Abdullah Al - Othaim Markets Company
(A Saudi Joint Stock Company)
Consolidated Financial Statements
For the year ended 31 December 2013
together with the
Independent Auditor's Report

Abdullah Al - Othaim Markets Company
(A Saudi Joint Stock Company)
Consolidated Financial Statements
For the year ended 31 December 2013

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
Abdullah Al-Othaim Markets Company – Joint Stock Company
Riyadh, Kingdom of Saudi Arabia

We have audited the accompanying consolidated financial statements of **Abdullah Al-Othaim Markets Company – Joint Stock Company** ("the Company") and its subsidiaries (collectively referred as "the Group") which comprise the consolidated balance sheet as at 31 December 2013, and the related consolidated statements of income, cash flows and changes in equity for the year then ended and the attached notes 1 through 25 which form an integral part of the consolidated financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia and in compliance with Article 123 of the Regulations for Companies and the Company's Articles of Association and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Management has provided us with all the information and explanations that we require relating to our audit of these financial statements.

Auditor's responsibility

Our responsibility is to express an opinion on these 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 comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG

Opinion

In our opinion, the financial statements taken as a whole:

1) present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2013, and the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Group; and

2) comply with the requirements of the Regulations for Companies and the Company's Articles of Association with respect to the preparation and presentation of financial statements.

For KPMG Al Fozan & Al Sadhan

Khalil Ibrahim Al Sedais
License No. 371

Riyadh on 24 Rabi II 1435H
Corresponding to: 24 February 2014

Abdullah Al- Othaim Markets Company
(A Saudi Joint Stock Company)
CONSOLIDATED BALANCE SHEET
As at 31 December 2013
(Saudi Riyals)

	Note	2013	2012
ASSETS			
Current assets			
Cash and bank balances	(4)	**110,330,988**	63,478,659
Inventories, net	(5)	**368,010,110**	321,789,805
Prepayments and other receivables	(6)	**90,305,292**	79,885,395
Total current assets		**568,646,390**	465,153,859
Non-current assets			
Investments, net	(7)	**193,567,882**	174,018,032
Investment properties, net	(8)	**511,386,753**	532,713,963
Property and equipment, net	(9)	**711,508,306**	579,663,006
Biological assets, net	(10)	**2,023,074**	--
Intangible assets, net	(11)	**14,905,689**	11,876,822
Total non-current assets		**1,433,391,704**	1,298,271,823
Total assets		**2,002,038,094**	1,763,425,682
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade payables		**758,311,585**	656,122,209
Short term loans and Murabahas	(12)	**44,661,734**	78,193,602
Current portion of long term loans and Murabahas	(12)	**78,181,818**	105,399,512
Accrued expenses and other current liabilities	(14)	**130,011,660**	101,337,415
Total current liabilities		**1,011,166,797**	941,052,738
Non-current liabilities			
Long term loans and Murabahas	(12)	**135,000,000**	100,858,757
Employees' end of service benefits		**48,491,036**	41,068,395
Total non-current liabilities		**183,491,036**	141,927,152
Total liabilities		**1,194,657,,833**	1,082,979,890
EQUITY			
Equity attributable to shareholder's			
Share capital		**225,000,000**	225,000,000
Statutory reserve	(15)	**93,409,588**	74,159,034
Voluntary reserve	(16)	**12,453,336**	12,453,336
Retained earnings		**474,512,073**	368,757,084
Unrealized gains from investment in available for sale securities		**135,588**	76,338
Total equity attributable to shareholder's		**805,510,585**	680,445,792
Non – controlling interest		**1,869,676**	--
Total equity		**807,380,261**	680,445,792
Total liabilities and equity		**2,002,038,094**	1,763,425,682

The accompanying notes from (1) through (25) form an integral part of these consolidated financial statements.

