ABDULLAH AL-OTHAIM MARKETS COMPANY
(A Saudi Joint Stock Company)

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2017

TOGETHER WITH
INDEPENDENT AUDITORS' REVIEW REPORT

ABDULLAH AL-OTHAIM MARKETS COMPANY

(A Saudi Joint Stock Company)

Unaudited condensed interim consolidated financial statements

for the three-month and nine- month periods ended 30 September 2017

Dr. Mohamed Al-Amri & Co.
Accountants & Consultants

P.O. Box 8736, Riyadh 11492
Tel.: +966 11 278 0608
Fax: +966 11 278 2883
info@alamri.com

Independent Auditor's Report on Review of Condensed Interim Consolidated Financial Statements

To the shareholders of Abdullah Al-Othaim Markets Company

(A Saudi Joint Stock Company)

Riyadh- Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying condensed interim consolidated Financial statements of **Abdullah Al-Othaim Marketing Company** (A Saudi Joint Stock Company) ("the Company" or "Group"), consisting of the interim consolidated statement of financial position as of 30 September 2017, the related interim consolidated statements of income and other comprehensive income for the three-month and nine-month periods then ended, the interim consolidated statements of cash flows and changes in equity for the nine months then ended, and a summary of significant accounting policies another selected explanatory notes from (1) to (28).

Management of the Company is responsible for the preparation and presentation of these condensed interim consolidated financial statements in accordance with the International Accounting Standard 34 – ("IAS 34") *"Interim Financial Reporting"* endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements (2410) *Review of Interim Financial Information Performed by the Independent Auditor,* endorsed in the Kingdom of Saudi Arabia. A review of the condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 endorsed in the Kingdom of Saudi Arabia.

For Dr. Mohamed Al-Amri & Co.,

د. محمد العمري وشركاه - محاسبون قانونيون
س.ت: ١٠١٠٤٢٢٩٨٢
Riyadh
Certified Public Accountants
Dr. Mohamed Al-Amri & Co.

Jamal M. Al-Amri
Certified Public Accountant
Registration No. 331

October 31, 2017 (G)
Safar 11, 1439 (H)

ABDULLAH AL-OTHAIM MARKETS COMPANY
(A Saudi Joint Stock Company)
UNAUDITED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Saudi Riyals)

	Notes	As of 30 September 2017	As of 31 December 2016	As of 01 January 2016
ASSETS				
Non-current assets				
Property, plant and equipment, net	9	**1,404,659,056**	1,270,231,031	991,713,090
Investment properties, net	10	**463,739,061**	675,996,361	637,508,707
Intangible assets, net	11	**8,162,338**	9,511,008	11,309,235
Biological assets, net	12	**-**	-	796,900
Investments in associates	13	**216,380,400**	205,413,942	212,962,008
Financial assets at fair value through other comprehensive income	14	**13,349,577**	14,991,495	16,645,447
Total non-current assets		**2,106,290,432**	2,176,143,837	1,870,935,387
Current assets				
Inventories, net		**710,425,839**	646,565,658	568,657,150
Prepayments and other receivables, net		**149,845,086**	172,822,363	215,187,625
Trade receivables, net		**12,703,609**	9,479,278	9,718,549
Held-for-trading financial assets at fair value through income		**21,959,684**	61,649,646	-
Cash and cash equivalents	16	**362,280,267**	312,443,839	323,856,291
Total current assets		**1,257,214,485**	1,202,960,784	1,117,419,615
TOTAL ASSETS		**3,363,504,917**	3,379,104,621	2,988,355,002
LIABILITIES AND EQUITY				
EQUITY				
Paid-in share capital	1	**450,000,000**	450,000,000	450,000,000
Statutory reserve	20	**67,568,635**	67,568,635	44,565,425
Retained earnings		**912,997,442**	721,019,506	605,948,981
Other reserves		**-**	-	717,505
Fair value reserve		**(4,156,509)**	(2,514,591)	(860,639)
Exchange differences from translation of foreign operations		**(4,109,403)**	(4,002,834)	-
Company's share of associates' other comprehensive income		**1,185,720**	1,281,853	-
Equity attributable to shareholders' of the parent		**1,423,485,885**	1,233,352,569	1,100,371,272
Non – controlling interests		**31,539,687**	31,090,624	32,674,549
Total equity		**1,455,025,572**	1,264,443,193	1,133,045,821
LIABILITIES				
Non-current liabilities				
Long term loans and murabahas	17	**243,626,667**	412,286,670	399,500,000
Obligation for employees' end-of-service benefits	19	**99,112,205**	83,352,617	69,457,661
Total non-current liabilities		**342,738,872**	495,639,287	468,957,661
Current liabilities				
Trade payables		**1,051,589,109**	1,077,495,396	909,847,919
Short term loans and Murabahas	17	**-**	-	20,061,386
Current portion of long term loans and murabahas	17	**100,213,333**	187,213,333	192,213,333
Accruals and other payables		**396,285,415**	340,325,204	255.253.997
Provision for zakat and taxes		**17,652,616**	13,988,208	8.974.885
Total current liabilities		**1,565,740,473**	1,619,022,141	1,386,351,520
TOTAL LIABILITIES		**1,908,479,345**	2,114,661,428	1,855,309,181
TOTAL LIABILITIES AND EQUITY		**3,363,504,917**	3,379,104,621	2,988,355,002

The accompanying selected notes from (1) to (28) form an integral part of and should be read in conjunction with these condensed interim consolidated financial statements

Vice-president, financial affairs **President** **Chairman**

ABDULLAH AL-OTHAIM MARKETS COMPANY
(A Saudi Joint Stock Company)
UNAUDITED INTERIM CONSOLIDATED STATEMENT OF INCOME
(Saudi Riyals)

		For the three-month period ended 30 September		For the nine-month period ended 30 September	
	Note	2017	2016	2017	2016
Net sales	23-B	**1,791,630,710**	1,569,572,745	**5,832,576,699**	5,151,955,331
Cost of sales		**(1,472,514,095)**	(1,297,943,071)	**(4,836,448,571)**	(4,302,541,647)
Gross profit		**319,116,615**	271,629,674	**996,128,128**	849,413,684
Rental income, net	23-B	**17,214,009**	16,894,034	**56,382,647**	48,461,301
Selling and marketing expenses		**(263,440,481)**	(231,522,479)	**(798,338,148)**	(692,966,063)
General and administrative expenses		**(27,885,385)**	(25,806,338)	**(81,860,558)**	(78,817,671)
Operating profit		**45,004,758**	31,194,891	**172,312,069**	126,091,251
Company's share in income of associates	13	**11,794,268**	5,610,561	**27,049,781**	10,878,180
dividends from Financial assets at fair value through other comprehensive income		-	345,928	**-**	345,928
Gains from held-for-trading investments		**226,262**	-	**820,913**	-
Losses on disposal of assets	22	**(171,651)**	-	**(3,722,582)**	-
Financing charges		**(4,043,654)**	(3,821,374)	**(12,656,174)**	(9,674,468)
Other gains (losses), net		**15,203**	3,184,651	**(1,143,397)**	6,152,580
Income from continuing operations before zakat and taxes		**52,825,186**	**36,514,657**	**182,660,610**	**133,793,471**
Zakat and taxes		**(1,192,465)**	(971,352)	**(5,548,404)**	(3,416,352)
Income for the period from continuing operations		**51,632,721**	**35,543,305**	**177,112,206**	**130,377,119**
Discontinued operations					
Income for the period from discontinued operations net of zakat		**100,076,383**	-	**106,858,496**	-
Net income for the period		**151,709,104**	**35,543,305**	**283,970,702**	**130,377,119**
Attributable to:					
Shareholders of the parent		**150,619,634**	36,191,927	**281,977,936**	132,575,897
Non-controlling interests		**1,089,470**	(648,622)	**1,992,766**	(2,198,778)
		151,709,104	**35,543,305**	**283,970,702**	**130,377,119**
Earnings per share					
Basic and diluted earnings per share from the net income for the period attributable to the shareholders of the parent	21-a	**3,35**	0,80	**6,27**	2,95
Earnings per share for continuing operations					
Basic and diluted earnings per share from income from continuing operations attributable to the shareholders of the parent	21-b	**1,12**	0,80	**3,89**	2,95

