTS RECEIVABLE

	2010 SR	2009 SR
Trade accounts receivable	11,559,774	29,004,149
Due from sub-franchisee	914,926	859,744
Accrued royalties	432,665	240,782
	<b>12,907,365</b>	30,104,675

## 5. INVENTORIES

	2010 SR	2009 SR
Finished products held for resale	151,466,169	119,758,359
Ingredients and supplies	2,421,753	2,784,348
Goods-in-transit	8,637,893	1,025,708
	162,525,815	123,568,415

## 6. INVESTMENTS

	2010 SR	2009 SR
<b>Available for sale investments:</b>		
Energy City Navi-Mumbai (fund)	1,894,325	1,894,325
EntertainmentCity (fund)	1,903,633	1,903,633
Others	-	551,082
	3,797,958	4,349,040

Entertainment City (fund) is in the name of a shareholder.

## 7. PREPAYMENTS AND OTHER DEBIT BALANCES

	2010 SR	2009 SR
Prepaid rent	1,624,246	8,219,779
Advances to suppliers	3,462,362	8,440,165
Due from employees	3,056,071	2,158,051
Others	3,484,535	7,155,674
	11,627,214	25,973,669

8. PREPAID LEASE RENTAL

	2010 SR	2009 SR
<b>Cost</b>		
December 31	3,560,704	3,560,704
<b>Amortization</b>		
January 1	600,000	300,000
Charge for year	300,000	300,000
December 31	900,000	600,000
<b>Net book value</b>		
December 31	2,660,704	2,960,704

## 9. PROPERTY AND EQUIPMENT

	Land SR	Buildings and leasehold improvements SR	Machinery, cold storage and equipment SR	Vehicles SR	Furniture, fixtures and office equipment SR	Capital work in progress SR	Total SR
<b>Cost</b>							
January 1, 2010	65,434,787	192,882,176	48,468,697	14,837,416	105,508,945	7,198,916	434,330,937
Additions	<b>653,000</b>	<b>1,411,083</b>	<b>8,736,199</b>	<b>3,011,250</b>	<b>16,639,935</b>	<b>30,778,833</b>	<b>61,230,300</b>
Transfers	-	31,930,528	1,042,893	-	485,700	(33,459,121)	-
Disposals	-	(2,572,902)	(599,323)	(803,104)	(3,536,349)	-	(7,511,678)
December 31, 2010	<b>66,087,787</b>	<b>223,650,885</b>	<b>57,648,466</b>	<b>17,045,562</b>	<b>119,098,231</b>	<b>4,518,628</b>	<b>488,049,559</b>
<b>Depreciation</b>							
January 1, 2010	-	19,627,310	16,316,153	8,726,379	34,262,472	-	78,932,314
Charge for year	-	7,844,893	3,880,128	2,647,182	5,741,196	-	20,113,399
Disposals	-	(2,511,038)	(940,815)	(652,268)	(2,701,154)	-	(6,805,275)
December 31, 2010	-	<b>24,961,165</b>	<b>19,255,466</b>	<b>10,721,293</b>	<b>37,302,514</b>	-	<b>92,240,438</b>
<b>Net book value</b>							
December 31, 2010	<b>66,087,787</b>	<b>198,689,720</b>	<b>38,393,000</b>	<b>6,324,269</b>	<b>81,795,717</b>	<b>4,518,628</b>	<b>395,809,121</b>
December 31, 2009	65,434,787	173,254,866	32,152,544	6,111,037	71,246,473	7,198,916	355,398,623

Title deeds of certain lands are under the name of the shareholders and their transfer to the name of the Company is under process. Capital work-in-progress represents the costs incurred for the construction and improvement of various outlets.

10. INTANGIBLE ASSETS

	2010 SR	2009 SR
<b>Cost</b>		
January 1	6,173,482	1,448,156
Addition during year	5,202,250	4,725,326
December 31	11,375,732	6,173,482
<b>Amortization</b>		
January 1	1,302,864	130,500
Charge for year	2,724,486	1,172,364
December 31	4,027,350	1,302,864
<b>Net book value</b>		
December 31	7,348,382	4,870,618

## 11. DUE TO BANKS

The Group has bank facilities from local commercial banks which comprise of overdrafts, short, medium and long term loans, letters of credit and guarantee, etc. The facilities bear financing charges at the prevailing market rates and are guaranteed by personal guarantee from one of the shareholders, signed promissory notes and assignment of insurance proceeds. The facility agreements contain covenants requiring the maintenance of certain financial ratios. As of December 31, due to banks consist of the following:

	2010 SR	2009 SR
Overdraft	5,084,828	5,108,791
Short term loans	73,582,345	48,735,708
	78,667,173	53,844,499

## 12. ACCOUNTS PAYABLE, ACCRUALS AND OTHER LIABILITIES

	2010 SR	2009 SR
Trade accounts payable	142,145,758	133,676,219
Retentions payable	-	2,610,561
Advances from customers	1,589,659	2,338,701
Accrued expenses	6,313,057	5,579,400
Zakat and income tax payable (note 13)	1,430,710	1,058,107
Other liabilities	5,219,926	4,857,143
	156,699,110	150,120,131

## 13. ZAKAT

The principal elements of the Company's zakat base are as follows:

	2010 SR	2009 SR
Non-current assets	386,914,951	341,399,838
Non-current liabilities	110,344,377	129,980,903
Net income before zakat	48,361,332	36,586,695
Opening shareholders' equity	243,256,820	207,622,438

Some of these amounts have been adjusted in arriving at the zakat charge for year.

The movement in zakat and income tax provision is as follows:

	2010 SR	2009 SR
January 1	1,058,107	782,942
Zakat provision for year	1,290,562	963,013
Income tax provision for year	101,690	95,094
Over provision of tax for prior year	-	(20,293)
Payments during year	(1,019,649)	(762,649)
December 31	1,430,710	1,058,107

The charge to the statement of income for the year for zakat is as follows:

	2010 SR	2009 SR
Zakat provision for year	1,290,562	963,013
Income Tax provision for year	101,690	95,094
Over provision of tax for prior year	-	(20,293)
Charged to consolidated statement of income	1,392,252	1,037,814

#### **Outstanding assessments**

The Company has submitted its zakat returns up to the year ended December 31, 2008 and obtained the required certificates and official receipts. The assessment related to the year ended December 31, 2005 was received and includes additional zakat liability of SR 1.5 million. The Company has filed an objection against the same and believes that the results of this objection would be in favour the Company, so no additional provision for zakat payable is recorded by the Company. The final zakat assessments for the years 2006 to 2009 are under process by the DZIT.

Pure Springs has submitted its zakat returns up to the year ended December 31, 2009 and obtained the required certificates and official receipts. The final zakat assessments for the years 2008 and 2009 are still under process by the DZIT.

Saudi Marketing and Trading S.A.L (Holding) has submitted its income tax return up to the year ended December 31, 2009.

#### 14. END-OF-SERVICE INDEMNITIES

	2010 SR	2009 SR
January 1	9,778,087	8,083,288
Additional provision for year	2,887,218	2,277,118
Utilization of provision	(676,024)	(582,319)
December 31	11,989,281	9,778,087

#### 15. LONG TERM LOANS

	2010 SR	2009 SR
Long term loans	167,900,313	193,048,284
Less: current portion	(87,799,775)	(72,585,929)
	80,100,538	120,462,355

The aggregate maturities of outstanding loan installments as of December 31 are as follows:

	2010 SR	2009 SR
2010	-	72,585,929
2011	87,799,775	71,133,109
2012	51,389,508	36,222,804
2013	26,044,363	13,106,442
2014	2,666,667	-
	167,900,313	193,048,284

During 2008, the Company entered into an Islamic Murabaha loan agreement with a local bank whereby the Company received SR 40 million which is repayable in monthly installments commencing August 2009. The amount outstanding for this loan as of December 31, 2010 was SR 23.5 million (2009: SR 38.4 million) including the current portion of SR 14.9 million (2009: SR 14.9 million) which has been classified as a current liability. The up-front-fees of SR 4.7 million are deferred and amortized over the term of the loan (note 10).

Other long term loans are obtained through the Company's bank facilities agreements (note 11). One of these bank's facility covenants was not maintained although management does not consider that this will impact the repayment period.

**16. SELLING AND DISTRIBUTION EXPENSES**

	<b>2010 SR</b>	<b>2009 SR</b>
Employee related costs	<b>43,639,534</b>	35,652,468
Rent	<b>23,612,235</b>	21,808,282
Utilities	<b>21,149,672</b>	15,574,152
Advertisement expenses	<b>5,911,002</b>	8,153,156
Sales commission	<b>430,449</b>	3,126,345
Others	<b>10,783,387</b>	8,766,746
	<b>105,526,279</b>	93,081,149

**17. GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>2010 SR</b>	<b>2009 SR</b>
Employee related costs	<b>26,650,559</b>	23,471,220
Repair and maintenance	<b>3,299,110</b>	2,675,688
Others	<b>12,561,302</b>	12,960,912
	<b>42,510,971</b>	39,107,820

## 18. RELATED PARTY TRANSACTIONS

During the year, the Group transacted with the shareholders and their affiliates and related companies i.e. Al Aswad Group of Companies. The transactions were made based on terms approved by the management.

The significant transactions and the related approximate amounts are as follows:

	2010 SR	2009 SR
Sales	1,557,480	2,174,317
Purchases	17,205,505	12,040,088
Rental charges	628,200	277,250

Due from related parties consists of the following balances as of December 31:

	2010 SR	2009 SR
Due from Hazem Al Asmad	46,513,264	34,989,214
Due from Aswad Family	48,489,712	37,519,415
Aswad Real State	10,313,472	10,185,853
AlKaram Restaurant	4,768,625	4,606,077
Aswad Italy	1,406,694	3,348,244
ZAINA	1,530,561	1,398,177
Emerald	337,254	997,075
Aswad Trading and contracting Co.	506,277	225,990
Aswad Bahrain	-	40,573
Maher Jeddah	-	3,528
Others	63,444	-
	113,929,303	93,314,146

Due to related parties consists of the following balances as of December 31:

	2010 SR	2009 SR
Aswad Suval	993,624	1,304,679
Space Travel Agency	-	95,902
	993,624	1,400,581

## 19. ADVANCES FROM SHAREHOLDERS

As of December 31, 2010 and 2009, advances from shareholders balance represent a non-interest bearing account with no fixed repayment schedule.

## 20. STATUTORY RESERVE

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

## 21. OPERATING LEASE ARRANGEMENTS

Operating lease payments represent rentals payable for the Company offices and outlets. The terms of these leases are up to 20 years.

	2010 SR	2009 SR
Payments under operating leases recognized as an expense during the year	21,327,401	22,120,316

The Company also has earned rental income from various operating leases in 2010 amounting to SR 23,332,926 (2009: SR 21,308,428). The terms of these leases are for periods up to 5 years.

The Group has commitments under operating leases (primarily relating to the rental of branch premises) for which the minimum lease payments in 2010 will be approximately SR 33.8 million (2009: SR 33.8 million).

## 22. CONTINGENCIES AND COMMITTEMENTS

As of December 31, the Group had the following contingencies and commitments:

	2010 SR	2009 SR
Letters of credit	-	504,735
Letters of guarantee	9,027,179	10,519,792

Capital commitments as of December 31, 2010 amounted to SR 794,738 (2009: SR 2,818,393).

## 23. FAIR VALUES

The fair values of the Group's financial assets and liabilities, except for investments, approximate their carrying amounts.

## **19.2 The Consolidated Financial Statements for the year 2011**

## AUDITORS' REPORT

To the shareholders  
Saudi Marketing Company Limited  
Dammam – Saudi Arabia

### **Scope of Audit**

We have audited the consolidated balance sheet of Saudi Marketing Company Limited (a Saudi limited liability Company) and its subsidiaries as of December 31, 2011, and the related consolidated statements of income, shareholders' equity and cash flows for the year then ended, and notes 1 to 24 which form an integral part of these consolidated financial statements as prepared by the Company in accordance with Article 175 of the regulations for companies and presented to us with all the necessary information and explanations. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2011, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the nature of the Company, and comply with the relevant provisions of the Regulations for Companies and the articles of the Company as these relate to the preparation and presentation of these consolidated financial statements except that due from related parties which include amounts due from shareholders. However, the Company accounts show that sufficient retained earnings exist as at December 31, 2011 to offset such amounts due from shareholders.

Deloitte & Touche  
Bakr Abulkhair & Co.