Abdullah Al- Othaim Markets Company
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2013
(Saudi Riyals)

	Note	2013	2012
Sales		**4,579,962,299**	4,105,198,404
Cost of sales		**(3,808,815,639)**	(3,420,288,705)
Gross profit		**771,146,660**	684,909,699
Rental income, net	(22)	**51,802,144**	39,236,706
Selling and distribution expenses	*(19)*	**(590,640,747)**	(512,777,206)
General and administrative expenses	*(20)*	**(59,909,239)**	(55,244,939)
Income from operations		**172,398,818**	156,124,260
Share in profits of equity accounted investees	*(7-1)*	**27,429,970**	30,151,720
Unrealized loss from investments		**--**	(929,491)
Finance expenses		**(7,590,681)**	(10,910,444)
Other income, net		**4,737,112**	1,080,185
Net income for the year before zakat and non - controlling interest		**196,975,219**	175,516,230
Zakat	(14 -1)	**(4,600,000)**	(3,750,000)
Net income for the year before non - controlling interest		**192,375,219**	171,766,230
Non - controlling interest in net loss of the subsidiary		**130,324**	--
Net income for the year		**192,505,543**	171,766,230
Earnings per share – Basic and Diluted	*(17)*		
From operations		**7.66**	6.94
From other income		**1.09**	0.86
From net income		**8.56**	7.63
Weighted average number of shares		**22,500,000**	22,500,000

The accompanying notes from (1) through (25) form an integral part of these consolidated financial statements.

Abdullah Al- Othaim Markets Company
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2013
(Saudi Riyals)

	Note	**2013**	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year		**192,505,543**	171,766,230
Adjustments to reconcile net income to net cash generated from operating activities			
Depreciation		**90,969,426**	82,753,690
Amortization		**1,568,365**	1,338,504
(Gain) / loss on disposal of property and equipment		**(1,180,107)**	613,766
Impairment in the value of Investments		**--**	929,491
Provision for Zakat		**4,600,000**	3,750,000
Company's share in the profit of an equity accounted investees		**(27,370,721)**	(30,151,720)
End of service benefits provision, net		**10,543,584**	8,782,613
Non - controlling interest in net loss of the subsidiary		**(130,324)**	--
Changes in working capital:			
Inventories		**(46,220,305)**	(10,436,545)
Prepayments and other current assets		**(10,419,898)**	25,579,501
Trade payables, Accrued expenses and other current liabilities		**128,746,340**	(20,362,202)
End of service benefits paid		**(3,120,943)**	(3,175,590)
Zakat paid		**(2,482,720)**	(3,770,048)
Net cash generated by operating activities		**338,008,240**	227,617,690
CASH FLOW USED IN INVESTING ACTIVITIES			
Investments in associates and others		**(2,744,879)**	(45,098,374)
Non controlling interest share in increase in share capital		**2,000,000**	--
Additions to property and equipment		**(200,578,516)**	(65,055,546)
Additions to Investment property		**(1,617,226)**	(49,740,257)
Additions of biological assets		**(2,250,813)**	-
Additions of intangible assets		**(4,597,230)**	-
Dividends received from associated company		**10,625,000**	19,125,000
Proceeds from sale of property and equipment		**2,116,072**	2,068,727
Net cash used in investing activities		**(197,047,592)**	(138,700,450)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Dividends Paid		**(67,500,000)**	(22,500,000)
Loans and Murabaha		**(26,608,319)**	(46,557,749)
Net cash used in financing activities		**(94,108,319)**	(69,057,749)
Net increase in cash and cash equivalents		**46,852,329**	19,859,491
Cash and cash equivalents at beginning of the year		**63,478,659**	43,619,168
Cash and cash equivalents at end of the year	*(4)*	**110,330,988**	63,478,659
Non - cash transactions			
Unrealized losses/(gains) from investment in available for sale securities		**59,250**	(122,820)

The accompanying notes from (1) through (25) form an integral part of these consolidated financial statements.

Abdullah Al- Othaim Markets Company
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2013
(Saudi Riyals)