The accompanying selected notes from (1) to (28) form an integral part of and should be read in conjunction with these condensed interim consolidated financial statements

Vice-president, financial affairs **President** **Chairman**

ABDULLAH AL-OTHAIM MARKETS COMPANY
(A Saudi Joint Stock Company)
UNAUDITED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Saudi Riyals)

	Notes	For the three-month period ended 30 September 2017	2016	For the nine-month period ended 30 September 2017	2016
Net income for the period		**151,709,104**	35,543,305	**283,970,702**	130,377,119
Other comprehensive income :					
Items not to be reclassified to income in subsequent periods:					
Net changes in fair value of financial assets at fair value through other comprehensive income	14	**(92,610)**	(2,038,450)	**(1,641,918)**	(2,974,002)
Items to be reclassified to income in subsequent periods:					
Exchange differences on translation of foreign operations		**(110,339)**	-	**(106,569)**	-
The Company's share of associates' other comprehensive income		**(9,200)**	-	**(96,133)**	-
Changes in fair value of hedges		**-**	-	**-**	(717,505)
Other comprehensive income for the period		**(212,149)**	(2,038,450)	**(1,844,620)**	(3,691,507)
Total comprehensive income for the period		**151,496,955**	33,504,855	**282,126,082**	126,685,612
Attributable to:					
Shareholders of the parent		**150,407,485**	34,153,477	**280,133,316**	128,884,390
Non-controlling interests		**1,089,470**	(648,622)	**1,992,766**	(2,198,778)
		151,496,955	33,504,855	**282,126,082**	126,685,612

The accompanying selected notes from (1) to (28) form an integral part and should be read in conjunction with these condensed interim consolidated financial statements.

Vice-president, financial affairs **President** **Chairman**

ABDULLAH AL-OTHAIM MARKETS COMPANY

(A Saudi Joint Stock Company)

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Saudi Riyals)

	Paid-in share capital	Statuary reserve (note 20)	Retained earnings	Other reserves	Fairvalue reserve	Exchange differences from translation of foreign operations	The company's share of associates' other comprehensive income	Equity attributable to shareholders of the parent	Non-controlling interests	Total equity
For the nine-month period ended 30 September, 2017										
Balance at 1 January 2017	**450,000,000**	**67,568,635**	**721,019,506**	**-**	**(2,514,591)**	**(4,002,834)**	**1,281,853**	**1,233,352,569**	**31,090,624**	**1,264,443,193**
Net income for the period	**-**	**-**	**281,977,936**	**-**	**-**	**-**	**-**	**281,977,936**	**1,992,766**	**283,970,702**
Items of other comprehensive income	**-**	**-**	**-**	**-**	**(1,641,918)**	**(106,569)**	**(96,133)**	**(1,844,620)**	**-**	**(1,844,620)**
Total comprehensive income for the period	**-**	**-**	**281,977,936**	**-**	**(1,641,918)**	**(106,569)**	**(96,133)**	**280,133,316**	**1,992,766**	**282,126,082**
Cash dividends	**-**	**-**	**(90,000,000)**	**-**	**-**	**-**	**-**	**(90,000,000)**	**-**	**(90,000,000)**
Non-controlling interests-disposals during the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,543,703)**	**(1,543,703)**
Balance as at 30 September, 2017	**450,000,000**	**67,568,635**	**912,977,442**	**-**	**(4,156,509)**	**4,109,403**	**1,185,720**	**1,423,485,885**	**31, 539,687**	**1,455,025,572**
For the nine-month period ended 30 September 2016										
Balance at 1 January 2016	450,000,000	44,565,425	605,948,981	717,505	(860,639)	-	-	1,100,371,272	32,674,549	1,133,045,821
Net income for the period	-	-	132,575,897	-	-	-	-	132,575,897	(2,198,778)	130,377,119
Items of other comprehensive income	-	-	-	(717,505)	(2,974,002)	-	-	(3,691507)	-	(3,691,507)
Total comprehensive income for the period		-	132,575,897	(717,505)	(2,974,002)	-	-	128,884,390	(2,198,778)	126,685,612
Cash dividends	-	-	(90,000,000)	-	-	-	-	(90,000,000)	-	(90,000,000)
Non-controlling interests-additions during the period	-	-	-	-	-	-	-	-	250,000	250,000
Balance as at 30 September 2016	450,000,000	44,565,425	648,524,878	-	(3,834,641)	-	-	1,139, 255,662	30,725,771	1,169,981,433

The accompanying selected notes from (1) to (28) form an integral part of and should be read in conjunction with these condensed interim consolidated financial statements.

Vice-president, financial affairs **President** **Chairman**

ABDULLAH AL-OTHAIM MARKETS COMPANY
(A Saudi Joint Stock Company)
UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
(Saudi Riyals)

	The nine-month period ended	
	30 September 2017	30 September 2016
OPERATING ACTIVITIES		
Income before zakat and tax from continuing operations	**182,660,610**	133,793,471
Income before zakat from discontinued operations	**109,993,273**	-
Net income before zakat and tax	**292,653,883**	133,793,471
Adjustments		
Financing charges	**12,656,174**	9,674,468
Depreciation & amortization	**124,639,014**	104,403,580
Provision for obsolete and slow moving inventories	**11,743,205**	7,004,234
Provision for doubtful debts	**7,871,570**	912,510
loss on sale of property, plant and equipment	**1,031,439**	350,512
Loss on sale of biological assets	**-**	40,336
Gain on sale of Investment properties held for sale	**(100,266,540)**	-
losses on disposal of assets	**3,722,582**	-
Share in income of associates	**(27,049,781)**	(10,878,180)
Dividends from financial sssets at fair value through other comprehensive income	**-**	(345,928)
Gains from held for trading investments at fair value through income	**(820,913)**	-
Changes in:		
Inventories	**(77,947,238)**	(71,990,009)
Trade receivables	**(3,224,331)**	(3,426,657)
Prepayments and other receivables	**15,105,707**	21,720,965
Trade payables	**(25,906,287)**	14,768,564
Accruals and other payables	**55,960,211**	73,920,520
Obligation for employees' end-of-service benefits, net	**15,759,588**	10,247,894
	305,928,283	290,196,280
Paid zakat	**(5,018,773)**	(3,175,536)
Net cash from operating activities	**300,909,510**	287,020,744
INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(263,748,396)**	(320,599,597)
Additions to investment properties	**(30,801,627)**	(50,479,911)
Additions to intangible assets	**-**	(34,575)
Disposals to investments in associates	**589,367**	-
dividends from Financial assets at fair value through other comprehensive income	**-**	345,928
Proceeds from sale of investment properties	**361,265,067**	-
Proceeds from sale of property, plant and equipment	**3,411,855**	1,012,064
Proceeds from sale of biological assets	**-**	74,101
Additions to biological assets	**-**	(976,477)
Net proceeds from sale of held-for-trading investments at fair value through income	**40,510,875**	-
Net cash from (used in) investing activities	**111,227,141**	(370,658,469)

The accompanying selected notes from (1) to (28) form an integral part of and should be read in conjunction with these condensed interim consolidated financial statements.