Nasser M. Al-Sagga  
License No. 322  
6 Rabi II, 1433  
February 28, 2012

## SAUDI MARKETING COMPANY LIMITED AND SUBSIDIARIES

(LIMITED LIABILITY COMPANY)

## CONSOLIDATED BALANCE SHEET

AS OF DECEMBER 31, 2011

	Note	2011 SR	2010 SR
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	10,171,636	13,434,864
Accounts receivable	4	19,740,218	12,907,365
Inventories	5	172,865,976	162,525,815
Investments	6	10,256,612	3,797,958
Due from related parties	18	75,919,824	113,929,303
Prepayments and other debit balances	7	18,925,737	11,627,214
<b>Total current assets</b>		<b>307,880,003</b>	318,222,519
<b>Non-current assets</b>			
Prepaid lease rental	8	2,360,704	2,660,704
Property and equipment	9	448,224,324	395,809,121
Intangible assets	10	6,049,365	7,348,382
<b>Total non-current assets</b>		<b>456,634,393</b>	405,818,207
<b>TOTAL ASSETS</b>		<b>764,514,396</b>	724,040,726
<b>LIABILITIES, SHAREHOLDERS' EQUITY AND NON CONTROLLING INTERESTS</b>			
<b>Current liabilities</b>			
Due to banks	11	36,030,667	78,667,173
Long term loans – current portion	15	65,188,017	87,799,775
Accounts payable, accruals and other liabilities	12	190,130,586	156,699,110
Due to related parties	18	2,501,863	993,624
<b>Total current liabilities</b>		<b>293,851,133</b>	324,159,682
<b>Non-current liabilities</b>			
Long term loans	15	106,730,103	80,100,538
Deferred income		1,178,614	1,260,363
End-of-service indemnities	14	14,551,284	11,989,281
Advances from shareholders	19	-	19,056,872
<b>Total non-current liabilities</b>		<b>122,460,001</b>	112,407,054

## SAUDI MARKETING COMPANY LIMITED AND SUBSIDIARIES

(LIMITED LIABILITY COMPANY)

## CONSOLIDATED BALANCE SHEET (Continued)

AS OF DECEMBER 31, 2011

	Note	2011 SR	2010 SR
<b>Shareholders' equity</b>			
Share capital	1	250,000,000	200,000,000
Statutory reserve	20	37,892,354	31,236,070
Retained earnings		59,803,180	55,920,164
<b>Total shareholders' equity before non-controlling interests</b>		<b>347,695,534</b>	287,156,234
Non-controlling interests		507,728	317,756
<b>Total shareholders' equity and non-controlling interests</b>		<b>348,203,262</b>	287,473,990
<b>TOTAL LIABILITIES, SHAREHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS</b>		<b>764,514,396</b>	724,040,726

The accompanying notes form an integral part of these consolidated financial statements

## SAUDI MARKETING COMPANY LIMITED AND SUBSIDIARIES

(LIMITED LIABILITY COMPANY)

## CONSOLIDATED STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 2011

	Note	2011 SR	2010 SR (Note 24)
Revenues	18	1,253,142,221	1,025,779,528
Cost of revenues	18	1,017,415,753	821,413,044
<b>Gross profit</b>		<b>235,726,468</b>	204,366,484
Selling and distribution expenses	16,18	99,647,974	86,315,957
General and administrative expenses	17,18	52,242,908	42,510,971
Depreciation	9	21,458,533	19,362,212
<b>Operating income</b>		<b>62,377,053</b>	56,177,344
Finance charges	11,15	(415,276)	(1,511,601)
Other income, net		7,768,358	2,862,083
<b>Net income before zakat and income tax</b>		<b>69,730,135</b>	57,527,826
Zakat and income tax	13	(2,977,320)	(1,392,252)
<b>NET INCOME</b>		<b>66,752,815</b>	56,135,574
<b>Attributable to:</b>			
Shareholders of the Company		66,562,843	56,093,260
Non-controlling interest		189,972	42,314
<b>TOTAL</b>		<b>66,752,815</b>	56,135,574

The accompanying notes form an integral part of these consolidated financial statements

## SAUDI MARKETING COMPANY LIMITED AND SUBSIDIARIES

(LIMITED LIABILITY COMPANY)

## CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

YEAR ENDED DECEMBER 31, 2011

	Share capital	Statutory reserve	Retained earnings	Total
	SR	SR	SR	SR
January 1, 2010	120,000,000	25,626,744	104,174,699	249,801,443
Increase in share capital	80,000,000	-	-	80,000,000
Net income for 2010	-	-	56,093,260	56,093,260
Transferred to statutory reserve	-	5,609,326	(5,609,326)	-
Dividends	-	-	(98,738,469)	(98,738,469)
December 31, 2010	200,000,000	31,236,070	55,920,164	287,156,234
Increase in share capital	<b>50,000,000</b>	-	-	<b>50,000,000</b>
Net income for 2011	-	-	66,562,843	66,562,843
Transferred to statutory reserve	-	6,656,284	(6,656,284)	-
Dividends	-	-	(56,023,543)	(56,023,543)
December 31, 2011	<b>250,000,000</b>	<b>37,892,354</b>	<b>59,803,180</b>	<b>347,695,534</b>

The accompanying notes form an integral part of these consolidated financial statements

## SAUDI MARKETING COMPANY LIMITED AND SUBSIDIARIES

(LIMITED LIABILITY COMPANY)

## CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2011

	2011 SR	2010 SR
<b>OPERATING ACTIVITIES</b>		
Net income before zakat and income tax	69,730,135	57,527,826
Adjustments for:		
Depreciation	21,458,533	20,113,399
Amortization of intangible assets	2,645,442	2,724,486
Amortization of prepaid lease rental	300,000	300,000
End-of-service indemnities	3,524,506	2,887,218
Loss from sale of property and equipment	156,836	491,731
Finance charges	415,276	1,511,601
Changes in operating assets and liabilities:		
Accounts receivable	(6,832,853)	17,197,310
Due from/to related parties, net	25,869,252	(21,021,984)
Inventories	(10,340,161)	(38,957,400)
Prepayments and other debit balances	(7,298,523)	14,346,455
Accounts payable, accruals and other liabilities	31,841,180	6,206,376
Deferred income	(81,749)	(81,749)
Cash from operations	131,387,874	63,245,269
End-of-service indemnities paid	(962,503)	(676,024)
Finance charges paid	(415,276)	(1,511,601)
Zakat paid	(1,387,024)	(1,019,649)
<b>Net cash from operating activities</b>	<b>128,623,071</b>	<b>60,037,995</b>
<b>INVESTING ACTIVITIES</b>		
Additions to property and equipment	(75,390,282)	(61,230,300)
Additions to intangible assets	(1,346,425)	(5,202,250)
Proceeds from sale of property and equipment	1,359,710	214,672
Net movement of investments	(6,458,654)	551,082
<b>Net cash used in investing activities</b>	<b>(81,835,651)</b>	<b>(65,666,796)</b>
<b>FINANCING ACTIVITIES</b>		
Net change in due to banks	(42,636,506)	24,822,674
Net change in long term loans	4,017,807	(25,147,971)
Advances from shareholders	(11,431,949)	-
<b>Net cash used in financing activities</b>	<b>(50,050,648)</b>	<b>(325,297)</b>
<b>Net change in cash and cash equivalents</b>	<b>(3,263,228)</b>	<b>(5,954,098)</b>
Cash and cash equivalents, January 1	13,434,864	19,388,962
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>10,171,636</b>	<b>13,434,864</b>

The accompanying notes form an integral part of these consolidated financial statements

SAUDI MARKETING COMPANY LIMITED AND SUBSIDIARIES

(LIMITED LIABILITY COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2011

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**Non-cash transactions:**

Dividends credited to advances from shareholders		<b>42,375,077</b>	98,738,469
Dividends credited to due from related parties		<b>13,648,466</b>	-
Advances from shareholders transferred towards increase in share capital		<b>50,000,000</b>	80,000,000

The accompanying notes form an integral part of these consolidated financial statements

## 24. ORGANIZATION AND ACTIVITIES

Saudi Marketing Company Limited (“SAMCO” or “the Company”) and subsidiaries (“the Group”) consist of the Company and its following subsidiaries:

Subsidiary	Effective ownership %	Country of incorporation
Pure Spring Agencies & Trading Company Ltd	90	Kingdom of Saudi Arabia
Saudi Marketing and Trading S.A.L. (Holding)	99.95	Lebanon

SAMCO is a Saudi limited liability Company registered on 2 Muharram 1399 (December 3, 1978) under commercial registration number 2050006430 in Dammam. During 2010, the shareholders of the Company resolved to increase the share capital from SR 120 million to SR 200 million by transferring an amount of SR 80 million from advances from shareholders. Additionally, on August 8, 2011, the shareholders resolved to further increase the share capital from SR 200 million to 250 million by transferring an amount of SR 50 million from advances from shareholders and the legal formalities related to the increase in share capital were completed as of the year end. The share capital of the Company, amounting to SR 250 million, is divided into 25 million shares of SR 10 each and divided between the shareholders as follows:

	Amount SR	Ownership Percentage
Mr. Hazem Al Aswad	225,000,000	90%
Mrs. Sahar Abdulkarim Al Madani	25,000,000	10%
	250,000,000	100%

The principal activities of the Company are the retail and wholesale of foodstuff, household consumables, toys, textiles and stationary. Also, the Company’s activities include marketing services on behalf of and for third parties and managing and operating bakeries.

The Company operates through its head office in Dammam and has 48 branches with individual commercial registrations. The Company’s registered head office is located in Dammam, Saudi Arabia.

Pure Springs Agencies and Trading Co. Ltd. (“Pure Springs”) is a Saudi limited liability Company registered under commercial registration number 2050045816 dated May 24, 2004, (4 Rabi’ II, 1425) issued in Dammam. Pure Springs has acquired exclusive rights and licenses from the respective franchisors to operate "CINNZEO" and "WETZEL'S PRETZELS" bakeries in Saudi Arabia and in certain other Middle East countries. Under the Master Franchise Agreements, it also has the exclusive right to sub-franchise the licenses within its franchise territory.

The principal activities of Lebanon Holdings are owning and operating supermarkets and shopping malls and distribution of foodstuff.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in compliance with the generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants. The following is a summary of significant accounting policies applied by the Group:

### **Accounting convention**

The consolidated financial statements are prepared under the historical cost convention.

### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company prepared up to December 31 of each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

Subsidiaries are consolidated from the date on which control is effectively transferred to the Company and are no longer consolidated from the date that control ceases.

Inter-group transactions and balances between group companies are eliminated at consolidation.

Non-controlling interest represents the interest in the subsidiaries not held by the Company.

### **Use of estimates**

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

### **Revenues**

Revenue from sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from product display agreements is recognized as revenue according to the terms of the agreements (refer also note 24).

Rental income is recognized on an accruals basis.

Royalty income is recognized based on weekly reports of sub-franchisee sales.

Initial sub-franchise fees received in respect of outlets up to the specified number covered by the Area Franchise Agreements are credited to deferred income and recognized as revenue on a straight-line basis over the period of the sub-franchise agreement. Further sub-franchise fees received in respect of additional outlets are credited directly to income when received.

**Inventories**

Inventories are stated at the lower of cost or net realizable value. Cost is predominately determined based on a weighted average cost basis.

In Pure Springs and Lebanon Holdings, cost is determined based on a first-in-first-out (“FIFO”) basis. The effect of determining cost on this basis rather than on a weighted average basis is not significant.

Appropriate provisions are made for obsolete and slow moving items.

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

**Investments**

Investments held for trading are measured at fair value and changes therein are taken to the income statement. Investments classified as available for sale investments are measured at fair value and any change therein, other than impairment losses, is recognized in the equity. Fair value is determined by reference to the market value in an open market if exists. In the absence of an open market, the cost is considered to be the fair value of these investments.

Investments in subsidiaries are stated at cost less any provision for impairment.

**Accounts receivable**

Accounts receivable are stated at their estimated net realizable value. The provision for doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original term of the receivables.

**Property and equipment**

Property and equipment are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining term of the lease.

The depreciation rates of the principal classes of assets are as follows:

	<u>Rate</u>
Buildings	5%
Machinery, cold storage and equipment	5%-33%
Vehicles	6% -25%
Furniture, fixtures and office equipment	5%-33%

**Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its property and equipment to determine whether there is any indication that those assets have suffered an 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 (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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. Impairment losses are recognized as an expense immediately.

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 years. A reversal of an impairment loss is recognized as income immediately.