	Share Capital	Statutory reserve	Voluntary reserve	Retained earnings	Investment in available for sale securities	Total	Non controlling interest	Total
Balance at 1 January 2012	225,000,000	56,982,411	12,453,336	236,667,477	199,158	531,302,382	--	531,302,382
Net income for the year	--	--	--	171,766,230	--	171,766,230	--	171,766,230
Transfer to statutory reserve	--	17,176,623	--	(17,176,623)	--	--	--	--
Unrealized gain/(loss) on investment in available for sale securities	--	--	--	--	(122,820)	(122,820)	--	(122,820)
Cash dividends	--	--	--	(22,500,000)	--	(22,500,000)	--	(22,500,000)
Balance at 31 December 2012	**225,000,000**	**74,159,034**	**12,453,336**	**368,757,084**	**76,338**	**680,445,792**	**--**	**680,445,792**
Net income for the year	**--**	**--**	**--**	**192,505,543**	**--**	**192,505,543**	**(130,324)**	**192,375,219**
Transfer to statutory reserve	**--**	**19,250,554**	**--**	**(19,250,554)**	**--**	**--**	**--**	**--**
Unrealized gain/(loss) on investment in available for sale securities	**--**	**--**	**--**	**--**	**59,250**	**59,250**	**--**	**59,250**
Non controlling interest share in increase in share capital	**--**	**--**	**--**	**--**	**--**	**--**	**2,000,000**	**2,000,000**
Cash dividends	**--**	**--**	**--**	**(67,500,000)**	**--**	**--**	**--**	**(67,500,000)**
Balance at 31 December 2013	**225,000,000**	**93,409,588**	**12,453,336**	**474,512,073**	**135,588**	**805,510,585**	**1,869,676**	**807,380,261**

1. ORGANIZATION AND ACTIVITIES

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

The Company's activities are to undertake trading in food supplies, fish, meat, agricultural crops, livestock, household equipment, constructing, managing and operating of storage and cooling warehouses.

These consolidated financial statements comprise of the financial statements of the Company and following subsidiaries, together refer to as the "Group".

	Effective ownership (%) at 31 December	
Name of the Subsidiaries	**2013**	2012
Haley Holding Company	**100%**	100%
Universal Marketing Centre Company	**100%**	100%
Seven services Company	**100%**	100%
Bayt Alwatan Company	**100%**	100%
Marafeq Al Tashgheel Company	**100%**	100%
Thamarat Al Qassim Company	**90%**	--

Haley Holding Company

A limited liability company operates under commercial registration number 1010314228 issued in Riyadh city on 09 Ramadan 1432 H corresponding to 09 August 2011. The main activities of the company are investment in other companies in order to have control over the operations of the acquiree company, wholesale ,retail trading of groceries, rice, wheat, fish, home appliances, computer services (Information System and Data Bases) , import and export services, marketing of others, maintenance of training and entertaining facilities.

Universal Marketing Centre Company

A limited liability company operates under commercial registration number 1010314201 issued in Riyadh city on 02 Muharram 1432 H corresponding to 08 December 2010. The main activities of the company are investment in other companies in order to have control over the operations of the acquiree company, wholesale ,retail trading of groceries, rice, wheat, fish, home appliances, computer services (Information System and Data Bases) , import and export services, marketing of others, maintenance of training and entertaining facilities.

Seven Services Company

A limited liability company operates under commercial registration number 1010320848 issued in Riyadh city on 02 Muharram 1432 H corresponding to 08 December 2010. importing and exporting, whole sale and retail of ready clothes and sport clothes, jewelry and sewing tools, bags and leather products, decorations and roofs, vehicles and agriculture spare parts and importing and exporting for others, installing agriculture projects and operating bakeries and cafes.

1. ORGANIZATION AND ACTIVITIES (CONTINUED)

Bayt Al Watan Company

A limited liability company operates under commercial registration number 1010320847 issued in Riyadh city on 02 Muharram 1432 H corresponding to 08 December 2010. The main activities of the company are importing and exporting, retail and whole sales of fruits and vegetables, fish and dairy products, olive and beverages and importing and exporting for others, and maintenance of training and entertainment facilities and sport facilities and general contracting for building (building, maintenance and demolition) and general electrical work.

Marafeq Al Tashgheel Company

A limited liability company operates under commercial registration number 1010321917 issued in Riyadh city on 15 Muharram 1433 H corresponding to 11 November 2011. The activities are construction of buildings, bridges and road works

Thamarat Al Qassim Company

A limited liability company operates under commercial registration number 1010378315 issued in Riyadh city on 30 Rajab 1433 H corresponding to 9 June 2013. The main activities of the company are raising livestock, fruits and vegetables, importing and exporting and marketing services for others, and purchasing lands and buildings for resale or rent and use the lands for the benefit of the company. The financial statements of the company has been consolidated for the first time in the interim consolidated financial statements for the three months period ended 31 December 2013.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements have been presented in accordance with the requirements of accounting standard on financial reporting issued by the Saudi Organization of Certified Public Accountants (SOCPA).