Vice-president, financial affairs **President** **Chairman**

ABDULLAH AL-OTHAIM MARKETS COMPANY
(A Saudi Joint Stock Company)
UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (*Continued*)

	The nine-month period ended	
	30 September 2017	30 September 2016
FINANCING ACTIVITIES		
Proceeds from loans and murabahas	**626,507,182**	712,564,226
Repayments of loans and murabahas	**(882,167,185)**	(609,805,228)
Non-controlling interests	**(1,543,703)**	250,000
Financing charges paid	**(14,709,367)**	(16,070,757)
Cash dividends paid	**(90,000,000)**	(90,000,000)
Net cash (used in) financing activities	**(361,913,073)**	(3,061,759)
Net change in cash and cash equivalents	**50,223,578**	(86,699,482)
Cash and cash equivalents at the beginning of period	**312,443,839**	323,856,291
Exchange differences	**(387,150)**	**-**
Cash and cash equivalent at the ending of period	**362,280,267**	237,156,809

The accompanying selected notes from (1) to (28) form an integral part of and should be read in conjunction with these condensed interim consolidated financial statements.

Vice-president, financial affairs **President** **Chairman**

(All amounts are presented in Saudi riyals, unless otherwise indicated)

1- ORGANIZATION AND ACTIVITY

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

The main activities of the Company include wholesale and retail trade of food, fish, meat, agricultural products, livestock and household items. The Company is also engaged in establishing, managing, operating and maintaining supermarkets, commercial complexes, and bakeries, providing cooked and uncooked catering services, and managing training and educational centers, in addition to acquiring lands to construct buildings for lease or sale for the interest of the Company .The Company also provides import, export and marketing services.

The condensed interim consolidated financial statements include the financial statements of Abdulla Al-Othaim Markets Company and its following subsidiaries (together, "The Company"):

Name of Subsidiary	Effective ownership percentage
Haley Holding Company	100%
Universal Marketing Centre Company	100%
Seven Services Company	100%
Bayt Al Watan Company	100%
Marafeq Al Tashgheel Company	100%
Al Othaim Markets - Egypt	100%
Thamarat Al Qassim Company	100%
Shurofat Al Jazeerah Company	100%
Mueen Recruitment Company	68%

- The share capital of the Company amounts to SAR 450,000,000 divided into 45,000,000 shares with a nominal value of SAR 10 each.
- The Company's registered head office is located in Riyadh/ Al-Rabwah, Eastern Ring Road- P.O. Box 41700.
- The Company's fiscal year begins on January 1 and ends on December 31 of each Gregorian year.

2- FIRST TIME ADOPTION OF *IFRSs*

The Board of Directors of the Saudi Organization for Certified Public Accountants (*SOCPA*) adopted in 2012 a plan for the transition to the international accounting standards as well as the international auditing standards. According to *SOCPA* decision, the application of the international financial reporting standards approved by *SOCPA* was effective from 1 January 2017 for joint stock companies listed on the stock exchange market. Accordingly, the Company's first annual financial statements that will be prepared in accordance with the International Financial Reporting Standards (*IFRSs*) are those for fiscal 2017.
Accordingly, the date 1 January 2016 is considered the transition date to *IFRSs* as it represents the beginning of the comparative period for the first annual financial statements prepared in accordance with *IFRSs*.

The most significant changes resulting from the transition to *IFRS*s are as follows:

- Ceasing the consolidation of "Riyadh Food Industries Co." results with the Company's financial statements as of the date of transition to *IFRSs* on 1/1/2016 and the accounting for the investment under IAS **28** *Investments in Associates and Joint Ventures*. The opening statement of financial position was prepared as at 1 January2016 with the exclusion of the financial statements of Riyadh Food Industries Co. from the consolidated financial statements since the Company does not meet control criteria in accordance with *IFRS* 10 *Consolidated Financial Statements*
- Adjustment of overall presentation and disclosure to be consistent with *IFRS*s.
- Addition of the statement of comprehensive income.
- Addition of further disclosures to the condensed interim consolidated financial statements.

- Amendment and addition of certain accounting policies to be consistent with *IFRS*s.
- Capital work under progress related to investment properties was reclassified under investment properties as the work represents investment properties under construction.
- In accordance with the previous policies regarding the calculation of employees' end-of-service benefits obligation, the end-of-service benefits obligation is calculated based on the employee's tenure in service as required by the Saudi Arabian Labor Law. Per *IFRS*s, accounting for the obligation amount involves making reliable estimates for the cost incurred by the Company against the end-of-service benefits that are expected to be earned by the employee as result of the expected service period using actuarial assumptions. As a result, the end-of-service benefits obligation was increased by SAR 3,314,836 and the same amount was recognized in retained earnings at the date of transition to *IFRSs*.

3- BASIS OF PREPARATION AND CONSOLIDATION:

A- Basis of preparation

The unaudited condensed interim consolidated financial statements were prepared in accordance with *IAS* 34 *Interim Financial Reporting* and IFRS 1 *First-time adoption of IFRSs* using the accounting policies which the Company expects to adopt in the annual consolidated financial statements for fiscal 2017.

The term "*IFRSs*" that appears in these notes indicates the standards and interpretations issued by the International Accounting Standards Board ("*IASB*"), and the other standards and issues approved by *SOCPA* for application in the KSA, in addition to the disclosures added by *SOCPA* to some of these standards per its *IFRS Adoption Document*. Other standards and issues mean the standards and technical opinions approved by *SOCPA* regarding topics not covered by *IFRSs* such as zakat.

Some of the information and notes which are considered essential to the understanding of the unaudited condensed interim consolidated financial statements that are usually included in the consolidated annual financial statements prepared in accordance with *IFRSs*, were disclosed along with the adjustments and explanations of the effect of adoption of *IFRSs* on equity, income and comprehensive income mentioned in note 8 (*"The Financial Effect of IFRSs Adoption")*. Except as mentioned above, the unaudited condensed interim consolidated financial statements do not include all the notes usually enclosed with the consolidated annual financial statements Accordingly, these condensed interim consolidated financial statements shall be read in conjunction with the consolidated annual financial statements of 2016 , which were prepared in conformity with the accounting standards generally accepted in Saudi Arabia.

B -Basis of consolidation

The unaudited condensed interim consolidated financial statements are comprised of the financial statements of the Company and its subsidiaries. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investees and has the ability to affect those returns through its power over the investees. Specifically, the Company controls an investee, if and only if, the Company has all of the following:

1) Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee.
2) Exposure or rights to variable returns from its involvement with the investee, and
3) The ability to exercise its power over the investee to influence its returns.

Generally, there is an assumption that the majority of voting rights result in control, In support of this assumption, when the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee.
- Rights arising from other contractual arrangements which grants the parent company the ability to direct the relevant activities.
- The Company's voting rights and any potential voting rights.

The Company re-assesses whether it has control over an investee, if the facts and circumstances indicate any changes in one or more of the three control elements. The consolidation of the subsidiary begins from the date when the Company obtains control over the subsidiary and ceases when the Company loses its control over the subsidiary.

The assets, liabilities, revenues and expenses of a subsidiary acquired during the year are recognized in the consolidated financial statements from the date the Company obtains control until such control ceases to exist. Gains or losses and each of the other comprehensive income items are attributed to the shareholders of the parent company and the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of the subsidiaries to make their accounting policies consistent with the Company's accounting policies. All assets, liabilities equity, revenues, expenses and cash flows related to intra-company transactions are entirely eliminated upon consolidation of the financial statements.