#### **Intangible assets**

Intangible assets principally comprise of Murabaha loan up-front fees which are amortized over the period of the loan. Additionally, intangible assets also include franchise fees paid on the commencement of Area Franchise Agreements to acquire area licenses or rights for a specified number of outlets. The costs are amortized over the remaining period of the franchise agreement. Additional franchise fees paid for further outlets are expensed as incurred.

#### **Prepaid lease rental**

Prepaid lease rental represents key money paid in advance upon signing the lease agreements. The prepaid lease rent is deferred and amortized over the lease period.

#### **Accounts payable and accruals**

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

#### **Zakat**

SAMCO and Pure Springs are subject to the Regulations of the Department of Zakat and Income Tax (DZIT) in the Kingdom of Saudi Arabia. Zakat is provided on an accruals basis and charged to the consolidated statement of income. The Zakat charge is computed on the zakat base. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

Income tax regarding the Lebanese subsidiaries is calculated on the basis of the tax law enacted or substantively enacted at the balance sheet date.

#### **End-of-service indemnities**

End-of-service indemnities are provided in the consolidated financial statements based on the employees' length of service according to labor laws in the country of incorporation.

#### **Selling and distribution and general and administrative 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 standards. Allocations between general and administrative expenses and cost of revenues, when required, are made on a consistent basis.

#### **Foreign currency translation**

*SAMCO and Pure Springs:* Transactions denominated in foreign currencies are translated into Saudi Riyals at exchange rates prevailing at the dates of such transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Saudi Riyals at exchange rates prevailing at the balance sheet date. Exchange gains or losses are charged to the consolidated statement of income.

*Lebanon Holdings:* Lebanon Holdings financial statements are denominated in Lebanese Pounds which have been translated into Saudi Riyals using the weighted average exchange rate for the statement of income and exchange rate prevailing at the date of balance sheet. There have been no accumulated exchange gains or losses as the exchange rate of the Lebanese Pound against the Saudi Riyal was consistent throughout the year.

#### **Leases**

Leases are classified as capital leases whenever the term of the lease transfers substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

##### *Leasing – the Group as lessor*

Rental income from operating leases is recognized on a straight line basis over the operating lease period.

##### *Leasing – the Group as lessee*

Rentals payable under operating leases are charged to income on a straight line basis over the term of the operating lease.

## **2. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash and bank balances, demand deposits and highly liquid investments with original maturities of three months or less.

	<b>2011 SR</b>	<b>2010 SR</b>
Cash on hand	<b>3,613,439</b>	834,433
Bank balances	<b>6,558,197</b>	4,789,254
Time deposit	-	7,811,177
	<b>10,171,636</b>	13,434,864

### 3. ACCOUNTS RECEIVABLE

	2011 SR	2010 SR
Trade accounts receivable	17,562,853	11,559,774
Due from sub-franchisees	1,912,548	914,926
Accrued royalties	264,817	432,665
	19,740,218	12,907,365

### 4. INVENTORIES

	2011 SR	2010 SR
Finished products held for resale	165,701,639	151,466,169
Ingredients and supplies	1,531,701	2,421,753
Goods-in-transit	5,632,636	8,637,893
	172,865,976	162,525,815

### 5. INVESTMENTS

	2011 SR	2010 SR
<b>Held for trading investment:</b>		
Local portfolio	6,458,654	-
<b>Available for sale investments:</b>		
Energy City Navi-Mumbai (fund)	1,894,325	1,894,325
EntertainmentCity (fund)	1,903,633	1,903,633
	10,256,612	3,797,958

Entertainment City (fund) is in the name of a shareholder.

### 6. PREPAYMENTS AND OTHER DEBIT BALANCES

	2011 SR	2010 SR
Prepaid rent	10,025,545	1,624,246
Advances to suppliers	2,776,068	3,462,362
Due from employees	3,303,950	3,056,071
Others	2,820,174	3,484,535
	18,925,737	11,627,214

7. **PREPAID LEASE RENTAL**

	2011 SR	2010 SR
<b>Cost</b>		
December 31	<b>3,560,704</b>	3,560,704
<b>Amortization</b>		
January 1	<b>900,000</b>	600,000
Charge for year	<b>300,000</b>	300,000
December 31	<b>1,200,000</b>	900,000
<b>Net book value</b>		
December 31	<b>2,360,704</b>	2,660,704

8. **PROPERTY AND EQUIPMENT**

	Land SR	9. Building s and leasehold improvements SR	Machinery, cold storage and equipment SR	Vehicles SR	Furniture, fixtures and office equipment SR	Capital work in progress SR	Total SR
<b>Cost</b>							
January 1, 2011	66,087,787	223,650,885	57,648,466	17,045,562	119,098,231	4,518,628	488,049,559
Additions	<b>12,596,559</b>	<b>301,834</b>	<b>2,702,625</b>	<b>5,287,459</b>	<b>14,215,297</b>	<b>40,286,508</b>	<b>75,390,282</b>
Transfers\ reclassifications	-	<b>49,437,706</b>	<b>228,788</b>	-	<b>(35,227,416)</b>	<b>(14,439,078)</b>	-
Disposals	-	<b>(627,545)</b>	<b>(1,137,148)</b>	<b>(1,217,497)</b>	<b>(87,037)</b>	-	<b>(3,069,227)</b>
December 31, 2011	<b>78,684,346</b>	<b>272,762,880</b>	<b>59,442,731</b>	<b>21,115,524</b>	<b>97,999,075</b>	<b>30,366,058</b>	<b>560,370,614</b>
<b>Depreciation</b>							
January 1, 2011	-	24,961,165	19,255,466	10,721,293	37,302,514	-	92,240,438
Charge for year	-	<b>8,898,343</b>	<b>2,703,011</b>	<b>3,027,290</b>	<b>6,829,889</b>	-	<b>21,458,533</b>
Reclassifications	-	<b>10,480,787</b>	-	-	<b>(10,480,787)</b>	-	-
Disposals	-	<b>(139,855)</b>	<b>(335,628)</b>	<b>(1,026,746)</b>	<b>(50,452)</b>	-	<b>(1,552,681)</b>
December 31, 2011	-	<b>44,200,440</b>	<b>21,622,849</b>	<b>12,721,837</b>	<b>33,601,164</b>	-	<b>112,146,290</b>
<b>Net book value</b>							
December 31, 2011	<b>78,684,346</b>	<b>228,562,440</b>	<b>37,819,882</b>	<b>8,393,687</b>	<b>64,397,911</b>	<b>30,366,058</b>	<b>448,224,324</b>
December 31, 2010	66,087,787	198,689,720	38,393,000	6,324,269	81,795,717	4,518,628	395,809,121

Title deeds of certain lands are under the name of the shareholders and their transfer to the name of the Company is under process.

Capital work-in-progress represents the costs incurred for the construction and improvement of various outlets.

#### 10. INTANGIBLE ASSETS

	2011 SR	2010 SR
<b>Cost</b>		
January 1	11,375,732	6,173,482
Additions during year	1,346,425	5,202,250
December 31	12,722,157	11,375,732
<b>Amortization</b>		
January 1	4,027,350	1,302,864
Charge for year	2,645,442	2,724,486
December 31	6,672,792	4,027,350
<b>Net book value</b>		
December 31	6,049,365	7,348,382

#### 11. DUE TO BANKS

The Group has bank facilities from local commercial banks which comprise of overdrafts, short, medium and long term loans, letters of credit and guarantee, etc. The facilities bear financing charges at the prevailing market rates and are guaranteed by personal guarantee from one of the shareholders, signed promissory notes and assignment of insurance proceeds. The facility agreements contain covenants requiring the maintenance of certain financial ratios. As of December 31, due to banks consist of the following:

	2011 SR	2010 SR
Overdraft	1,030,667	5,084,828
Short term loans	35,000,000	73,582,345
	36,030,667	78,667,173

## 12. ACCOUNTS PAYABLE, ACCRUALS AND OTHER LIABILITIES

	2011 SR	2010 SR
Trade accounts payable	175,867,561	142,145,758
Advances from customers	3,523,175	1,589,659
Accrued expenses	3,608,197	6,313,057
Zakat and income tax payable (note 13)	3,021,006	1,430,710
Other liabilities	4,110,647	5,219,926
	<b>190,130,586</b>	156,699,110

## 13. ZAKAT AND INCOME TAX

The principal elements of the Company's zakat base are as follows:

	2011 SR	2010 SR
Non-current assets	446,378,069	386,914,951
Non-current liabilities	120,294,380	110,344,377
Net income before zakat	57,795,955	48,361,332
Opening shareholders' equity	271,601,770	243,256,820

Some of these amounts have been adjusted in arriving at the zakat charge for year.

The movement in zakat and income tax provision is as follows:

	2011 SR	2010 SR
January 1	1,430,710	1,058,107
Zakat provision for year	1,576,125	1,290,562
Income tax provision for year	1,444,881	101,690
Over provision for prior year	(43,686)	-
Payments during year	(1,387,024)	(1,019,649)
December 31	<b>3,021,006</b>	1,430,710

The charge to the consolidated statement of income for the year for zakat and income tax is as follows:

	2011 SR	2010 SR
Zakat provision for year	1,576,125	1,290,562
Income Tax provision for year	1,444,881	101,690
Over provision for prior year	(43,686)	-
Charged to consolidated statement of income	<b>2,977,320</b>	1,392,252

### Outstanding assessments

The Company has submitted its zakat and income tax returns up to the year ended December 31, 2010 and obtained the required certificates and official receipts. The assessment related to the year ended December 31, 2005 was received and includes additional zakat liability of SR 1.5 million. The Company has appealed against this assessment. The final zakat assessments for the years 2006 to 2010 are under process by the DZIT.

Pure Springs has submitted its zakat returns up to the year ended December 31, 2010 and obtained the required certificates and official receipts. The final zakat assessments for the year 2009 and 2010 are still under process by the DZIT.

Saudi Marketing and Trading S.A.L (Holding) has submitted its income tax returns up to the year ended December 31, 2010.

#### 14. END-OF-SERVICE INDEMNITIES

	2011 SR	2010 SR
January 1	11,989,281	9,778,087
Additional provision for year	3,524,506	2,887,218
Utilization of provision	(962,503)	(676,024)
December 31	14,551,284	11,989,281

#### 15. LONG TERM LOANS

	2011 SR	2010 SR
Long term loans	171,918,120	167,900,313
Less: current portion	(65,188,017)	(87,799,775)
	106,730,103	80,100,538

The aggregate maturities of outstanding loans' installments as of December 31 are as follows:

	2011 SR	2010 SR
2011	-	87,799,775
2012	65,188,017	51,389,508
2013	57,335,094	26,044,363
2014	31,908,899	2,666,667
2015	17,486,110	-
	171,918,120	167,900,313

During 2008, the Company entered into an Islamic Murabaha loan agreement with a local bank whereby the Company received SR 40 million which is repayable in monthly installments commencing August 2009. The amount outstanding for this loan as of December 31, 2011 was SR 8.7 million (2010: SR 23.5 million) including the current portion of SR 8.7 million (2010: SR 14.9 million) which has been classified as a current liability. The up-front-fees of SR 4.7 million (2010: SR 4.7 million) are deferred and amortized over the term of the loan (note 10).

Other long term loans are obtained through the Company's bank facilities agreements (note 11).

#### 16. SELLING AND DISTRIBUTION EXPENSES

	2011 SR	2010 SR
Employee related costs	56,468,524	43,639,534
Rent	2,096,388	4,401,913
Utilities	16,865,256	21,149,672
Advertisement expenses	7,366,505	5,911,002
Sales commission	749,767	430,449
Others	16,101,534	10,783,387
	99,647,974	86,315,957

#### 17. GENERAL AND ADMINISTRATIVE EXPENSES

	2011 SR	2010 SR
Employee related costs	30,094,861	26,650,559
Repair and maintenance	4,113,911	3,299,110
Others	18,034,136	12,561,302
	52,242,908	42,510,971

#### 18. RELATED PARTY TRANSACTIONS

During the year, the Group transacted with the shareholders and their affiliates and related companies i.e. Al Aswad Group of Companies. The transactions were made based on terms approved by the management.