Basis of measurement

The financial statements have been prepared on the historical cost convention (except for available for sale investments that are measured at fair value) using the accrual basis of accounting and the going concern concept.

Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals (SAR) which is the functional currency of the Company.

Use of estimates and judgments

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

2. BASIS OF PREPARATION (Continued)

Basis of consolidation

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

All intra group balances and financial transactions resulting from transactions between the Company and the subsidiaries and those arising between the subsidiaries are eliminated in preparing these consolidated financial statements. Any unrealized gains and losses arising from intra group transactions are eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Group for the preparation of these consolidated financial statements are consistent with those of the Group's annual consolidated financial statements. These accounting policies have been applied consistently to all the years presented in the consolidated financial statements. Certain comparative amounts have been reclassified to conform with the current year presentation.

Cash and Cash Equivalents

For the purposes of reporting cash flows, cash and cash equivalents comprise of cash in hand and deposits held with banks. Short term running finance facilities availed by the Company if any, which are repayable on demand and form an integral part of the Company's cash management are included as part of cash and cash equivalents for the purpose of cash flow statement.

Revenue recognition

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

Expenses

Selling and distribution expenses principally comprise of costs incurred in the distribution and sale of the Company'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 sales. Allocations between general and administrative expenses and cost of sales, when required, are made on consistent basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Equity accounted investees

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

Investments available for sale:

Investments which are not for trading purposes and where the Company has no significant influence over its activities are classified as investments available for sale. These investments are initially recognized at cost which represents the fair value of the consideration paid including expenses related to acquisition of the investments; and are subsequently measured at fair value. Fair value changes other than impairment losses are recognized in equity. Fair value is determined by reference to the market value in an open market, if exists. In the absence of an open market, cost is considered to be the fair value for these investments. Permanent diminution in the value of the above mentioned investments, if any, is charged to the consolidated statement of income. Profit and loss resulted from disposing those investments are recognized in the year in which disposal occurs. Cash dividends from those investments are recorded in statement of income upon declaration by investees.

Investment properties

Investment properties in the form of buildings and lands held by the Company to earn rentals or for capital appreciation is recognized at cost less accumulated depreciation, or impairment if any. No depreciation is computed on lands.

Inventories

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

Provisions and contingent liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment if any. Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method. Leasehold improvements and buildings constructed on leased lands are amortized over the shorter of the estimated useful life of the leasehold improvements and buildings or the remaining term of the lease and land.

Impairment of long-term assets

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

Impairment of long-term assets

In circumstances where the recoverable amounts for the assets or the cash generating unit is estimated below its net book value, then the net book value for that asset or cash generating unit will be impaired to the recoverable amounts. Impairment losses are recognized immediately as expenses in the consolidated income statement.

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 in the consolidated statement of income immediately.

Biological Assets

Biological assets are stated at cost of purchase or at the cost of rearing or growing to the point of
commercial production, less accumulated depreciation. The costs of immature biological assets are determined by the cost of rearing or growing to their respective age.

Intangible assets

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

Borrowing costs

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

Foreign currency translation

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the consolidated balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the consolidated statement of income.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting for lease contracts

All leases entered into by the Company are classified as operating leases. Rental payments are charged to the consolidated statement of income using the straight-line method over the term of the operating lease contract.

The lease amounts received by the Company as a lessor in operating lease contracts are recognized in the consolidated statement of income using the straight-line method over the year of the related leases.

Provision for end-of-service benefits

End-of-service benefits are provided in accordance with the Saudi Arabian Labor Law based on total benefits due to an employee in case his services are terminated at the balance sheet date and are reduced by any payments in advance to employees. Differences in indemnities, if any, are computed and paid to employees upon termination.

Zakat

The Company is subject to the regulations of the Directorate of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Zakat is provided on an accrual basis. The zakat charge is computed on the zakat base. Any difference in the estimate is recorded when the final assessment is approved.