Changes in Company's ownership interests in any subsidiary that do not result in loss of control are treated as equity transactions; If the Company lost control over a subsidiary, it would derecognize the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in the statement of income. Any investment retained is recognized at fair value.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Below is a brief description of each of the subsidiaries which were consolidated in the the unaudited condensed interim consolidated financial statements as at 31 March 2017:

Haley Holding Company:
A limited liability company that operates under commercial registration number 1010314228 issued in Riyadh city on 9 Ramadan 1432H (corresponding to 9 August 2011). The main activities of the company are investment in other companies to obtain control over them, wholesale and retail trading of food products, wheat, rice, meat, fish, home products, computer services (application systems and data bases), import and export services, marketing, maintenance of training and entertaining centers and catering.

Universal Marketing Centre Company:
A limited liability company that operates under commercial registration number 1010314201 issued in Riyadh city on 9 Ramadan 1432H (corresponding to 9 August 2011). The main activities of the company are investment in other companies to obtain control over them, wholesale and retail trading of food products, wheat, rice, meat, fish, home products, computer services (application systems and data bases), import and export services, marketing, . Maintenance of training and entertaining centers and catering.

Seven Services Company:
A limited liability company that operates under commercial registration number 1010320848 issued in Riyadh on 2 Muharram 1433H (corresponding to 27 November 2011). The main activities of the company are importing, exporting, wholesale and retail trading of ready-made clothes, sport clothes, jewelry, sewing tools, bags, leather products, decorations, dropped ceilings, vehicles spare parts, agricultural produce, in addition to providing importing and exporting services on behalf of others, establishing agriculture projects and operating and managing bakeries and cafes.

Bayt Al Watan Company:
A limited liability company that operates under commercial registration number 1010320847 issued in Riyadh on 2 Muharram 1433H (corresponding to 27 November 2011). The main activities of the company are importing, exporting, and retail and whole sales trading of fruits and vegetables, fish, dairy products, ghee, olive, halawa, pasta, soft drinks, in addition to providing importing, exporting and marketing services for others, maintenance of training, entertainment and sports, general contracting , construction, maintenance, demolition and restoration and electrical and electronic work.

Marafeq Al Tashgheel Company:
A limited liability company that operates under commercial registration number 1010321917 issued in Riyadh on 15 Muharram 1433H (corresponding to 10 December 2011). The main activities of the company are contracting of buildings, and construction, demolition and restoration of highways, roads, streets and bridges and reinforcing and carpentry.

Al Othaim Markets - Egypt:
A Joint stock company that operates under commercial registration number 55010 issued in Egypt on 20 Thu Al-Hijjah 1432H (corresponding to 16 November 2011). The main activities of the company are wholesale and retail trading and general trade.

Thamarat Al Qassim Company:
A limited liability company that operates under commercial registration number 1010378315 issued in Riyadh on 30 Rajab 1434H (corresponding to 9 June 2013). The main activities of the company agriculture, fodder, livestock and poultry breeding, in addition to import and export and marketing ; and acquisition of lands to construct buildings thereon and invest them by sale or lease out and utilizing properties for the interest of the Company.

Mu'een Recruitment Company:
A closed joint stock company that operates under commercial registration number 1010435202 issued in Riyadh on 6 Ramadan 1436H (corresponding to 23 June 2015). The main activities of the company providing labor services regarding house workers and workers for both public and private sectors under an authorization from the Ministry of Labor No, UMM 24 issued on 23 Thul Hijja 1436H corresponding to 16 October 2015.

Shurofat Al Jazeerah Company:
A limited liability company that operates under commercial registration number 1010228732 issued in Riyadh on 2 Safar 1428H (corresponding to 19 November 2007). The main activities of the company are general contracting and operating commercial complexes.

4- IFRSS APPLIED BY THE COMPANY

The opening statement of financial position as at 1 January 2016 and the accompanying unaudited condensed interim consolidated financial statements as at 30 June 2017 were prepared in accordance with the accounting policies which the company expects to apply to the annual consolidated financial statements as at 31 December 2017 "Accounting Policies", Specifically, the Company adopted IFRSs approved by *SOCPA* and effective as of 31/12/2017. Furthermore, the Company early adopted certain issued standards and amendments that are expected to be approved by *SOCPA* at that date, including:

- *IFRS 9 Financial Instruments*
- Amendment to IAS 1 *Presentation of Financial Statements*
- Amendments to IAS 16 *Property, Plant and Equipment*
- The annual improvement s to *IFRS* 2012-2014 cycle which includes amendments to IFRS 5 and IFRS 7 and IAS 19 and IAS 34.

Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, in the prevailing market conditions (such as the current price), whether the price is directly observable or estimated using another valuation technique. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability,

The principal market or most advantageous market should be accessible by the Company.

The fair value of an asset or a liability is measured by using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Certain assets and liabilities are required to be measured at fair value and the fair value in certain circumstances are required to be disclosed in the consolidated financial statements. Assets and liabilities are classified in the fair value hierarchy below based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted market price (unadjusted) in an active market for an identical asset or liability.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs that are unobservable for the asset or liability.

5- THE NEW AND AMENDED IFRSS THAT ARE TO BE ISSUED AND NOT APPLICABLE YET

The Company has not early adopted some of the new and amended standards and interpretations that were issued but not yet applicable as explained in note 26.

6- CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the unaudited condensed interim consolidated financial statements in conformity with the accounting policies applied requires the use of critical judgment and estimates and assumptions that affect the reported amounts of income, expenses, assets, liabilities and the notes besides the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities that may be affected in the future.

The key assumptions concerning the future and other key sources of uncertainty estimation at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. In making its assumptions and estimates, the Company relies on standards available when preparing the condensed interim financial statements. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company, Such changes are stated when they occur.

a. **Summary of Significant Adopted Accounting Policies**:

- **Useful lives of property, plant and equipment**
- The useful lives of property, plant and equipment are estimated by the group for the purposes of accounting for depreciation based on the expected use of those assets. Management reviews the residual value and useful lives annually. Future depreciation charges would be adjusted where management believes the useful lives differ from previous estimates.

- **Useful lives of intangible assets**
- Intangible assets represent costs incurred to obtain the right of use to properties leased from the principal tenant (key money). These assets are amortized over the respective term of the lease contract.
- **Useful lives of biological assets**
- Biological assets are the sheep and cows used to be owned by the subsidiary, Thamarat Al Qassim Company. Prior to their disposal, biological assets were depreciated on a straight-line basis over their estimated useful lives of 5 years.
- **Impairment of receivables**
- Management makes a provision for impairment of receivables based on the simplified approach to providing for expected credit losses prescribed by IFRSs.

- **Provision for obsolete and slow moving inventory**
- Management estimates a provision to reduce the inventory value to its net realizable value, if the inventory cost is not recoverable , the inventory was damaged or became obsolete in whole or in part, if the selling price is lower than the cost, or if there are any factors that cause a decrease in the recoverable amount below the carrying value.
- **Selling Incentives**
  The liability of the variable consideration of the sale incentives in accordance with the loyalty program (*Iktissab*) is estimated based on customary practices and the Company's previous experience. This liability is reviewed when preparing the financial reports to reflect the potential value of the Company's liability toward the customers.
- **Recoverability**
  Management estimates the recoverable value of assets to determine, if they are impaired.
- **Obligation for employees end of service benefits**
  The employees' end-of-service benefits obligation is determined according to a defined unfunded benefit plan and measured using actuarial evaluation Actuarial evaluation includes many assumptions that may differ from the actual future developments. These assumptions include the determination of the discount rate and future salary increases and turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. Thus, all assumptions are reviewed once a year or more often, as deemed necessary.

b. Going concern
The Company has no doubts regarding its ability to continue its operations. Accordingly, these unaudited condensed interim consolidated financial statements have been prepared on a going concern basis.