The significant transactions and the related approximate amounts are as follows:

	2011 SR	2010 SR
Sales	586,325	1,557,480
Purchases	7,692,000	17,205,505
Rental charges	248,700	628,200

Due from related parties consists of the following balances as of December 31:

	2011 SR	2010 SR
Hazem Al Aswad	-	46,513,264
Al Aswad Family	30,123,411	48,489,712
Aswad Real Estate	29,096,753	10,313,472
Al Karam Restaurant	5,146,334	4,768,625
Al Aswad Italy	-	1,406,694
ZAINA	1,516,400	1,530,561
Emerald	30,060	337,254
Aswad Trading and Contracting Co.	-	506,277
Maher Jeddah	3,528	-
Space Travel Agency	50,901	-
Lebanon Food	9,952,437	-
Others	-	63,444
	75,919,824	113,929,303

Due to related parties consists of the following balances as of December 31:

	2011 SR	2010 SR
Al Aswad Suval	1,893,316	993,624
Saudi Marketing & Trading Ltd	95,119	-
Al Aswad Trading and Contracting Co.	301,733	-
Others	211,695	-
	2,501,863	993,624

#### 19. ADVANCES FROM SHAREHOLDERS

As of December 31, 2011 and 2010, advances from shareholders balance represented a non-interest bearing account with no fixed repayment schedule.

## 20. STATUTORY RESERVE

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

## 21. OPERATING LEASE ARRANGEMENTS

Operating lease payments represent rentals payable for the Group's offices and outlets. The terms of these leases are up to 20 years.

	2011 SR	2010 SR
Payments under operating leases recognized as an expense during the year	37,086,375	21,327,401

The Company also has earned rental income from various operating leases in 2011 amounting to SR 35,741,291 (2010: SR 23,332,926). The terms of these leases are for periods up to 5 years.

The Group has commitments under operating leases (primarily relating to the rental of branch premises) for which the minimum lease payments in 2012 will be approximately SR 26.2 million (2011: SR 33.8 million).

## 22. COMMITTEMENTS

As of December 31, the Group had the following commitments:

	2011 SR	2010 SR
Letters of guarantee	11,783,329	9,027,179

Capital commitments as of December 31, 2011 amounted to nil (2010: SR 794,738).

## 23. FAIR VALUES

The fair values of the Group's financial assets and liabilities, except for investments, approximate their carrying amounts.

## **24. RECLASSIFICATIONS**

Certain figures for 2010 have been reclassified as follows:

- Certain revenues amounting to SR 28.5 million in the form of discounts granted by product suppliers towards product displays were previously netted off from cost of revenue but are now included in revenue.
- Rentals for SAMCO outlets amounting to SR 19.2 million previously included in selling and distribution expenses are now included in cost of revenue.

### **19.3 The Consolidated Financial Statements for the year 2012**

## AUDITORS' REPORT

To the shareholders  
Saudi Marketing Company  
(A Saudi Closed Joint Stock Company)  
Dammam – Saudi Arabia

### **Scope of Audit**

We have audited the consolidated balance sheet of Saudi Marketing Company (a Saudi Closed Joint Stock Company) and its subsidiaries as of December 31, 2012, and the related consolidated statements of income, shareholders' equity and cash flows for the year then ended, and notes 1 to 25 which form an integral part of these consolidated financial statements as prepared by the Company in accordance with Article 123 of the regulations for companies and presented to us with all the necessary information and explanations. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

### **Unqualified Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2012, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the nature of the Company, and comply with the relevant provisions of the Regulations for Companies and the articles of the Company as these relate to the preparation and presentation of these consolidated financial statements.

### **Other Matters**

As stated in note 1 to the consolidated financial statements, as per the Company's bye-laws, the first fiscal year of the Company is to commence from the date of the ministerial approval on the official announcement of the conversion of the Company from a limited liability Company to a closed joint stock Company to December 31 of the subsequent year. However, the Company's management believes that the conversion transaction will not affect the continuation of the business and decided accordingly to present the consolidated financial statements for the full year from January 1 to December 31, 2012 to better reflect the operations of the Company on a consistent and comparable basis.

Deloitte & Touche  
Bakr Abulkhair & Co.

Nasser M. Al-Sagga  
License No. 322  
21 Rabi I, 1434  
February 2, 2013

## SAUDI MARKETING COMPANY AND SUBSIDIARIES

(SAUDI CLOSED JOINT STOCK COMPANY)

## CONSOLIDATED BALANCE SHEET

AS OF DECEMBER 31, 2012

	Note	2012 SR	2011 SR
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	25,095,224	10,171,636
Accounts receivable	4	57,841,656	19,740,218
Inventories	5	218,024,991	172,865,976
Investments	6	13,315,880	10,256,612
Due from related parties	18	15,372,075	75,919,824
Prepayments and other debit balances	7	32,211,960	18,925,737
<b>Total current assets</b>		<b>361,861,786</b>	307,880,003
<b>Non-current assets</b>			
Prepaid lease rental	8	2,060,704	2,360,704
Property and equipment	9	516,887,195	448,224,324
Intangible assets	10	5,490,670	6,049,365
<b>Total non-current assets</b>		<b>524,438,569</b>	456,634,393
<b>TOTAL ASSETS</b>		<b>886,300,355</b>	764,514,396
<b>LIABILITIES, SHAREHOLDERS' EQUITY AND NON - CONTROLLING INTERESTS</b>			
<b>Current liabilities</b>			
Due to banks	11	27,178,217	36,030,667
Long term loans – current portion	15	64,668,442	65,188,017
Accounts payable, accruals and other liabilities	12	278,518,747	190,130,586
Due to related parties	18	14,387,077	2,501,863
<b>Total current liabilities</b>		<b>384,752,483</b>	293,851,133
<b>Non-current liabilities</b>			
Long term loans	15	67,006,113	106,730,103
Deferred income		1,096,865	1,178,614
End-of-service indemnities	14	18,722,704	14,551,284
<b>Total non-current liabilities</b>		<b>86,825,682</b>	122,460,001

## SAUDI MARKETING COMPANY AND SUBSIDIARIES

(SAUDI CLOSED JOINT STOCK COMPANY)

## CONSOLIDATED BALANCE SHEET (Continued)

AS OF DECEMBER 31, 2012

	Note	2012 SR	2011 SR
<b>Shareholders' equity</b>			
Share capital	1	250,000,000	250,000,000
Statutory reserve	19	45,768,524	37,892,354
Retained earnings		118,188,711	59,803,180
<b>Total shareholders' equity before non-controlling interests</b>		<b>413,957,235</b>	347,695,534
Non-controlling interests		764,955	507,728
<b>Total shareholders' equity and non-controlling interests</b>		<b>414,722,190</b>	348,203,262
<b>TOTAL LIABILITIES, SHAREHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS</b>		<b>886,300,355</b>	764,514,396

The accompanying notes form an integral part of these consolidated financial statements

## SAUDI MARKETING COMPANY AND SUBSIDIARIES

(SAUDI CLOSED JOINT STOCK COMPANY)

## CONSOLIDATED STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 2012

	Note	2012 SR	2011 SR
<b>Revenues</b>			
Sales	18	1,350,107,635	1,129,240,979
Gondola and rental income		145,559,145	123,901,242
Total revenues		1,495,666,780	1,253,142,221
Cost of revenues	18	1,196,481,059	1,017,415,753
<b>Gross profit</b>		299,185,721	235,726,468
Selling and distribution expenses	16,18	123,213,341	99,647,974
General and administrative expenses	17,18	78,630,324	52,242,908
Depreciation	9	24,852,995	21,458,533
<b>Operating income</b>		72,489,061	62,377,053
Finance charges	11,15	(4,056,831)	(415,276)
Other income, net	20	13,684,073	7,768,358
<b>Net income before zakat and income tax</b>		82,116,303	69,730,135
Zakat and income tax	13	(3,097,375)	(2,977,320)
<b>NET INCOME</b>		79,018,928	66,752,815
<b>Attributable to:</b>			
Shareholders of the Company		78,761,701	66,562,843
Non-controlling interest		257,227	189,972
<b>TOTAL</b>		79,018,928	66,752,815
<b>Earnings per share</b>			
- From continuing main operations (SR)	22	2.61	2.68
- From other operations (SR)		0.55	0.35
- From net income (SR)		3.16	3.03
- Weighted average number of shares		25,000,000	21,986,302

The accompanying notes form an integral part of these consolidated financial statements

## SAUDI MARKETING COMPANY AND SUBSIDIARIES

(SAUDI CLOSED JOINT STOCK COMPANY)

## CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

YEAR ENDED DECEMBER 31, 2012

	Share capital	Statutory reserve	Retained earnings	Total
	SR	SR	SR	SR
January 1, 2011	200,000,000	31,236,070	55,920,164	287,156,234
Increase in share capital	50,000,000	-	-	50,000,000
Net income for 2011	-	-	66,562,843	66,562,843
Transferred to statutory reserve ( note 19 )	-	6,656,284	(6,656,284)	-
Dividends	-	-	(56,023,543)	(56,023,543)
December 31, 2011	250,000,000	37,892,354	59,803,180	347,695,534
Net income for 2012	-	-	78,761,701	78,761,701
Transferred to statutory reserve ( note 19 )	-	7,876,170	(7,876,170)	-
Dividends	-	-	(12,500,000)	(12,500,000)
December 31, 2012	250,000,000	45,768,524	118,188,711	413,957,235

The accompanying notes form an integral part of these consolidated financial statements

## SAUDI MARKETING COMPANY AND SUBSIDIARIES

(SAUDI CLOSED JOINT STOCK COMPANY)

## CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2012

	2012 SR	2011 SR
<b>OPERATING ACTIVITIES</b>		
Net income before zakat and income tax	82,116,303	69,730,135
Adjustments for:		
Depreciation	24,852,995	21,458,533
Amortization of intangible assets	1,961,791	2,645,442
Amortization of prepaid lease rental	300,000	300,000
End-of-service indemnities	5,015,612	3,524,506
(Gain) loss from sale/write-off of property and equipment	(9,603,431)	156,836
Finance charges	4,056,831	415,276
Changes in operating assets and liabilities:		
Accounts receivable	(38,101,438)	(6,832,853)
Due from/to related parties, net	70,520,414	25,869,252
Inventories	(45,159,015)	(10,340,161)
Prepayments and other debit balances	(13,286,223)	(7,298,523)
Accounts payable, accruals and other liabilities	86,807,794	31,841,180
Deferred income	(81,749)	(81,749)
Cash from operations	169,399,884	131,387,874
End-of-service indemnities paid	(844,192)	(962,503)
Zakat paid	(1,517,008)	(1,387,024)
Finance charges paid	(4,056,831)	(415,276)
<b>Net cash from operating activities</b>	<b>162,981,853</b>	<b>128,623,071</b>
<b>INVESTING ACTIVITIES</b>		
Additions to property and equipment	(96,972,064)	(75,390,282)
Additions to intangible assets	(1,403,096)	(1,346,425)
Proceeds from sale of property and equipment	13,059,629	1,359,710
Net movement of investments	(3,059,268)	(6,458,654)
<b>Net cash used in investing activities</b>	<b>(88,374,799)</b>	<b>(81,835,651)</b>
<b>FINANCING ACTIVITIES</b>		
Net change in due to banks	(8,852,450)	(42,636,506)
Net change in long term loans	(40,243,565)	4,017,807
Advances from shareholders	-	(11,431,949)
Dividends paid	(10,587,451)	-
<b>Net cash used in financing activities</b>	<b>(59,683,466)</b>	<b>(50,050,648)</b>
<b>Net change in cash and cash equivalents</b>	<b>14,923,588</b>	<b>(3,263,228)</b>
Cash and cash equivalents, January 1	10,171,636	13,434,864

The accompanying notes form an integral part of these consolidated financial statements

SAUDI MARKETING COMPANY AND SUBSIDIARIES

(SAUDI CLOSED JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2012

<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>		<b>25,095,224</b>	10,171,636
<b>Non-cash transactions:</b>			
Dividends credited to advances from shareholders		-	42,375,077
Dividends credited to due from related parties		<b>1,912,549</b>	13,648,466
Advances from shareholders transferred towards increase in share capital		-	50,000,000

The accompanying notes form an integral part of these consolidated financial statements

## 1. ORGANIZATION AND ACTIVITIES

Saudi Marketing Company (“SAMCO” or “the Company”) and subsidiaries (“the Group”) consist of the Company and its following subsidiaries:

Subsidiary	Effective ownership %	Country of incorporation
Pure Spring Agencies & Trading Company Ltd.	90	Kingdom of Saudi Arabia
Saudi Marketing and Trading S.A.L. (Holding)	99.95	Lebanon

SAMCO was a Saudi limited liability Company registered on 2 Muharram 1399 (December 3, 1978) under commercial registration number 2050006430 in Dammam.

In 2012, the shareholders of the Company resolved to convert the Company from a limited liability Company to a closed joint stock Company by the introduction of new shareholders. On April 8, 2012, the Company obtained the ministerial approval on the official announcement of the conversion and has obtained the new commercial registration certificate.