4. CASH AND BANK BALANCES

	2013	2012
Cash in hand	**48,891,083**	39,261,001
Cash at banks – current accounts	**61,439,905**	24,217,658
	110,330,988	63,478,659

5. INVENTORIES , NET

	2013	2012
Inventories:		
- At warehouses	**70,215,227**	86,830,441
- At outlets	**321,726,300**	248,976,114
Less: Provision for slow moving and shrink	**(23,931,417)**	(14,016,750)
	368,010,110	321,789,805

6. PREPAYMENTS AND OTHER RECEIVABLES:

	2013	2012
Prepaid Expenses (13-1)	**66,062,162**	60,119,025
Refundable deposits	**6,012,952**	373,951
Advance payment to suppliers	**5,076,563**	6,837,666
Stores rent receivables	**6,667,589**	3,261,995
Employees receivables	**1,651,755**	1,797,558
Margin on letters of credit and letters of guarantees	**347,118**	3,982,168
Others	**4,487,153**	3,513,032
	90,305,292	79,885,395

(Saudi Riyals)

7. INVESTMENTS, NET

Investments consist of the following:

	Note	**2013**	2012
Investment in equity accounted investees	7.1	**185,926,204**	168,458,285
Investments in available-for-sale securities		**7,641,678**	5,559,747
		193,567,882	174,018,032

7.1 Investment in equity investees (Associated companies)

	2013	2012
Balance 1 January	**168,458,285**	114,446,091
Share in net profits	**27,429,970**	27,137,528
Additions*	**662,949**	45,999,666
Cash dividends received	**(10,625,000)**	(19,125,000)
Balance 31December	**185,926,204**	168,458,285

The investment in equity investees (Associated companies) includes 13.65% of the share capital of Abdullah Al-Othaim Real Estate Investment and Development Company. The remaining ownership percentage is owned by Al-Othaim Holding Company, Mr. Abdullah Saleh Al-Othaim and his family members the Shareholders of the Company.

(*) The additions include investments in subsidiaries in Egypt, Turki and Bosnia amounting to SR 0.82 million as at 31 December 2013 (31 December 2012: SAR 0.16 million). The total assets and the total liabilities of these unconsolidated companies are not material to the Group's assets and liabilities and the Group account for these investments at the equity method.

8. INVESTMENT PROPERTIES , NET

The Investments include principle showrooms and buildings rented to other parties:

	2013	2012
Cost		
January 1	**581,454,662**	531,714,405
Additions	**1,617,226**	49,740,257
Balance at December 31	**583,071,888**	581,454,662
Accumulated depreciation		
January 1	**48,740,699**	25,967,589
Charge for the year	**22,944,436**	22,773,110
Balance at December 31	**71,685,135**	48,740,699
Net Book value	**511,386,753**	532,713,963

(Saudi Riyals)

9. PROPERTY AND EQUIPMENT, NET

	Land	Machinery and equipment	Buildings	Vehicles	Computers	Furniture and Fixtures	Leasehold improvements	Capital Work in progress	Total
Cost									
1 January 2013	**148,015,120**	**201,746,276**	**153,080,150**	**62,070,244**	**76,878,875**	**119,492,085**	**124,389,934**	**36,517,123**	**922,189,807**
Additions	**85,677,674**	**25,422,072**	**7,106,786**	**7,656,796**	**7,907,294**	**8,121,907**	**6,629,023**	**52,056,964**	**200,578,516**
Transferred from CWIP	**--**	**26,856,331**	**14,013,913**	**68,950**	**3,585,360**	**5,478,745**	**14,021,649**	**(64,024,948)**	**--**
Disposals	**--**	**(3,322,942)**	**--**	**(2,672,320)**	**(1,888,990)**	**(3,454,662)**	**--**	**--**	**(11,338,914)**
31 December 2013	**233,692,794**	**250,701,737**	**174,200,849**	**67,123,670**	**86,482,539**	**129,638,075**	**145,040,606**	**24,549,139**	**1,111,429,409**
Accumulated depreciation									
1 January 2013	**--**	**97,596,249**	**38,710,149**	**42,396,883**	**36,117,630**	**73,184,868**	**54,521,022**	**--**	**342,526,801**
Charge for the year	**--**	**21,171,485**	**7,931,418**	**7,272,119**	**7,090,048**	**11,354,564**	**12,977,617**	**--**	**67,797,251**
Eliminated on disposals	**--**	**(2,736,309)**	**--**	**(2,640,842)**	**(1,627,789)**	**(3,398,009)**	**--**	**--**	**(10,402,949)**
31 December 2013	**--**	**116,031,425**	**46,641,567**	**47,028,160**	**41,579,889**	**81,141,423**	**67,498,639**	--	**399,921,103**
Net book value									
31 December 2013	**233,692,794**	**134,670,312**	**127,559,282**	**20,095,510**	**44,902,650**	**48,496,652**	**77,541,967**	**24,549,139**	**711,508,306**
31 December 2012	148,015,120	104,150,027	114,370,001	19,673,361	40,761,245	46,307,217	69,868,912	36,517,123	579,663,006

9-1 Title deeds of certain lands amounting to SR 37 million (2012: SR 37 million) acquired from Abdullah Al-Othaim Real Estate Investment and Development Company are still under progress to be transferred by the name of the company.