7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:
These unaudited condensed interim consolidated financial statements have been prepared under the historical cost convention and the accrual basis of accounting, unless otherwise stated.

The accounting policies used in the preparation of these unaudited condensed interim consolidated financial statements are consistent with those expected to be used as at 31 December 2017, and they are the same accounting policies used in preparing the opening statement of financial position as at 1 January 2016 and the consolidated financial statements for the year ended 31 December 2016. Following are the key accounting policies used by the company in preparing these unaudited condensed interim consolidated financial statements:

Financial assets and liabilities:
Financial assets and liabilities are recognized on the Company's consolidated statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instruments. Regular way purchases or sales are recognized or de-recognized on the trade date, i.e., the date that the Company commits to purchase or sell.

Financial assets:
When the Company acquires a financial asset, the financial asset is classified at amortized cost or at fair value through other comprehensive income or at fair value through income based on (a) the Company's business model for managing financial assets, and (b) the contractual cash flow characteristics of the financial asset.

Initial measurement of the financial asset :
Subsequent measurement of the financial asset:
Financial asset is measured at initial recognition at fair value plus any transaction costs, except for financial assets at fair value through income which are measured at fair value, (without adding the transaction costs).

After initial recognition, the Company subsequently measures the financial assets based on the category under which the financial asset is classified:

- At amortized cost if the Company's objective is to hold a group of financial debt instruments to collect the contractual cash flows at defined dates that are solely payments of principal and interest on the principal amount outstanding.
- At fair value through the statement of other comprehensive income if the Company's objective is to hold a group of financial debit instruments to collect the contractual cash flows at defined dates and sell the financial asset; and result in contractual cash flows on defined dates that are solely payments of principal and interest on the principal amount outstanding.
- At fair value through other comprehensive income, if the Company uses this measurement option that is available in the *IFRS* 9, Financial instruments
- At fair value through the income statement, unless measured at amortized cost or at fair value through the statement of other comprehensive income

Financial assets are measured at amortized cost using the effective interest rate. Disposal gains and losses are recognized in the income statement when derecognizing the financial asset. As for the financial assets measured at fair value, they are measured at fair value while presenting the valuation differences through the statement of income, except for the financial assets which the Company chooses to measure at fair value at the initial recognition through the statement of other comprehensive income, in this case, the valuation differences presented in the statement of other comprehensive income. Further, the dividends realized from such assets are recognized through the statement of income.

De-recognition of financial assets:

- The financial asset is de-recognized when -and only when-:The contractual rights to receive cash flows from the financial asset expire, or
- The Group transfers the contractual rights to receive the cash flows of the financial asset and transfers substantially all the risks and rewards of ownership of the financial asset, or
- The Group retains the contractual rights to receive cash flows from the financial asset but assume a contractual obligation to pay the cash flows to one or more recipients and transfer substantially all the risks and rewards of ownership of the financial asset, or
- The Group transfers the contractual rights to receive the cash flows from the financial asset but neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and the Group surrendered control over the financial asset, or it retained the contractual rights to receive the cash flows from the financial asset but assumed a contractual obligation to pay the cash flows to one or more recipients without transferring substantially all the risks and rewards of ownership of the financial asset, and the Group passed control over the financial asset.

When de-recognizing a financial asset in its entirety, the difference between the carrying amount (measured at the date of de-recognition) and the consideration received (including any new asset acquired less any new liability assumed) is recognized in the statement of income.

B- Financial liabilities:

The Company classifies all its financial liabilities to be measured -subsequently- at amortized cost.

De-recognition of financial liabilities:

A financial liability (or a part of a financial liability) can only be removed from the statement of financial position when it is extinguished, that is when the obligation specified in the contract is either discharged, cancelled or expires.

C- Reclassification of financial assets and liabilities:

When the Company reclassifies a financial asset, it applies the reclassification prospectively from the date of the reclassification. The previously recognized gains, losses (including impairment losses and gains) or interests are not adjusted. Furthermore, reclassification of financial liabilities from one category to the other is not permitted.

D- Impairment :
For financial assets at amortized cost or financial assets at fair value through other comprehensive income, credit losses are measured over the next twelve months or over the whole life of the financial asset. The provision for losses is recognized in the statement of income.

Trade receivables:
Trade receivables represent the amounts due from customers for goods sold or services performed in the Group's normal course of business. Trade receivables are initially recognized at fair value represented by the exchange consideration . Subsequent to initial recognition, they are measured at amortized cost.

Cash and cash equivalents:
For purposes of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, demand deposits and cash at banks.

Property, plant and equipment:
A- Recognition and measurement:
- Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.
- Cost includes expenditure that is directly attributable to the acquisition of property, plant and equipment.
- When the useful lives of property, plant and equipment items are different, they are accounted for as separate items.
- Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of such items and are recognized net in the consolidated statement of income.

B- Subsequent costs:
- The cost of the replaced part for an item of property, plant and equipment is recorded in the value reported for that item when it is probable that future economic benefits will flow from that part to the Company and the cost of the item can be measured reliably. The value reported for the old replaced part is written off.
- Daily costs and expenses incurred by the Company for maintaining and operating the property, plant and equipment are charged to the consolidated statement of income when incurred.

C- Depreciation:
Depreciation charge is recognized in the consolidated statement of income using the straight-line method over the estimated useful life of each item of properties, plant and equipment, except for land. Assets constructed on leased lands are depreciated over the lower of lease term, or over their respective useful lives. The depreciation of properties, plant and equipment starts when they are available for use as intended by the management.

The estimated useful lives of property, plant and equipment and the useful lives during the current year are the same for the previous year as follows:

Item	Useful lives (year)
Machinery and equipment	10
Buildings	20-25
Motor vehicles	5-7
Computers	5-7
Furniture and fixtures	7
Leasehold improvements	10

The Company reviews the useful lives and residual values to all items of property, plant and equipment at the end of each financial year and adjust them as necessary.

D- Capital work-in- progress:
Capital work-in progress are stated at cost and include the cost of construction, equipment and direct expenses. These are not depreciated until they become ready for their intended use by the Company where they are transferred to property, plant and equipment.

Investment properties:
The Company classifies an asset as an investment property if the purpose of holding it is to (a) earn rental income, or (b) increase the share capital or (c) both, At initial recognition, investment property is stated at cost, including expenditure that is directly attributable to the acquisition of investment properties, Upon subsequent measurement, the Company uses the cost module where the accumulative depreciation and accumulative impairment losses are deducted, and their fair value is disclosed as required by the *IFRS* at the date of preparing the consolidated financial statements.
The Company uses the straight-line method to depreciate investment properties over the estimated life of each of the investment property items. Assets built on leased lands are depreciated over the lower of the lease term or their respective useful lives. Depreciation charge is recorded in the consolidated statement of income.
Biological assets:
Biological assets represent sheep and cows owned by the Company before their disposal in 2016. At their initial recognition, they were measured at cost less any accumulated depreciation or accumulated impairment losses due to the lack of quoted market prices. Once the fair value of biological assets can be reliably measured, they are measured at fair value less sale cost. Biological assets are stated at the financial reporting date at cost of purchase or growing till the first production less accumulated depreciation.
Biological assets were depreciated, prior to their disposal, on a straight-line basis over their estimated useful lives of 5 years.
Non-financial assets:
The carrying amount of non-financial assets of the Company is reviewed at the end of each fiscal year to determine whether or not there is an indication of impairment. If such an indication exists, the recoverable amount of these assets is estimated. If the carrying amount of the assets exceeds their recoverable amount, the impairment loss for these assets is recognized in the consolidated statement of income.
The recoverable amount of an asset is :The higher of its fair value less the costs of disposal and its value in use.
Value in use is: the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

In cases where the recoverable amount of the asset cannot be estimated, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where an impairment loss is reversed when there are indications for such, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the asset or cash-generating unit in prior periods. A reversal of an impairment loss is immediately recognized as income in the consolidated statement of income.