The share capital of the Company, amounting to SR 250 million, is divided into 25 million shares of SR 10 each and divided between the shareholders at December 31 as follows:

	Amount SR	Ownership Percentage
Mr. Hazem Al Aswad	187,500,000	75%
Mrs. Sahar Abdulkarim Al Madani	12,500,000	5%
Maher Hazem Al Aswad	12,500,000	5%
Tariq Hazem Al Aswad	12,500,000	5%
Mohammed Hazem Al Aswad	12,500,000	5%
Lina Hazem Al Aswad	6,250,000	2.5%
Hala Hazem Al Aswad	6,250,000	2.5%
	250,000,000	100%

The principal activities of the Company are the retail and wholesale of foodstuff, household consumables, toys, textiles and stationary. Also, the Company’s activities include marketing services on behalf of and for third parties and managing and operating bakeries.

The Company operates through its head office in Dammam and has various branches with individual commercial registrations. The Company’s registered head office is located in Dammam, Saudi Arabia.

Pure Springs Agencies and Trading Co. Ltd. (“Pure Springs”) is a Saudi liability Company registered under commercial registration number 2050045816 dated May 24, 2004, (4 Rabi’ II, 1425) issued in

Dammam. Pure Springs has acquired exclusive rights and licenses from the respective franchisors to operate "CINNZEO" and "WETZEL'S PRETZELS" bakeries in Saudi Arabia and in certain other Middle East countries. Under the Master Franchise Agreements, it also has the exclusive right to sub-franchise the licenses within its franchise territory.

Saudi Marketing and Trading S.A.L. (Holding) ("Lebanon Holdings") was established on November 30, 2006 in Beirut Commercial court under no. 1006376 and has a 100% owned subsidiary with the name of Saudi Marketing and Trading S.A.L. registered in Beirut commercial court under no. 1373438 dated January 17, 2007 and has the principal activities of owning and operating supermarkets and shopping malls and distribution of foodstuff.

According to the Company's bye-laws, the first fiscal year of the Company is to commence from the date of the ministerial approval on the official announcement of the conversion of the Company from a limited liability Company to a closed joint stock Company to December 31, of the subsequent year. However, the Company's management believes that the conversion transaction will not affect the continuation of the business and decided accordingly to present financial statements from January 1, 2012 to December 31, 2012 to better reflect the operations of the Company on a consistent and comparable basis.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements have been prepared in compliance with the generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants. The following is a summary of significant accounting policies applied by the Group:

### **Accounting convention**

The consolidated financial statements are prepared under the historical cost convention.

### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company prepared up to December 31 of each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

Subsidiaries are consolidated from the date on which control is effectively transferred to the Company and are no longer consolidated from the date that control ceases.

All significant inter-group transactions and balances between group companies are eliminated on consolidation.

Non-controlling interest represents the interest in the subsidiaries not held by the Company.

### **Use of estimates**

The preparation of consolidated financial statements in conformity with generally accepted accounting standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial

statements and the reported amounts of revenues and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

### **Revenues**

Revenue from sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from product display agreements is recognized as revenue according to the terms of the agreements.

Rental income is recognized on an accruals basis.

Royalty income is recognized based on weekly reports of sub-franchisee sales.

Initial sub-franchise fees received in respect of outlets up to the specified number covered by the Area Franchise Agreements are credited to deferred income and is recognized as revenue on a straight-line basis over the period of the sub-franchise agreement. Further sub-franchise fees received in respect of additional outlets are credited directly to income when received.

### **Inventories**

Inventories are stated at the lower of cost or net realizable value. Cost is predominately determined based on a weighted average cost basis.

In Lebanon Holdings, cost is determined based on a first-in-first-out ("FIFO") basis. The effect of determining cost on this basis rather than on a weighted average basis is not significant.

Appropriate provisions are made for obsolete and slow moving items.

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

### **Investments**

Investments held for trading are measured at fair value and changes therein are taken to the income statement. Investments classified as available for sale investments are measured at fair value and any change therein, other than impairment losses, is recognized in the equity. Fair value is determined by reference to the market value in an open market if exists. In the absence of an open market, the cost is considered to be the fair value of these investments.

### **Accounts receivable**

Accounts receivable are stated at their estimated net realizable value. A provision for doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original term of the receivables.

**Property and equipment**

Property and equipment are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight-line method. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining term of the lease.

The depreciation rates of the principal classes of assets are as follows:

	<u>Rate</u>
Buildings	2% - 5%
Machinery, cold storage and equipment	5% - 33%
Vehicles	6% - 25%
Furniture, fixtures and office equipment	5%- 33%

**Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its property and equipment to determine whether there is any indication that those assets have suffered an 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 (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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. Impairment losses are recognized as an expense immediately.

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 years. A reversal of an impairment loss is recognized as income immediately.

**Intangible assets**

Intangible assets principally comprise of software implementation costs which are amortized over a period of five years. Additionally, intangible assets also include franchise fees paid on the commencement of Area Franchise Agreements to acquire area licenses or rights for a specified number of outlets. The costs are amortized over the remaining period of the franchise agreement. Additional franchise fees paid for further outlets are expensed as incurred.

**Prepaid lease rental**

Prepaid lease rental represents key money paid in advance upon signing the lease agreements. The prepaid lease rent is deferred and amortized over the lease period.

**Accounts payable and accruals**

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

**Zakat**

SAMCO and Pure Springs are subject to the Regulations of the Department of Zakat and Income Tax (DZIT) in the Kingdom of Saudi Arabia. Zakat is provided on an accruals basis and charged to the consolidated statement of income. The Zakat charge is computed on the zakat base. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

Income tax regarding the Lebanese subsidiary is calculated on the basis of the tax law enacted or substantively enacted at the balance sheet date.

**End-of-service indemnities**

End-of-service indemnities are provided in the consolidated financial statements based on the employees' length of service according to labor laws in the country of incorporation.

### **Selling and distribution and general and administrative 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 standards. Allocations between general and administrative expenses and cost of revenues, when required, are made on a consistent basis.

### **Provision for obligations**

A provision is recognized in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

### **Foreign currency translation**

*SAMCO and Pure Springs:* Transactions denominated in foreign currencies are translated into Saudi Riyals at exchange rates prevailing at the dates of such transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Saudi Riyals at exchange rates prevailing at the balance sheet date. Exchange gains or losses are charged to the consolidated statement of income.

*Lebanon Holdings:* Lebanon Holdings financial statements are denominated in Lebanese Pounds which have been translated into Saudi Riyals using the weighted average exchange rate for the statement of income and exchange rate prevailing at the date of balance sheet. There have been no accumulated exchange gains or losses as the exchange rate of the Lebanese Pound against the Saudi Riyal was consistent throughout the year.

### **Leases**

Leases are classified as capital leases whenever the term of the lease transfers substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### *Leasing – the Group as lessor*

Rental income from operating leases is recognized on a straight line basis over the operating lease period.

#### *Leasing – the Group as lessee*

Rentals payable under operating leases are charged to income on a straight line basis over the term of the operating lease.

## **3. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash and bank balances, demand deposits and highly liquid investments with original maturities of three months or less.

	<b>2012 SR</b>	<b>2011 SR</b>
Cash on hand	<b>4,385,575</b>	3,613,439
Bank balances	<b>20,709,649</b>	6,558,197
	<b>25,095,224</b>	10,171,636

#### 4. ACCOUNTS RECEIVABLE

	2012 SR	2011 SR
Trade accounts receivable	56,296,344	17,562,853
Due from sub-franchisees	1,059,751	1,912,548
Accrued royalties	485,561	264,817
	57,841,656	19,740,218

#### 5. INVENTORIES

	2012 SR	2011 SR
Finished products held for resale	209,156,177	165,701,639
Ingredients and supplies	1,900,461	1,531,701
Goods-in-transit	6,968,353	5,632,636
	218,024,991	172,865,976

#### 6. INVESTMENTS

	2012 SR	2011 SR
<b>Held for trading investment:</b>		
Local portfolio	10,680,930	6,458,654
<b>Available for sale investments:</b>		
Energy City Navi-Mumbai (fund)	1,894,325	1,894,325
EntertainmentCity (fund)	740,625	1,903,633
	13,315,880	10,256,612

Entertainment City (fund) is in the name of a shareholder.

#### 7. PREPAYMENTS AND OTHER DEBIT BALANCES

	2012 SR	2011 SR
Prepaid rent	14,548,905	10,025,545
Advances to suppliers	8,688,100	2,776,068
Due from employees	3,203,416	3,303,950
Others	5,771,539	2,820,174
	32,211,960	18,925,737

## 8. PREPAID LEASE RENTAL

	2012 SR	2011 SR
<b>Cost</b>		
December 31	3,560,704	3,560,704
<b>Amortization</b>		
January 1	1,200,000	900,000
Charge for year	300,000	300,000
December 31	1,500,000	1,200,000
<b>Net book value</b>		
December 31	2,060,704	2,360,704

## 9. PROPERTY AND EQUIPMENT

	Land SR	Buildings and leasehold improvements SR	Machinery, cold storage and equipment SR	Vehicles SR	Furniture, fixtures and office equipment SR	Capital work in progress SR	Total SR
<b>Cost</b>							
January 1, 2012	78,684,346	272,762,880	59,442,731	21,115,524	97,999,075	30,366,058	560,370,614
Additions	37,235,014	6,740,393	7,631,206	5,193,990	5,089,091	35,082,370	96,972,064
Transfers	-	16,615,140	5,175,003	-	12,383,535	(34,173,678)	-
Disposals	(1,413,600)	(952,842)	(1,208,396)	(1,750,392)	(35,909)	-	(5,361,139)
December 31, 2012	114,505,760	295,165,571	71,040,544	24,559,122	115,435,792	31,274,750	651,981,539
<b>Depreciation</b>							
January 1, 2012	-	44,200,440	21,622,849	12,721,837	33,601,164	-	112,146,290
Charge for year	-	9,986,651	3,717,060	3,522,146	7,627,138	-	24,852,995
Disposals	-	(302,243)	(410,068)	(1,176,962)	(15,668)	-	(1,904,941)
December 31, 2012	-	53,884,848	24,929,841	15,067,021	41,212,634	-	135,094,344
<b>Net book value</b>							
December 31, 2012	114,505,760	241,676,698	46,110,703	9,492,101	74,223,158	31,274,750	516,887,195
December 31, 2011	78,684,346	228,562,440	37,819,882	8,393,687	64,397,911	30,366,058	448,224,324

The title deeds of the lands have been transferred in the name of Company while certain buildings are constructed on leasehold land.

Capital work-in-progress represents the costs incurred for the construction and improvement of various outlets.

#### 10. INTANGIBLE ASSETS

	2012 SR	2011 SR
<b>Cost</b>		
January 1	12,722,157	11,375,732
Additions during year	1,403,096	1,346,425
December 31	14,125,253	12,722,157
<b>Amortization</b>		
January 1	6,672,792	4,027,350
Charge for year	1,961,791	2,645,442
December 31	8,634,583	6,672,792
<b>Net book value</b>		
December 31	5,490,670	6,049,365

#### 11. DUE TO BANKS

The Group has bank facilities from local commercial banks which comprise of overdrafts, short, medium and long term loans, letters of credit and guarantee, etc. The facilities bear financing charges at the prevailing market rates and are guaranteed by personal guarantee from one of the shareholders, signed promissory notes and assignment of insurance proceeds. The facility agreements contain covenants requiring the maintenance of certain financial ratios. As of December 31, due to banks consist of the following:

	2012 SR	2011 SR
Overdraft	178,217	1,030,667
Short term loans	27,000,000	35,000,000
	27,178,217	36,030,667

## 12. ACCOUNTS PAYABLE, ACCRUALS AND OTHER LIABILITIES

	2012 SR	2011 SR
Trade accounts payable	249,926,334	175,867,561
Advances from customers	3,918,996	3,523,175
Accrued expenses	8,610,565	3,608,197
Zakat and income tax payable (note 13)	4,601,373	3,021,006
Other liabilities	11,461,479	4,110,647
	278,518,747	190,130,586

## 13. ZAKAT AND INCOME TAX

The principal elements of the Company's zakat base are as follows:

	2012 SR	2011 SR
Non-current assets	513,651,996	446,378,069
Non-current liabilities	84,682,324	120,294,380
Net income before zakat	70,949,290	57,795,955
Opening shareholders' equity	335,495,937	271,601,770
Dividends paid	10,587,451	42,375,077

Some of these amounts have been adjusted in arriving at the zakat charge for the year.