9-2 Land mentioned above amounting to SR 40 million (2012: SR 166 million) is mortgaged to some local banks as collateral against bank facilities (Note 12b)

The estimated lives of the principal classes of assets are the same estimates of last year and its details are as follows:

	Years
Machinery and equipment	10
Buildings	5 – 25
Vehicles	5 – 7
Computers	5 – 7
Furniture and fixtures	7
Leasehold improvements	10

(Saudi Riyals)

10. BIOLOGICAL ASSETS, NET

The biological assets include Sheep and Cows owned and used by the subsidiary Thamarat AlQassim for its operations. These assets are depreciated on a straight line basis to their estimated life of 5 years and the balance for the yearend:

	2013
Cost	
January 1	--
Additions	2,250,813
Balance at December 31	**2,250,813**
Accumulated depreciation	
January 1	--
Charge for the year	227,739
Balance at December 31	**227,739**
Net Book value	**2,023,074**

11. INTANGIBLES, NET

Intangible assets represent costs incurred for the purpose of using rented stores (key money) and are amortized over the term of the related lease contracts i.e 10 years and 15 years.

	2013	2012
Cost		
January 1	**15,000,000**	15,000,000
Additions	**4,597,230**	--
Balance at December 31	**19,597,230**	15,000,000
Accumulated amortization		
January 1	**3,123,178**	1,784,674
Amortisation for the year	**1,568,363**	1,338,504
Balance at December 31	**4,691,541**	3,123,178
Net Book value	**14,905,689**	11,876,822

12. LOANS AND MURABAHAS

12.1 Short-term Murabahas:

The Company has facilities from local commercial banks in the form of short-term Murabahas to finance working capital. Unutilized balance of these Murabahas loans as at 31 December 2013 amounted to SR 225.3million (2012: SR 191.8 million).

(Saudi Riyals)

12. LOANS AND MURABAHAS

12.2 Long-term loans and Murabahas:

31 December 2013		
Current portion	**Non-current portion**	**Total**
78,181,818	**135,000,000**	**213,181,818**

31 December 2012		
Current portion	Non-current portion	Total
105,399,512	100,858,757	206,258,269

These facilities are secured by personal guarantee by one of the shareholders and mortgage of land title deeds owned by the Company with a book value of SR 40 million as at 31 December 2013 (December 31, 2012: SR 166 million).

13. RELATED PARTIES TRANSACTIONS AND BALANCES

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

During the year, the Company transacted mainly with Al Othaim Holding Company (founding shareholder) and Abdullah Al Othaim Real Estate Investment and Development Company (Associated company). Major transactions with related parties comprises of rental income and expenses.

The Company transacts with related parties on mutually agreed prices and terms which are approved by the management to be as follows:

Nature of Transactions	**2013**	2012
Rent income	**37,565,152**	37,560,575
Rent expense	**11,006,953**	11,422,528
Purchase of land *(13.2)*	**10,997,955**	--

13.1 Prepayments include an amount of SR 10.7 million (2012: SR 16.4 million) which represents rents paid to a related party in advance against early payment discount.

13.2 Thamarat Al Qassim Company, (a subsidiary) bought agricultural lands amounting to SAR 10,997,955. The value of the land was determined according to the valuations conducted by three real estate valuers. This transaction was entered with the Chairman of the Board at lower than market value. The transaction will be presented to the upcoming General Assembly Meeting for approval in accordance with rules and regulations.