Intangible assets:
Acquired intangible assets are measured at cost separately at the date of initial recognition. The cost of Intangible assets acquired in a business combination are recognized at fair value at the acquisition date. Subsequent to initial recognition, intangible assets are stated at cost Items less accumulated amortization and accumulated impairment losses, if any. Internally generated Intangible assets, except for capitalized development costs, are not capitalized. Expenses are recognized in the consolidated statement of income when incurred, and the estimated useful lives of the intangible assets are estimated to be finite or infinite.

Intangible assets with definite lives are amortized over the useful life. The Company conducts the needed tests to assess for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method for the intangible assets with finite useful lives are reviewed at the end of each financial period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are accounted for by changing the amortization period or method and are treated as changes in accounting estimates. The amortization expenses for intangible assets with finite lives are recognized in the consolidated statement of income under an expenses category that match the intangible assets function.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the Cash-Generating Unit level. The valuation of infinite lives is reviewed each year to determine whether the infinite lives are still probable. If not, the infinite useful life is changed to finite prospectively.

Profit or loss resulting from the de-recognition of intangible assets are measured by the difference between the net proceeds of disposal and the asset's carrying amount, and they are included in the consolidated statement of income, upon de-recognition of the asset.
Intangible assets are the costs incurred to acquire the utilization rights of property site of markets leased from the original tenant (key money) which are amortized over the leases period, After the initial recognition, they are measured at cost less accumulated amortization and accumulated impairment losses.
Amortization is charged to the consolidated income statement on n a straight-line basis over the useful life of each item of the intangible assets.

Investments in associates:
- An associate is an entity over which the Company exercises significant influence, as an investor.
- When an entity holds- directly or indirectly- 20% or more of the voting right in the investee, the Company is assumed to have a significant influence unless there is clear evidence that this is not the case.
- The significant influence is the ability to participate in financial and operational policies of the investee and not control or joint control over those policies.
- The Company’s investments in its associates are accounted for using the equity method.
- At initial recognition, the investment in an associate is recognized at cost, and the carrying amount is increased or decreased to recognize the investor’s share of the profit or loss of the investee after the date of acquisition. The investor's share in the investee’s profit or loss is recognized in the Company’s statement of income. Dividends received from the investee decreases the carrying amount of the investment. Other comprehensive income of the Company includes its share of the investee's other comprehensive income.
- The Company’s share of income of an associate is stated in the consolidated statement of income outside operating profit and represents the established share of profit or loss after tax (zakat) and equity of other owners in the associate.
- The financial statements of the associate are prepared for the same financial period as that of the Company, using consistent accounting policies.

After applying the equity method, the Company determines whether it is necessary to recognize any additional impairment loss with respect to its investment in an associate. The Company determines at the end of each fiscal year whether there is an objective evidence of impairment of the investment in an associate. If there is an evidence on impairment, the Company calculates the impairment as the difference between the associate's recoverable amount and its carrying amount. The loss is recognized in the consolidated statement of income. When losing the significant influence over an associate, the Company measures and recognizes the return on investment at fair value. Any differences between the carrying amount of the investment and the fair value are recorded in the consolidated statement of income.

Revenue recognition:

A. Sale revenue recognition:
Revenues are realized when it is likely that economic benefits will flow to the Company. Revenue is measured at the fair value of the consideration received or receivable in the normal course of business.

B. Incentives and other benefits from suppliers:
- The opening fee income which are agreed with the suppliers are recognized upon the branch opening and are deducted from the sold goods cost.
- Incentives and earned benefits from suppliers are recognized on accrual basis as per the contracts signed with the suppliers. For the purposes of presentation, the incentives and earned benefits are deducted from the sold goods cost.

C. Other income:
- Rental income is recognized on an accrual basis in accordance with the leases terms.

- Dividends income are recognized when approved by the General Assemblies of the investees in the consolidated statement of income.
- Other revenues are recognized according to accrual principle and when the conditions to earn such revenues are fulfilled in accordance with the *IFRS*s.

D. Customer loyalty program (*Iktissab*):

The Company defers recognition of variable consideration of incentives arising from the Customer Loyalty Program (*Iktissab*) where the Company estimates this consideration based on usual practice and previous experience of the Company, Then, the consideration is recognized as a liability till it is utilized by the customer. The sale revenue is reduced by the amount of this liability being recognized as a deferred income. Subsequently, this liability is transferred to the income upon utilization or when the right to utilize expires. Meanwhile, the cost of revenue is recognized and represented by the cost of goods delivered to the customer.

Inventory and spare part:

A. Inventories:

Inventory is stated at the lower of cost or net realizable value. The cost is determined by using the weighted average costing method. Inventory cost consists of costs incurred to get the inventories to the warehouses. Net realizable value is the estimated selling price in the ordinary course of business, less the expected costs of sale.

B. Agricultural stock :

The agricultural stock is measured at fair value less any sale costs at the harvest point. Current purchase prices from major suppliers of similar products are used as a guidance for the fair value.

C. Spare parts inventory :

Spare parts are charged to property, plant and equipment when they meet the definition and conditions for such classification. Otherwise, they are classified as inventory.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuous use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell and depreciation is ceased.

Provisions:

Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event at the date of the financial position statement, and these obligations are likely to require an outflow of economic benefits and can be measured reliably. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks associated with the liability.

Employees' end-of-service benefits obligation

Obligations for employees' end-of-service benefits is a compensation plan paid for employees at the end of their services. As per the Saudi Labor Law, the Group pays employees cash when their service ends based on the period of service, salary and reason for terminating the service.

Obligations recognized in the statement of financial position regarding the end-of-service benefits represent the current value of the defined benefits obligations at the end of the reporting period. The end-of-service benefits obligation is calculated by the management on annual basis using the expected credit unit method.

The cost of the current services of the defined benefits plan is recognized in the consolidated statement of income under employees' benefits cost. This cost reflects the increase in the defined benefits obligation resulting from the employee's service in the current year plus changes, reduction and settlement of benefits.
Past-service costs are recognized immediately in the consolidated statement of income.

The present value of the defined benefits obligations is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related benefit obligations.

Where there is no deep market in such bonds, the market rates on government bonds are used. Actuarial gains and losses arising from previous changes in actuarial assumptions are charged or credited to equity in other comprehensive income statement in the period in which they arise.

Long-term borrowings:

A loan is recognized at net received amount and interests are recognized using the effective interest method. Interests on long term loans are recorded during the period in which they were incurred. As for interest of long-term loans to finance capital works, they are capitalized and considered part of these works cost.

Borrowing costs:

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as a part of the asset cost. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Other borrowing costs are expensed in the consolidated statement of income in the period in which they are incurred by the Company.

Accounts payable and accruals:

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether demanded by the supplier or not.

Foreign currency transactions:

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the financial period are translated into Saudi Riyals using the exchange rates prevailing at that date. As for non-monetary item in foreign currencies recorded at fair value, they are retranslated according the exchange rate prevailing at the date of determining its fair value. Non-monetary items in quoted currencies at historical cost are not retranslated.

Translation differences on settlement of non-monetary items and retranslation of, monetary items are included in the consolidated statement of income for that period. Translation differences resulting from non-monetary items like equity classified as financial assets through comprehensive income are recognized under cumulative changes in fair value in the other comprehensive income.