The movement in zakat and income tax provision is as follows:

	2012 SR	2011 SR
January 1	3,021,006	1,430,710
Zakat provision for year	1,971,384	1,576,125
Income tax provision for the year	1,185,108	1,444,881
Over provision for prior the year	(59,117)	(43,686)
Payments during year	(1,517,008)	(1,387,024)
December 31	4,601,373	3,021,006

The charge to the consolidated statement of income for the year for zakat and income tax is as follows:

	2012 SR	2011 SR
Zakat provision for year	1,971,384	1,576,125
Income tax provision for year	1,185,108	1,444,881
Over provision for prior year	(59,117)	(43,686)
Charged to consolidated statement of income	3,097,375	2,977,320

### Outstanding assessments

The Company has submitted its zakat and income tax returns up to the year ended December 31, 2011 and obtained the required certificates and official receipts. The revised assessment related to the year ended December 31, 2005 was received subsequent to the year end and includes additional zakat liability of SR 0.9 million which was paid subsequently. The Company received final assessments for the years 2006 to 2008 subsequently and settled the additional zakat liability of SR 0.35 million. The final zakat assessments for the years 2009 and 2010 are under process by the DZIT.

Pure Springs has submitted its zakat returns up to the year ended December 31, 2011 and obtained the required certificates and official receipts. The final zakat assessments for the year 2009, 2010 and 2011 are still under process by the DZIT.

Saudi Marketing and Trading S.A.L (Holding) has submitted its income tax returns up to the year ended December 31, 2011. Assessments have been received for 2004 to 2006.

#### 14. END-OF-SERVICE INDEMNITIES

	2012 SR	2011 SR
January 1	14,551,284	11,989,281
Provision for the year	5,015,612	3,524,506
Utilization of provision	(844,192)	(962,503)
December 31	18,722,704	14,551,284

#### 15. LONG TERM LOANS

	2012 SR	2011 SR
Long term loans	131,674,555	171,918,120
Less: current portion	(64,668,442)	(65,188,017)
	67,006,113	106,730,103

The aggregate maturities of outstanding loan installments as of December 31 are as follows:

	2012 SR	2011 SR
2012	-	65,188,017
2013	64,668,442	57,335,094
2014	39,242,225	31,908,899
2015	27,763,888	17,486,110
	131,674,555	171,918,120

During 2008, the Company entered into an Islamic Murabaha loan agreement with a local bank whereby the Company received SR 40 million which is repayable in monthly installments commencing August 2009. The final installment of the loan was settled in July, 2012.

Other long term loans are obtained through the Company's bank facilities agreements (note 11).

#### 16. SELLING AND DISTRIBUTION EXPENSES

	2012 SR	2011 SR
Employee related costs	71,319,287	56,468,524
Rent	1,654,005	2,096,388
Utilities	22,442,810	16,865,256
Advertisement expenses	6,289,797	7,366,505
Packing expenses	4,975,815	2,072,546
Sales commission	981,950	749,767
Others	15,549,677	14,028,988
	123,213,341	99,647,974

#### 17. GENERAL AND ADMINISTRATIVE EXPENSES

	2012 SR	2011 SR
Employee related costs	41,430,324	30,094,861
Rents	8,742,052	6,944,577
Repair and maintenance	5,688,509	4,113,911
Others	22,769,439	11,089,559
	78,630,324	52,242,908

#### 18. RELATED PARTY TRANSACTIONS

During the year, the Group transacted with the shareholders and their affiliates and related companies (i.e. Al Aswad Group of Companies). The transactions were made based on terms approved by the management.

The significant transactions and the related approximate amounts are as follows:

	2012 SR	2011 SR
Sales	(947,781)	(586,325)
Purchases	2,876,629	2,482,498
Rental charges	7,690,000	7,690,000
Rental income	(661,400)	(248,700)
Finance charges	-	4,806,727

The Company has given advance payments guarantees of SR 23.5 million on behalf of related parties.

Due from related parties consists of the following balances as of December 31:

	2012 SR	2011 SR
Al Aswad Family	-	30,123,411
Aswad Real Estate	1,055,472	29,096,753
Al Aswad Suval	1,202,851	-
Al Karam Restaurant	527,161	5,146,334
ZAINA	36,875	1,516,400
Emerald	31,229	30,060
Maher Jeddah	-	3,528
Space Travel Agency	41,320	50,901
Farm Food, Lebanon	9,958,497	9,952,437
Others	2,518,670	-
	15,372,075	75,919,824

Due to related parties consists of the following balances as of December 31:

	2012 SR	2011 SR
Al Aswad Suval	-	1,893,316
Al Aswad Family	13,737,075	95,119
Al Aswad Trading and Contracting Co.	650,002	301,733
Others	-	211,695
	14,387,077	2,501,863

Letters of guarantee include an advance payment guarantee of SR 23.5 million given on behalf of related parties.

## 19. STATUTORY RESERVE

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

## 20. OTHER INCOME, NET

Other income includes an amount of SR 9.6 million of insurance claim received on account of the fire occurred in the Lebanese entities premises.

## 21. OPERATING LEASE ARRANGEMENTS

Operating lease payments represent rentals payable for the Group's offices and outlets. The terms of these leases are up to 20 years.

	2012 SR	2011 SR
Payments under operating leases recognized as an expense during the year	33,304,472	37,086,375

The Company also has earned rental income from various operating leases in 2012 amounting to SR 30,205,635 (2011: SR 35,741,291). The terms of these leases are for periods up to 5 years.

The Group has commitments under operating leases (primarily relating to the rental of branch premises) for which the minimum lease payments in 2013 will be approximately SR 31.4 million (2012: SR 26.2 million). The term of these leases are mainly from periods up to 20 years.

## 22. EARNINGS PER SHARE

Earnings per share (EPS) from net income is calculated by dividing net income for the year by the weighted average number of outstanding shares. EPS from continuing main operations is calculated by dividing operating income for the year, less financial charges and zakat, by the weighted average number of outstanding shares. Earnings per share from other operations is computed by dividing the other income for the year by the weighted average number of shares outstanding during the year.

## 23. SEGMENTAL INFORMATION

The Company's activities are focused on retail and wholesale of foodstuff and it carries out its operations in the Kingdom of Saudi Arabia and in Lebanon. Some selected information was summarised as of December 31, for each geographical segment as below;

2012	Inside the Kingdom of Saudi Arabia SR	Outside the Kingdom of Saudi Arabia SR	Total 2012 SR
Revenue	1,417,516,958	78,149,822	1,495,666,780
Property and equipment	380,010,668	136,876,527	516,887,195

2011	Inside the Kingdom of Saudi Arabia SR	Outside the Kingdom of Saudi Arabia SR	Total 2011 SR
Revenue	1,161,067,077	92,075,144	1,253,142,221
Property and equipment	312,810,502	135,413,822	448,224,324

#### 24. CONTINGENCIES AND COMMITTEMENTS

As of December 31, the Group had the following commitments:

	2012 SR	2011 SR
Letters of guarantee	36,837,046	11,783,329
Letters of credit	5,099,105	3,632,511

Letters of guarantee include an advance payment guarantee of SR 23.5 million given on behalf of related parties.

#### 25. FAIR VALUES

The fair values of the Group's financial assets and liabilities, except for investments, approximate their carrying amounts.

**19.4 The Consolidated Financial Statements for the Period 1 January 2013 –  
30 June 2013**

## AUDITORS' REPORT

To the shareholders  
Saudi Marketing Company  
(A Saudi Closed Joint Stock Company)  
Dammam, Kingdom of Saudi Arabia

### **Scope of Audit**

We have audited the consolidated balance sheet of Saudi Marketing Company (“the Company”), a Saudi Closed Joint Stock Company, and its subsidiaries as of June 30, 2013, and the related consolidated statements of income, shareholders’ equity and cash flows for the period from January 1, 2013 to June 30, 2013, and notes 1 to 26 which form an integral part of these consolidated financial statements as prepared by the Company and presented to us with all the necessary information and explanations. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

### **Unqualified Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2013, and the results of its operations and its cash flows for the period from January 1, 2013 to June 30, 2013 in conformity with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the nature of the Company.

### **Other Matters**

- 1) As stated in note 1 to the consolidated financial statements, as per the Company's bye-laws, the first fiscal year of the Company is to commence from the date of the ministerial approval on the official announcement of the conversion of the Company from a limited liability Company to a closed joint stock Company to December 31 of the subsequent year. However, the accompanying consolidated financial statements for the period from January 1 to June 30, 2013 have been prepared for management purpose only.
- 2) We draw attention to note 2 to the consolidated financial statements which states that the comparative figures for the period from January 1, 2012 to June 30, 2012 have been included only for comparison purposes and were neither published nor audited by independent auditors.

Deloitte & Touche  
Bakr Abulkhair & Co.

Nasser M. Al-Sagga  
License No. 322  
11 Shawal, 1434  
August 18, 2013

## SAUDI MARKETING COMPANY AND SUBSIDIARIES

(SAUDI CLOSED JOINT STOCK COMPANY)

## CONSOLIDATED BALANCE SHEET

AS OF JUNE 30, 2013

	Note	2013 SR	2012 SR
			(Un-audited )
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	22,327,230	47,061,981
Accounts receivable	4	33,586,399	36,497,637
Inventories	5	274,803,107	224,209,167
Investments	6	11,055,909	10,544,851
Due from related parties	18	134,589	9,931,671
Prepayments and other debit balances	7	46,706,960	39,360,027
<b>Total current assets</b>		<b>388,614,194</b>	<b>367,605,334</b>
<b>Non-current assets</b>			
Prepaid lease rental	8	1,910,704	2,210,704
Property and equipment	9	532,182,815	462,641,755
Intangible assets	10	4,630,244	5,907,226
<b>Total non-current assets</b>		<b>538,723,763</b>	<b>470,759,685</b>
<b>TOTAL ASSETS</b>		<b>927,337,957</b>	<b>838,365,019</b>
<b>LIABILITIES, SHAREHOLDERS' EQUITY AND NON - CONTROLLING INTERESTS</b>			
<b>Current liabilities</b>			
Due to banks	11	86,186,505	53,348,777
Long term loans – current portion	15	55,340,750	67,441,228
Accounts payable, accruals and other liabilities	12	292,718,223	206,450,426
Due to related parties	18	844,545	1,730,799
<b>Total current liabilities</b>		<b>435,090,023</b>	<b>328,971,230</b>
<b>Non-current liabilities</b>			
Long term loans	15	58,317,474	104,725,665
Deferred income		8,211,837	2,889,231
End-of-service indemnities	14	24,747,568	15,839,842
<b>Total non-current liabilities</b>		<b>91,276,879</b>	<b>123,454,738</b>

## SAUDI MARKETING COMPANY AND SUBSIDIARIES

(SAUDI CLOSED JOINT STOCK COMPANY)

## CONSOLIDATED BALANCE SHEET (Continued)

AS OF JUNE 30, 2013

	Note	2013 SR	2012 SR (Un-audited )
<b>Shareholders' equity</b>			
Share capital	1	250,000,000	250,000,000
Statutory reserve	19	45,768,524	37,892,354
Retained earnings		104,858,432	97,413,498
<b>Total shareholders' equity</b>		<b>400,626,956</b>	385,305,852
Non-controlling interests		344,099	633,199
<b>Total shareholders' equity and non-controlling interests</b>		<b>400,971,055</b>	385,939,051
<b>TOTAL LIABILITIES, SHAREHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS</b>		<b>927,337,957</b>	838,365,019

The accompanying notes form an integral part of these consolidated financial statements

SAUDI MARKETING COMPANY AND SUBSIDIARIES

(SAUDI CLOSED JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF INCOME

FOR THE PERIOD FROM JANUARY 1, 2013 TO JUNE 30, 2013

	Note	2013 SR	2012 SR (Un-audited )
<b>Revenues</b>			
Sales	18	714,656,002	642,068,704
Gondola and rental income		74,212,559	50,305,310
Total revenues		788,868,561	692,374,014
Cost of revenues	18	(612,648,665)	(550,053,904)
<b>Gross profit</b>		176,219,896	142,320,110
Selling and distribution expenses	16,18	(62,908,054)	(52,519,947)
General and administrative expenses	17,18	(52,375,179)	(39,459,911)
Depreciation	9	(13,440,712)	(12,386,000)
<b>Operating income</b>		47,495,951	37,954,252
Finance charges	11,15	(2,397,683)	(1,740,888)
Other income, net		4,095,694	3,032,154
<b>Net income before zakat and income tax</b>		49,193,962	39,245,518
Zakat and income tax	13	(2,945,097)	(1,509,729)
<b>NET INCOME</b>		46,248,865	37,735,789