(Saudi Riyals)

14. ACCRUED EXPENSES AND OTHER LIABILITIES

	2013	2012
Employees Accruals	**39,435,817**	33,639,195
Iktisab card holders balances	**25,951,324**	20,499,117
Al Othaim cards received in Advance	**21,094,952**	17,241,279
Advance payments of shop tenants	**13,811,686**	3,952,278
Provision for Zakat (14.1)	**6,398,505**	4,281,225
Refundable deposits	**6,239,581**	6,311,341
Accrued Utilities expense	**4,956,581**	5,059,463
Others	**12,123,214**	10,353,517
	130,011,660	101,337,415

14.1 ZAKAT

Status of assessments

The Company has submitted Zakat declarations to the Department of Zakat and Income tax (DZIT) for all the years up to 31 December 2012, and paid all accrued Zakat accordingly and finalized its Zakat status assessment with the DZIT on all years up to 31 December 2011.

Furthermore, the subsidiaries companies have submitted its Zakat declarations to the DZIT up to 31 December 2012 within the consolidated declaration for the company, There are no specific income tax and Zakat issues in relation to these companies.

The provision for current year is based on the net adjusted income of the standalone financial statement of the Company as follows:

	2013	2012
Owners' equity at the beginning of the period	**612,869,454**	508,603,222
Net adjusted profit	**196,975,219**	175,516,230
Provisions	**73,440,277**	55,470,729
Loans	**213,181,818**	206,258,269
Less : Investments in companies	**(193,567,882)**	(174,018,032)
Property and equipment	**(1,239,823,822)**	(1,124,253,791)
Zakatable base	**(336,924,936)**	(352,423,373)

As the Zakat base in negative, the company has calculated the Zakat based on the net adjusted profit

Movement in provision

The following is the movement of zakat provision for the year ended:

	2013	2012
Balance as at January 1	**4,281,225**	4,301,273
Provision for the year	**4,600,000**	3,750,000
Paid during the year	**(2,482,720)**	(3,770,048)
Balance as at December 31	**6,398,505**	4,281,225

(Saudi Riyals)

15. STATUTORY RESERVE

In accordance with its Articles of Association and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer each year 10% of its net income to a statutory reserve until such reserve equals 50% of its share capital. Statutory reserve also includes the share premium amount which represents the difference between the par value and the issuance value of the new shares issued.

Statutory reserve is not available for distribution to the shareholders. However, the statutory reserve can be used for meeting the Company's losses or for increasing its capital. If the reserve exceeds one half of the company's capital, the general meeting may resolve to distribute such excess as dividends among the shareholders in the years during which the Company fails to achieve sufficient net profits for distribution of the minimum dividends prescribed in Company's articles of association.

16. VOLUNTARY RESERVE

The extraordinary general assembly in its meeting held on Jumad Al-Awal 2, 1430 (corresponding to April 27, 2009) approved a voluntary reserve of 20% from the profits for the year ended 31 December 2008 and appropriated it as voluntary reserve for the expansion of the Company's operations.

17. EARNINGS PER SHARE

Earnings per share are calculated based on net income for the year, income from operations and income from other sources divided by the weighted average number of shares in issue which were 22.5 million shares.

18. DIVIDENDS

Dividends approved by the General Assembly Meeting for the shareholder dated 15 April 2013 amounting to SAR 67.5 million by an amount of SAR 3 for each share was paid on the year ended 31 December 2012, and during 2012 dividends distributions amounting to SAR 22.5 was paid on the year ended 31 December 2011 by an amount of SAR 1 for each share according to the General Assembly Meeting of the shareholders dated 3 October 2012.

19. SELLING AND DISTRIBUTION EXPENSES

	2013	2012
Salaries and other benefits	**320,385,887**	264,592,370
Rent	**73,691,438**	66,880,520
Depreciation and amortization	**63,042,134**	54,201,629
Utilities	**44,882,231**	44,502,738
Advertisements, media and marketing support	**26,960,614**	31,534,577
Packaging materials	**22,374,003**	19,678,760
Maintenance and repairs	**12,237,593**	8,483,136
Fuel, oils and supplies	**10,410,514**	9,110,779
Branches freight expenses	**5,117,046**	5,046,748
Insurance	**3,642,898**	3,340,741
Others	**7,896,389**	5,400,208
	590,640,747	512,772,206

(Saudi Riyals)