Assets and liabilities of foreign subsidiaries are translated into Saudi Riyals using the exchange rates prevailing at the date of the financial statements. Income and expenses are translated for each of the statement of income and the statement of other comprehensive income using the exchange rates prevailing at the transactions dates. The translation differences are recognized in the statement of other comprehensive income. These differences are recognized in the consolidated statement of income during the period at which foreign operations are disposed of. Goodwill and change in fair value resulting from acquisitions of foreign companies are treated as foreign companies' assets and liabilities and translated using the exchange rate prevailing at the financial reporting date.

Leases accounting

A. The Company as lessee

Rental payments are recognized in accordance with operational leases in the consolidated income statement except for service costs, like insurance and maintenance, as expenses using the straight-line basis over the lease period. Returns received or due as incentives for entering an operational lease contract are allocated on a straight-line basis over the term of the lease, unless there is another systematic basis that better reflect the time pattern of the lease benefit. Services like insurance and maintenance are recognized in the income statement when incurred.

B. The Company as a lessor:

Rental income from operating leases is recognized in the consolidated statement of income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Segments Information:

A business segment consists of assets and operations providing goods or services that are exposed to risks and returns different from those of other business segments which are measured according to the reports used by the management. A geographic segment relates to providing goods or services within an economic environment exposed to risks and returns different from those of other segments working in other economic environments.

Offset:

Financial assets and liabilities are offset and reported net in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and when the Company either(i) intends to settle on a net basis, the assets and liabilities; or (ii) to realize the asset and to settle the liability simultaneously.

Zakat and taxes:

The Company is subject to the regulations of the General Authority of Zakat and Income Tax (“GAZIT”) in the Kingdom of Saudi Arabia. As for subsidiaries outside the KSA, they are subject to the laws of countries they are registered in, Zakat is recognized according to the accrual basis. The zakat provision is calculated according to the zakat base. Any differences between the provision and the final assessment are recorded when realized and recognized at the time.

8- THE FINANCIAL EFFECT OF FIRST-TIME ADOPTION OF *IFRS*s

IFRS 1 ***First-time Adoption of International Financial Reporting Standards*** applicable in Saudi Arabia, requires the Company to prepare an opening financial position as at 1 January 2016, after making the necessary adjustments to convert from Saudi generally accepted accounting standards to *IFRSs*.

IFRS 1 requires disclosing the effect of the adjustments, including re-measurement or reclassification adjustments, made to the statements of financial position, income and other comprehensive income due to the changeover from generally accepted accounting standards in Saudi Arabia to *IFRSs*. These adjustments include reconciliations of equity as at 1 January 2016, 30 June 2016 and 31 December 2016 as well as adjustments to the comprehensive income for the three-month and nine-month periods ended 30 September 2016 and the year ended 31 December 2016, as shown below:

(All amounts are presented in Saudi riyals, unless otherwise indicated)

8) The financial effect of first-time adoption of *IFRS*s (*Continued*):

8a-1 Reconciliation of consolidated equity reported in accordance with previous *GAAP* (SOCPA) to consolidated equity in accordance with *IFRS*s as at 01 January 2016 (date of transition to *IFRSs*)

	Notes	*SOCPA*	Effect of transition to *IFRS*s	*IFRS*s
ASSETS				
Non-current assets				
Property, plant and equipment, net	8 b-1	1,226,961,725	(235,248,635)	991,713,090
Investment properties, net	8 b-1	467,994,270	169,514,437	637,508,707
Intangible assets, net	8 b-1	11,359,330	(50,095)	11,309,235
Biological assets, net		796,900	-	796,900
Investments in associates	8 b-1	169,644,532	43,317,476	212,962,008
Financial assets at fair value through other comprehensive income		16,645,447	-	16,645,447
Total non-current assets		**1,893,402,204**	**(22,466,817)**	**1,870,935,387**
Current assets				
Inventories, net	8 b-2	603,995,906	(35,338,756)	568,657,150
Prepayments and other receivables, net	8 b-2	239,154,945	(23,967,320)	215,187,625
Trade receivables, net	8 b-2	28,194,856	(18,476,307)	9,718,549
Cash and cash equivalents	8 b-2	329,426,125	(5,569,834)	323,856,291
Total current assets		**1,200,771,832**	**(83,352,217)**	**1,117,419,615**
TOTAL ASSETS		**3,094,174,036**	**(105,819,034)**	**2,988,355,002**
LIABILITIES AND EQUITY				
Equity				
Share capital		450,000,000	-	450,000,000
Statutory reserve		44,565,425	-	44,565,425
Retained earnings	8 b-3	610,213,817	(4,264,836)	605,948,981
Other reserves		717,505	-	717,505
Fair value reserve		(860,639)	-	(860,639)
Equity attributable to shareholders of the parent		**1,104,636,108**	**(4,264,836)**	**1,100,371,272**
Non-controlling interests	8 b-4	**68,116,120**	**(35,441,571)**	**32,674,549**
Total equity		**1,172,752,228**	**(39,706,407)**	**1,133,045,821**
Non-current liabilities				
Long term loans and murabahas		399,500,000	-	399,500,000
Obligation for employees' end-of-service benefits	8 b-5	69,944,667	(487,006)	69,457,661
Total non-current liabilities		**469,444,667**	**(487,006)**	**468,957,661**
Current liabilities				
Trade payables	8 b-6	927,325,129	(17,477,210)	909,847,919
Short term murabahas		20,061,386	-	20,061,386
Current portion of long term loans and murabahas		192,213,333	-	192,213,333
Notes payable	8 b-6	31,240,285	(31,240,285)	-
Accruals and other payables	8 b-6	271,338,511	(16,084,514)	255,253,997
Zakat provisions	8 b-6	9,798,497	(823,612)	8,974,885
Total current liabilities		**1,451,977,141**	**(65,625,621)**	**1,386,351,520**
TOTAL LIABILITIES		**1,921,421,808**	**(66,112,627)**	**1,855,309,181**
TOTAL LIABILITIES AND EQUITY		**3,094,174,036**	**(105,819,034)**	**2,988,355,002**

(All amounts are presented in Saudi riyals, unless otherwise indicated)

8) The financial effect of first-time adoption of *IFRS*s (*Continued*):

8a-2 Reconciliation of consolidated equity reported in accordance with previous *GAAP* (SOCPA) to consolidated equity in accordance with *IFRS*s as at 30 September 2016:

	Notes	*SOCPA*	Effect of transition to *IFRS*s	*IFRS*s
ASSETS				
Non-current assets				
Property, plant and equipment, net	8 b-1	1,491,229,074	(263,329,177)	1,227,899,897
Investment properties, net	8 b-1	478,237,672	196,404,851	674,642,523
Intangible assets, net	8 b-1	10,112,735	(117,595)	9,995,140
Biological assets, net		1,396,629	-	1,396,629
Investments in associates	8 b-1	194,735,968	34,019,285	228,755,253
Financial assets at fair value through other comprehensive income		13,671,445	-	13,671,445
Total non-current assets		**2,189,383,523**	**(33,022,636)**	**2,156,360,887**
Current assets				
Inventories, net	8 b-2	664,614,882	(30,971,957)	633,642,925
Prepayments and other receivables, net	8 b-2	208,223,037	(21,560,568)	186,662,469
Trade receivables, net	8 b-2	30,985,636	(17,840,430)	13,145,206
Cash and cash equivalents	8 b-2	246,640,792	(9,483,983)	237,156,809
Total current assets		**1,150,464,347**	**(79,856,938)**	**1,070,607,409**
TOTAL ASSETS		**3,339,847,870**	**(112,879,574)**	**3,226,968,296**
LIABILITIES AND EQUITY				
Equity				
Share capital		450,000,000	-	450,000,000
Statutory reserve		44,565,425	-	44,565,425
Retained earnings	8 b-3	654,165,743	(5,640,865)	648,524,878
Fair value reserve		(3,834,641)	-	(3,834,641)
Equity attributable to shareholders of the parent		**1,144,896,527**	**(5,640,865)**	**1,139,255,662**
Non – controlling interests	8b-4	**58,559,732**	**(27,833,961)**	**30,725,771**
Total equity		**1,203,456,259**	**(33,474,826)**	**1,169,981,433**
Non-current liabilities				
Long term loans and murabahas		285,340,003	-	285,340,003
Obligation for employees' end-of-service benefits	8b-5	78,884,598	820,957	79,705,555
Total non-current liabilities		**364,224,601**	**820,957**	**365,045,558**
Current liabilities				
Trade payables	8b-6	985,264,659	(60,648,176)	924,616,483
Short term murabahas		266,721,272	-	266,721,272
Current portion of long term loans and murabahas		162,213,332	-	162,213,332
Accruals and other payables	8b-6	347,345,232	(18,170,714)	329,174,518
Zakat provision	8b-6	10,622,515	(1,406,815)	9,215,700
Total current liabilities		**1,772,167,010**	**(80,225,705)**	**1,691,941,305**
TOTAL LIABILITIES		**2,136,391,611**	**(79,404,748)**	**2,056,986,863**
TOTAL LIABILITIES AND EQUITY		**3,339,847,870**	**(112,879,574)**	**3,226,968,296**