<b>Attributable to:</b>			
Shareholders of the Company		46,062,447	37,610,318
Non-controlling interest		186,418	125,471
<b>TOTAL</b>		46,248,865	37,735,789
<b>Earnings per share</b>			
- From continuing main operations (SR)	21	1.69	1.39
- From other operations (SR)		0.16	0.12
- From net income (SR)		1.85	1.51
- Weighted average number of shares		25 million	25 million

The accompanying notes form an integral part of these consolidated financial statements

## SAUDI MARKETING COMPANY AND SUBSIDIARIES

(SAUDI CLOSED JOINT STOCK COMPANY)

## CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

FOR THE PERIOD FROM JANUARY 1, 2013 TO JUNE 30, 2013

	Share capital	Statutory reserve	Retained earnings	Total
	SR	SR	SR	SR
January 1, 2012 (audited)	250,000,000	37,892,354	59,803,180	347,695,534
Net income for the period	-	-	37,610,318	37,610,318
June 30, 2012 (un-audited)	250,000,000	37,892,354	97,413,498	385,305,852
January 1, 2013	<b>250,000,000</b>	<b>45,768,524</b>	<b>118,188,711</b>	<b>413,957,235</b>
Dividends (Note 22)	-	-	(59,392,726)	(59,392,726)
Net income for the period	-	-	46,062,447	46,062,447
June 30, 2013	<b>250,000,000</b>	<b>45,768,524</b>	<b>104,858,432</b>	<b>400,626,956</b>

The accompanying notes form an integral part of these consolidated financial statements

## SAUDI MARKETING COMPANY AND SUBSIDIARIES

(SAUDI CLOSED JOINT STOCK COMPANY)

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM JANUARY 1, 2013 TO JUNE 30, 2013

	2013 SR	2012 SR (Un-audited)
<b>OPERATING ACTIVITIES</b>		
Net income before zakat and income tax	49,193,962	39,245,518
Adjustments for:		
Depreciation	13,440,712	12,386,000
Amortization of intangible assets	860,426	1,077,252
Amortization of prepaid lease rental	150,000	150,000
End-of-service indemnities	6,149,355	1,725,686
(Gain) loss from sale of property and equipment	(444,701)	(445,261)
Finance charges	2,397,683	1,740,888
Changes in operating assets and liabilities:		
Accounts receivable	24,255,257	(16,757,419)
Due from/to related parties, net	(57,697,772)	65,217,089
Inventories	(56,778,116)	(51,343,191)
Prepayments and other debit balances	(14,495,000)	(20,434,290)
Accounts payable, accruals and other liabilities	15,510,044	16,211,351
Deferred income	7,114,972	1,710,617
Cash (used in) from operations	(10,343,178)	50,484,240
Zakat paid	(4,255,665)	(1,526,711)
Finance charges paid	(2,397,683)	(1,740,888)
End-of-service indemnities paid	(124,491)	(437,128)
<b>Net cash (used in) from operating activities</b>	<b>(17,121,017)</b>	<b>46,779,513</b>
<b>INVESTING ACTIVITIES</b>		
Additions to property and equipment	(30,467,450)	(27,291,724)
Additions to intangible assets	-	(935,113)
Proceeds from sale of property and equipment	2,175,819	933,554
Net movement of investments	2,259,971	(288,239)
<b>Net cash used in investing activities</b>	<b>(26,031,660)</b>	<b>(27,581,522)</b>
<b>FINANCING ACTIVITIES</b>		
Net change in due to banks	59,008,288	17,318,110
Net change in long term loans	(18,016,331)	248,773
Net change in non-controlling interest	(607,274)	125,471
<b>Net cash from financing activities</b>	<b>40,384,683</b>	<b>17,692,354</b>
<b>Net change in cash and cash equivalents</b>	<b>(2,767,994)</b>	<b>36,890,345</b>

The accompanying notes form an integral part of these consolidated financial statements

SAUDI MARKETING COMPANY AND SUBSIDIARIES

(SAUDI CLOSED JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM JANUARY 1, 2013 TO JUNE 30, 2013

Cash and cash equivalents, January 1		25,095,224	10,171,636
<b>CASH AND CASH EQUIVALENTS, JUNE 30</b>		<b>22,327,230</b>	<b>47,061,981</b>
<b>Non-cash transactions:</b>			
Dividends adjusted against due from/to related parties		59,392,726	-

The accompanying notes form an integral part of these consolidated financial statements

## 1. ORGANIZATION AND ACTIVITIES

Saudi Marketing Company (“SAMCO” or “the Company”) and subsidiaries (“the Group”) consist of the Company and its following subsidiaries:

Subsidiary	Effective ownership %	Country of incorporation
Pure Spring Agencies & Trading Company Ltd.	90	Kingdom of Saudi Arabia
Saudi Marketing and Trading S.A.L. (Holding)	99.95	Lebanon

SAMCO was a Saudi limited liability Company registered on 2 Muharram 1399 (December 3, 1978) under commercial registration number 2050006430 in Dammam.

In 2012, the shareholders of the Company resolved to convert the Company from a limited liability Company to a closed joint stock Company by the introduction of new shareholders. On April 8, 2012, the Company obtained the ministerial approval on the official announcement of the conversion and obtained the new commercial registration certificate.

The share capital of the Company, amounting to SR 250 million, is divided into 25 million shares of SR 10 each and divided between the shareholders at June 30, 2013 and 2012 as follows:

	Amount SR	Ownership Percentage
Hazem Al Aswad	187,500,000	75%
Sahar Abdulkarim Al Madani	12,500,000	5%
Maher Hazem Al Aswad	12,500,000	5%
Tariq Hazem Al Aswad	12,500,000	5%
Mohammed Hazem Al Aswad	12,500,000	5%
Lina Hazem Al Aswad	6,250,000	2.5%
Hala Hazem Al Aswad	6,250,000	2.5%
	250,000,000	100%

The principal activities of the Company are the retail and wholesale of foodstuff, household consumables, toys, textiles and stationary. Also, the Company’s activities include marketing services on behalf of and for third parties and managing and operating bakeries.

The Company operates through its head office in Dammam and has various branches with individual commercial registrations. The Company’s registered head office is located in Dammam, Kingdom of Saudi Arabia.

Pure Springs Agencies and Trading Co. Ltd. (“Pure Springs”) is a Saudi liability Company registered under commercial registration number 2050045816 dated May 24, 2004, (4 Rabi’ II, 1425) issued in Dammam. Pure Springs has acquired exclusive rights and licenses from the respective franchisors to operate "CINNZE0" and "WETZEL'S PRETZELS" bakeries in Saudi Arabia and in certain other Middle East countries. Under the Master Franchise Agreements, it also has the exclusive right to sub-franchise the licenses within its franchise territory.

Saudi Marketing and Trading S.A.L. (Holding) (“Lebanon Holdings”) was established on November 30, 2006 in Beirut Commercial court under no. 1006376 and has a 100% owned subsidiary with the name of Saudi Marketing and Trading S.A.L. registered in Beirut commercial court under no. 1373438 dated January 17, 2007 and has the principal activities of owning and operating supermarkets and shopping malls and distribution of foodstuff.

According to the Company's bye-laws, the first fiscal year of the Company is to commence from the date of the ministerial approval on the official announcement of the conversion of the Company from a limited liability Company to a closed joint stock Company to December 31, of the subsequent year. However, these financial statements prepared for the period from January 1, 2013 to June 30, 2013 are for management purpose only.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements have been prepared in compliance with the generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants.

The comparative figures for the period from January 1, 2012 to June 30, 2012 have been included in the consolidated interim financial statements only for comparison purposes and were neither published nor audited by independent auditors.

The following is a summary of significant accounting policies applied by the Group:

### **Accounting convention**

The consolidated financial statements are prepared under the historical cost convention.

### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company prepared up to June 30. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

Subsidiaries are consolidated from the date on which control is effectively transferred to the Company and are no longer consolidated from the date that control ceases.

All significant inter-group transactions and balances between group companies are eliminated on consolidation.

Non-controlling interest represents the interest in the subsidiaries not held by the Company.

### **Use of estimates**

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

### **Revenues**

Revenue from sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from product display agreements is recognized as revenue according to the terms of the agreements.

Rental income is recognized on an accruals basis.

Royalty income is recognized based on weekly reports of sub-franchisee sales.

Initial sub-franchise fees received in respect of outlets up to the specified number covered by the Area Franchise Agreements are credited to deferred income and is recognized as revenue on a straight-line basis over the period of the sub-franchise agreement. Further sub-franchise fees received in respect of additional outlets are credited directly to income when received.

#### **Inventories**

Inventories are stated at the lower of cost or net realizable value. Cost is predominately determined based on a weighted average cost basis.

In Lebanon Holdings, cost is determined based on a first-in-first-out (“FIFO”) basis. The effect of determining cost on this basis rather than on a weighted average basis is not significant.

Appropriate provisions are made for obsolete and slow moving items.

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

#### **Investments**

Investments held for trading are measured at fair value and changes therein are taken to the income statement. Investments classified as available for sale investments are measured at fair value and any change therein, other than impairment losses, is recognized in the equity. Fair value is determined by reference to the market value in an open market if exists. In the absence of an open market, the cost is considered to be the fair value of these investments.

#### **Accounts receivable**

Accounts receivable are stated at their estimated net realizable value. A provision for doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original term of the receivables.

#### **Property and equipment**

Property and equipment are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight-line method. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining term of the lease.

The depreciation rates of the principal classes of assets are as follows:

	<u>Rate</u>
Buildings	2% - 5%
Machinery, cold storage and equipment	5% - 33%
Vehicles	6% - 25%
Furniture, fixtures and office equipment	5%- 33%

#### **Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its property and equipment to determine whether there is any indication that those assets have suffered an 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 (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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. Impairment losses are recognized as an expense immediately.

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 years. A reversal of an impairment loss is recognized as income immediately.

#### **Intangible assets**

Intangible assets principally comprise of software implementation costs which are amortized over a period of five years. Additionally, intangible assets also include franchise fees paid on the commencement of Area Franchise Agreements to acquire area licenses or rights for a specified number of outlets. The costs are amortized over the remaining period of the franchise agreement. Additional franchise fees paid for further outlets are expensed as incurred.

#### **Prepaid lease rental**

Prepaid lease rental represents key money paid in advance upon signing the lease agreements. The prepaid lease rent is deferred and amortized over the lease period.

#### **Accounts payable and accruals**

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

#### **Zakat and income tax**

SAMCO and Pure Springs are subject to the Regulations of the Department of Zakat and Income Tax (DZIT) in the Kingdom of Saudi Arabia. Zakat is provided on an accruals basis and charged to the consolidated statement of income. The Zakat charge is computed on the zakat base. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

Income tax regarding the Lebanese subsidiary is calculated on the basis of the tax law enacted or substantively enacted at the balance sheet date.

#### **End-of-service indemnities**

End-of-service indemnities are provided in the consolidated financial statements based on the employees' length of service according to labor laws in the country of incorporation.

#### **Selling and distribution and general and administrative 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 standards. Allocations between general and administrative expenses and cost of revenues, when required, are made on a consistent basis.

#### **Provision for obligations**

A provision is recognized in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

### Foreign currency translation

*SAMCO and Pure Springs:* Transactions denominated in foreign currencies are translated into Saudi Riyals at exchange rates prevailing at the dates of such transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Saudi Riyals at exchange rates prevailing at the balance sheet date. Exchange gains or losses are charged to the consolidated statement of income.

*Lebanon Holdings:* Lebanon Holdings financial statements are denominated in Lebanese Pounds which have been translated into Saudi Riyals using the weighted average exchange rate for the statement of income and exchange rate prevailing at the date of balance sheet. There have been no accumulated exchange gains or losses as the exchange rate of the Lebanese Pound against the Saudi Riyal was consistent throughout the period.

### Leases

Leases are classified as capital leases whenever the term of the lease transfers substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### *Leasing – the Group as lessor*

Rental income from operating leases is recognized on a straight line basis over the operating lease period.

#### *Leasing – the Group as lessee*

Rentals payable under operating leases are charged to income on a straight line basis over the term of the operating lease.

### 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and bank balances, demand deposits and highly liquid investments with original maturities of three months or less.