20. GENERAL AND ADMINISTRATION EXPENSES

	2013	2012
Salaries and related costs	**39,684,085**	37,493,504
Depreciation and amortization	**5,657,244**	3,622,507
Fees and subscription	**3,765,144**	1,872,766
Utilities	**3,462,469**	1,963,406
Rent	**2,528,478**	2,304,116
Repair and maintenance	**925,912**	1,270,249
Fuel and oil	**755,123**	863,211
Professional fees	**661,465**	653,830
Donations to approved charities	**548,604**	2,378,114
Hospitality	**499,932**	608,081
Others	**1,420,783**	2,215,155
	59,909,239	55,244,939

21. SEGMENTAL INFORMATIONS

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

	31 December 2013		31 December 2012	
	Retail and wholesale	**Real estate and leasing (Rent)**	Retail and wholesale	Real estate and leasing (Rent)
Sales	**4,579,962,299**	**--**	4,015,198,404	--
Rents income	**--**	**93,194,079**	--	81,678,085
Property and equipment, net	**711,508,306**	**511,386,753**	579,663,006	532,713,963
Gross Profit	**771,146,660**	**51,802,144**	684,909,699	39,236,706

Following is the geographical segment information for the revenue of the company.

	31 December 2013		31 December 2012	
	Retail and wholesale	**%**	Retail and wholesale	%
Central Region	**3,381,837**	**74%**	2,847,948	71%
Eastern region	**567,508**	**12%**	529,117	13 %
Southern region	**333,420**	**7%**	267,556	7%
Northern region	**232,550**	**5%**	300,686	7%
Western region	**64,647**	**2%**	69,891	2%
Gross sales	**4,579,962**		4,015,198	

(Saudi Riyals)

22. OPERATING LEASES

The Group has various operating leases for retail outlets and employees' accommodations. Rental expenses for the year ended 31 December 2013 amounted to SR 93.5 million (2012: SR 85.9 million).

At 31 December, the minimum payments for the non-cancellable leases are as follows:

2014	**40,384,531**
2015	**50,304,353**
2016	**38,660,666**
2017	**30,030,666**
2018	**25,377,786**
2019 and thereafter	**210,502,279**

The group has various shops rented to others under operating leases. Rental income for the year ended 31 December 2013 amounting to SR 80.96 million (2012: 73.26 million)

23. CONTINGENCIES AND COMMITMENTS

As at 31 December, the Company had the following commitments and contingent liabilities:

	2013	2012
Letters of credit	**19,036,061**	7,850,789
Letters of guarantee	**13,574,560**	13,930,450
Capital commitments on projects in progress	**15,295,736**	10,168,222

24. FINANCIAL INSTRUMENT AND RISK MANAGEMENT POLICIES

Financial instruments carried on the balance sheet include cash and cash equivalents investments, prepayments, other current assets, trade payable, loans and murabahas, employees' end of service benefits and accrued and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the Company's financial instruments are compiled under the historical cost convention, differences can arise between the book values and fair value estimates.

24. FINANCIAL INSTRUMENT AND RISK MANAGEMENT POLICIES

Management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values. Financial assets reported in the balance sheet principally include cash on hand and at banks, and other receivables. Financial liabilities include trade payables short-term and long-term loans and Murabahas.

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Majority of the Company's operating activities are carried out in Saudi Arabia.
For all classes of financial assets held by the Company the maximum credit risk exposure to the Company is the carrying value as disclosed in the financial statements at the financial position date.

Commission rate risk is the exposure to various risks associated with the effect of fluctuations in the prevailing commission rates on the Company's financial position and cash flows. The Company monitors the fluctuations in commission rates and believes that the effect of the commission rate risk is not material.

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi riyals and U.S. dollars. Management monitors the fluctuations in currency exchange rates and believes that the currency risk is not material.

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet obligation and commitments associated with financial liabilities. The Company has a proper cash management system, where daily cash collection and redemption is strictly monitored and reconciled at the end of the day. At the time of investment, particular emphasis is focused on the selection of favorable investments to the extent of equity share. The Company manages this risk by managing maturities of financial liabilities through maintaining surplus cash and cash equivalents and managing between the credit periods of creditors.

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's operations either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Company's activities.
The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors. The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors.

Capital Management:
The Company manages its capital to ensure that it is able to continue as going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of equity attributable to equity holders comprising paid share capital, reserves and retained earnings.

25. DATE OF AUTHORISATION

The financial statements were authorized for issue by the board of directors on 24 Rabi Al Thani 1435H corresponding to 24 February 2014.