	2013 SR	2012 SR
		(Un-audited)
Cash in hand	4,673,902	3,720,920
Bank balances	17,653,328	43,341,061
	22,327,230	47,061,981

### 4. ACCOUNTS RECEIVABLE

	2013 SR	2012 SR
		(Un-audited)
Trade accounts receivable	32,436,847	35,093,822
Due from sub-franchisees	1,011,289	1,211,837
Accrued royalties	138,263	191,978
	33,586,399	36,497,637

### 5. INVENTORIES

	2013 SR	2012 SR
		(Un-audited)
Finished products held for resale	266,063,082	216,418,564
Goods-in-transit	8,740,025	7,790,603
	274,803,107	224,209,167

6. INVESTMENTS

	2013 SR	2012 SR (Un-audited)
<b>Held for trading investment:</b>		
Local portfolio	9,207,575	6,746,892
<b>Available for sale investments:</b>		
Energy City Navi-Mumbai (fund)	1,848,334	1,894,325
EntertainmentCity (fund)	-	1,903,634
	11,055,909	10,544,851

Entertainment City (fund) was in the name of a shareholder.

7. PREPAYMENTS AND OTHER DEBIT BALANCES

	2013 SR	2012 SR (Un-audited)
Prepayments	26,244,795	14,298,178
Advances to suppliers	12,864,917	8,830,918
Due from employees	5,061,142	2,673,217
Other debit balances	2,536,106	13,557,714
	46,706,960	39,360,027

8. PREPAID LEASE RENTAL

	2013 SR	2012 SR (Un-audited)
<b>Cost</b>		
June 30,	3,560,704	3,560,704
<b>Amortization</b>		
January 1	1,500,000	1,200,000
Charge for the period	150,000	150,000
June 30,	1,650,000	1,350,000
<b>Net book value</b>		
June 30,	1,910,704	2,210,704

## 9. PROPERTY AND EQUIPMENT

	Land SR	Buildings and leasehold improvements SR	Machinery, cold storage and equipment SR	Vehicles SR	Furniture, fixtures and office equipment SR	Capital work in progress SR	Total SR
<b>Cost</b>							
January 1, 2013	115,919,360	293,751,971	71,040,544	24,559,122	115,435,792	31,274,750	651,981,539
Additions	2,034,390	1,517,566	1,954,807	1,796,252	3,526,117	19,638,318	30,467,450
Transfers	-	10,539,897	2,751,017	-	16,644,770	(29,935,684)	-
Disposals	-	-	(200,903)	(3,881,827)	(143,286)	-	(4,226,016)
June 30, 2013	117,953,750	305,809,434	75,545,465	22,473,547	135,463,393	20,977,384	678,222,973
<b>Depreciation</b>							
January 1, 2013	-	53,884,848	24,929,841	15,067,021	41,212,634	-	135,094,344
Charge for the period	-	4,798,209	2,915,418	1,626,045	4,101,040	-	13,440,712
Disposals	-	-	(105,129)	(2,247,155)	(142,614)	-	(2,494,898)
June 30, 2013	-	58,683,057	27,740,130	14,445,911	45,171,060	-	146,040,158
<b>Net book value</b>							
June 30, 2013	117,953,750	247,126,377	47,805,335	8,027,636	90,292,333	20,977,384	532,182,815
June 30, 2012 (un-audited)	78,684,346	224,666,008	37,193,971	8,690,582	63,108,226	50,298,622	462,641,755

Certain buildings are constructed on leasehold land. Capital work-in-progress represents the costs incurred for the construction and improvement of various outlets.

The land on which the Beirut Mall is situated is leased for a period of 20 years from March 2003 and is renewable for another 20 years at the option of the management.

## 10. INTANGIBLE ASSETS

	2013 SR	2012 SR (Un-audited)
<b>Cost</b>		
January 1	14,125,253	12,722,157
Additions during the period	-	935,113
June 30,	14,125,253	13,657,270
<b>Amortization</b>		
January 1	8,634,583	6,672,792
Charge for the period	860,426	1,077,252
June 30,	9,495,009	7,750,044
<b>Net book value</b>		
June 30,	4,630,244	5,907,226

## 11. DUE TO BANKS

The Group has bank facilities from local commercial banks which comprise of overdrafts, short, medium and long term loans, letters of credit and guarantee, etc. The facilities bear financing charges at the prevailing market rates and are guaranteed by personal guarantee from one of the shareholders, signed promissory notes and assignment of insurance proceeds. The facility agreements contain covenants requiring the maintenance of certain financial ratios. As of June 30, due to banks consist of the following:

	2013 SR	2012 SR
		(Un-audited)
Overdraft	2,186,505	33,348,777
Short term loans	84,000,000	20,000,000
	86,186,505	53,348,777

## 12. ACCOUNTS PAYABLE, ACCRUALS AND OTHER LIABILITIES

	2013 SR	2012 SR
		(Un-audited)
Trade accounts payable	270,411,566	189,868,412
Advances from customers	5,261,152	5,405,893
Accrued expenses	11,104,823	6,210,980
Zakat and income tax payable (note 13)	3,290,805	1,509,729
Other liabilities	2,649,877	3,455,412
	292,718,223	206,450,426

## 13. ZAKAT AND INCOME TAX

The principal elements of the Company's zakat base are as follows:

	2013 SR	2012 SR
		(Un-audited)
Non-current assets	529,209,723	462,895,288
Non-current liabilities	84,771,787	121,331,773
Net income before zakat	49,193,962	39,245,518
Opening shareholders' equity	392,128,322	335,495,937
Dividends	(59,392,727)	-

Some of these amounts have been adjusted in arriving at the zakat charge for the period.

The movement in zakat and income tax provision is as follows:

	2013 SR	2012 SR
		(Un-audited)
January 1	4,601,373	1,526,711
Zakat provision for the period	1,094,632	1,008,988
Income tax provision for the period	338,428	500,741
Under provision for prior periods	1,512,037	-
Payments during the period	(4,255,665)	(1,526,711)
June 30	3,290,805	1,509,729

The charge to the consolidated statement of income for the year for zakat and income tax is as follows:

	2013 SR	2012 SR
		(Un-audited)
Zakat provision for period	1,094,632	1,008,988
Income tax provision for period	338,428	500,741
Under provision for prior periods	1,512,037	-
Charged to consolidated statement of income	2,945,097	1,509,729

#### Outstanding assessments

The Company has submitted its zakat and income tax returns up to the year ended December 31, 2012 and obtained the required certificates and official receipts. The revised assessments related to the years ended December 31, 2005 to 2008 were received during the period and includes additional zakat liability of SR 1.25 million which was paid during the period. The final zakat assessments for the years 2009 to 2012 are under process by the DZIT.

Pure Springs has submitted its zakat returns up to the year ended December 31, 2012 and obtained the required certificates and official receipts. The final zakat assessments for the years 2009 to 2012 are still under process by the DZIT.

Saudi Marketing and Trading S.A.L (Holding) has submitted its income tax returns up to the year ended December 31, 2011. Assessments have been received for 2004 to 2006.

#### 14. END-OF-SERVICE INDEMNITIES

	2013 SR	2012 SR
		(Un-audited)
January 1	18,722,704	14,551,284
Provision for the period	6,149,355	1,725,686
Utilization of provision	(124,491)	(437,128)
June 30	24,747,568	15,839,842

#### 15. LONG TERM LOANS

	2013 SR	2012 SR
		(Un-audited)
Long term loans	113,658,224	172,166,893
Less: current portion	55,340,750	67,441,228
	58,317,474	104,725,665

The aggregate maturities of outstanding loan installments as of June 30 are as follows:

	2013 SR	2012 SR (Un-audited)
2013	55,340,750	67,441,228
2014	40,167,334	56,183,987
2015	16,764,556	39,625,000
2016	1,385,584	8,916,678
	113,658,224	172,166,893

During 2008, the Company entered into an Islamic Murabaha loan agreement with a local bank whereby the Company received SR 40 million which is repayable in monthly installments commencing August 2009. The final installment of the loan was settled in July, 2012.

Other long term loans are obtained through the Company's bank facilities agreements (note 11).

#### 16. SELLING AND DISTRIBUTION EXPENSES

	2013 SR	2012 SR (Un-audited)
Employee related costs	31,971,930	29,010,939
Rent	2,011,135	1,868,742
Royalty expense	557,710	494,075
Utilities	9,586,120	7,917,641
Gifts and donations	383,574	382,906
Repairs and maintenance	1,245,470	1,046,363
Advertisement expenses	4,192,907	3,425,320
Sales commission	313,809	219,271
Packing expenses	3,284,322	1,575,305
Others	9,361,077	6,579,385
	62,908,054	52,519,947

#### 17. GENERAL AND ADMINISTRATIVE EXPENSES

	2013 SR	2012 SR (Un-audited)
Employee related costs	34,461,814	26,041,125
Rents	5,116,420	3,108,579
Government fees	638,435	406,016
Franchise fees	183,375	104,625
Utilities	167,100	602,616
Transportation and travel	91,417	-
Repairs and maintenance	1,814,322	1,048,796
Amortization	795,176	715,444
Visa and work permits	4,095,554	958,842
Others	5,011,566	6,473,868
	52,375,179	39,459,911

## 18. RELATED PARTY TRANSACTIONS

During the period, the Group transacted with the shareholders and their affiliates and related companies (i.e. Al Aswad Group of Companies). The transactions were made based on terms approved by the management.

The significant transactions and the related approximate amounts are as follows:

	2013 SR	2012 SR
		(Un-audited)
Sales	525,831	162,080
Purchases	1,477,231	1,802,755
Rental charges	4,960,000	3,845,000
Rental income	473,847	119,200

Due from related parties consists of the following balances as of June 30:

	2013 SR	2012 SR
		(Un-audited)
Farm Food Ltd. Lebanon	-	9,931,671
Aswad Real Estate	134,589	-
	134,589	9,931,671

Due to related parties consists of the following balances as of June 30:

	2013 SR	2012 SR
		(Un-audited)
Al Aswad Services	-	836,265
Space Travel Agency	-	395,098
Aswad Trading and Contracting Est.	-	297,418
Al Aswad Family	844,545	-
Aswad Electro Mechanical Division (Suval)	-	114,922
Others	-	87,096
	844,545	1,730,799

## 19. STATUTORY RESERVE

In accordance with Regulations for Companies in Saudi Arabia, the Company has established a statutory reserve by appropriation of 10% of net income at the year end until the reserve equals 50% of the share capital. This reserve is not available for dividend distribution. Transfers to statutory reserve are made at the year end.

## 20. OPERATING LEASE ARRANGEMENTS

Operating lease payments represent rentals payable for the Group's offices and outlets. The terms of these leases are up to 20 years.

	2013 SR	2012 SR (Un-audited)
Payments under operating leases recognized as an expense during the year	20,985,887	17,366,162

The Company also has earned rental income from various operating leases in 2013 amounting to SR 12,639,342 (June 30, 2012: SR 11,835,341). The terms of these leases are for periods up to 5 years.

The Group has commitments under operating leases (primarily relating to the rental of branch premises) for which the minimum lease payments in 2014 will be approximately SR 44.9 million (June 30 2013: SR 39.2 million). The term of these leases are mainly from periods up to 20 years.

## 21. EARNINGS PER SHARE

Earnings per share (EPS) from net income is calculated by dividing net income for the period by the weighted average number of outstanding shares. EPS from continuing main operations is calculated by dividing operating income for the period, less financial charges and zakat, by the weighted average number of outstanding shares. Earnings per share from other operations is computed by dividing the other income for the period by the weighted average number of shares outstanding during the period.

## 22. DIVIDENDS

During the current period, the shareholders of the Company resolved to distribute dividends of SR 59,392,726.

## 23. SEGMENTAL INFORMATION

The Company's activities are focused on retail and wholesale of foodstuff and it carries out its operations in the Kingdom of Saudi Arabia and in Lebanon. Some selected information was summarised as of June 30, for each geographical segment as below;

June 30, 2013	Inside the Kingdom of Saudi Arabia SR	Outside the Kingdom of Saudi Arabia SR	Total 2013 SR
Revenue	754,117,980	34,750,581	788,868,561
Property and equipment	396,416,520	135,766,295	532,182,815

June 30, 2012 (Un-audited)	Inside the Kingdom of Saudi Arabia SR	Outside the Kingdom of Saudi Arabia SR	Total 2012 SR (Un-audited)
Revenue	655,770,494	36,603,520	692,374,014
Property and equipment	329,199,614	133,442,141	462,641,755

#### 24. CONTINGENCIES AND COMMITTEMENTS

As of June 30, the Group had the following commitments:

	2013 SR	2012 SR (Un-audited)
Letters of credit	1,956,298	-
Letters of guarantee	6,393,050	9,533,679

#### 25. FAIR VALUES

The fair values of the Group's financial assets and liabilities, except for investments, approximate their carrying amounts.

#### 26. COMPARATIVE FIGURES

Certain figures for 2012 have been reclassified to conform to the presentation in the current period.