(All amounts are presented in Saudi riyals, unless otherwise indicated)

8) The financial effect of first-time adoption of *IFRS*s (*Continued*):

8a-3 Reconciliation of consolidated equity reported in accordance with previous *GAAP* (SOCPA) to condolidated equity in accordance with *IFRS*s as at 31 December 2016

	Notes	*SOCPA*	Effect of transition to *IFRS*s	*IFRS*s
ASSETS				
Non-current assets				
Property, plant and equipment, net	8b-1	1,338,430,712	(68,199,681)	1,270,231,031
Investment properties, net	8b-1	674,374,417	1,621,944	675,996,361
Intangible assets, net		9,511,008	-	9,511,008
Investments in associates	8b-1	172,533,520	32,880,422	205,413,942
Financial assets at fair value through other comprehensive income		14,991,495	-	14,991,495
Total non-current assets		**2,209,841,152**	**(33,697,315)**	**2,176,143,837**
Current assets				
Inventories, net	8b-2	680,512,374	(33,946,716)	646,565,658
Prepayments and other receivables, net	8b-2	176,040,645	(3,218,282)	172,822,363
Trade receivables, net	8b-2	36,423,363	(26,944,085)	9,479,278
Held-for-trading investments at fair value through profit and loss		61,649,646	-	61,649,646
Cash and cash equivalents	8b-2	313,915,486	(1,471,647)	312,443,839
Total current assets		**1,268,541,514**	**(65,580,730)**	**1,202,960,784**
TOTAL ASSETS		**3,478,382,666**	**(99,278,045)**	**3,379,104,621**
LIABILITIES AND EQUITY				
Equity				
Share capital	8b-3	450,000,000	-	450,000,000
Statutory reserve		67,568,635	-	67,568,635
Retained earnings		727,242,713	(6,223,207)	721,019,506
Fair value reserve		(2,514,591)	-	(2,514,591)
Exchange differences from translation of foreign operations		(4,002,834)	-	(4,002,834)
Company's share of associates' other comprehensive income		1,281,853	-	1,281,853
Equity attributable to shareholders of the parent		**1,239,575,776**	**(6,223,207)**	**1,233,352,569**
Non – controlling interests	8b-4	**57,992,785**	**(26,902,161)**	**31,090,624**
Total equity		**1,297,568,561**	**(33,125,368)**	**1,264,443,193**
Non-current liabilities				
Long term loans and murabahas		412,286,670	-	412,286,670
Obligation for employees' end-of-service benefits	8b-5	82,677,996	674,621	83,352,617
Total non-current liabilities		**494,964,666**	**674,621**	**495,639,287**
Current liabilities				
Trade payables	8b-6	1,099,665,073	(22,169,677)	1,077,495,396
Current portion of long term loans and murabahas		187,213,333	-	187,213,333
Notes Payable	8b- 6	29,109,363	(29,109,363)	-
Accruals and other payables	8b- 6	355,304,575	(14,979,371)	340,325,204
Zakat provision	8b- 6	14,557,095	(568,887)	13,988,208
Total current liabilities		**1,685,849,439**	**(66,827,298)**	**1,619,022,141**
TOTAL LIABILITIES		**2,180,814,105**	**(66,152,677)**	**2,114,661,428**
TOTAL LIABILITIES AND EQUITY		**3,478,382,666**	**(99,278,045)**	**3,379,104,621**

(All amounts are presented in Saudi riyals, unless otherwise indicated)

8) The financial effect of first-time adoption of *IFRSs* (*Continued*):

8a-4 Reconciliation of interim consolidated income for the three-month and nine-month periods period ended 30/09/2016 and the year ended 31/12/2016

		for the three-month period ended 30/09/2016			for the nine-month period ended 30/09/2016			for the the year ended 31/12/2016		
	Notes	*SOCPA*	Effect of transition to *IFRSs*	*IFRSs*	*SOCPA*	Effect of transition to *IFRSs*	*IFRSs*	*SOCPA*	Effect of transition to *IFRSs*	*IFRSs*
Sales	8b-7	1,583,283,001	(13,710,256)	1,569,572,745	5,243,494,432	(91,539,101)	5,151,955,331	7,171,729,236	(106,277,208)	7,065,452,028
Cost of sales	8b-8	(1,300,215,013)	2,271,942	(1,297,943,071)	(4,344,379,380)	41,837,733	(4,302,541,647)	(5,900,068,018)	46,691,214	(5,853,376,804)
Gross profit		**283,067,988**	**(11,438,314)**	**271,629,674**	**899,115,052**	**(49,701,368)**	**849,413,684**	**1,271,661,218**	**(59,585,994)**	**1,212,075,224**
Rental income, net	8b-9	16,674,735	219,299	16,894,034	48,999,376	(538,075)	48,461,301	68,955,069	(824,048)	68,131,021
Selling and marketing expenses	8b-10	(241,106,568)	9,584,089	(231,522,479)	(727,556,303)	34,590,240	(692,966,063)	(980,111,054)	36,798,906	(943,312,148)
General and administrative expenses	8b-11	(28,818,771)	3,012,433	(25,806,338)	(89,093,673)	10,276,002	(78,817,671)	(125,266,648)	20,280,042	(104,986,606)
Operating profit		**29,817,384**	**1,377,507**	**31,194,891**	**131,464,452**	**(5,373,201)**	**126,091,251**	**235,238,585**	**(3,331,094)**	**231,907,491**
Company's share in income of Associates	8b-12	7,289,071	(1,678,510)	5,610,561	20,176,371	(9,298,191)	10,878,180	25,365,154	(10,437,054)	14,928,100
Dividends from financial assets at fair value through other comprehensive income		345,928	-	345,928	345,928	-	345,928	345,928	-	345,928
Income from held-for trading investments		-	-	-	-	-	-	649,646	-	649,646
Loss on disposal of assets	8b-13	-	-	-	(15,600,826)	15,600,826	-	(20,026,315)	15,600,828	(4,425,487)
Financing charges	8b-14	(4,362,586)	541,212	(3,821,374)	(11,329,772)	1,655,304	(9,674,468)	(17,233,432)	2,221,229	(15,012,203)
Other gains (losses), net	8b-15	1,444,160	1,740,491	3,184,651	3,230,014	2,922,566	6,152,580	1,685,062	2,267,854	3,952,916
Net income before zakat and tax		**34,533,957**	**1,980,700**	**36,514,657**	**128,286,167**	**5,507,304**	**133,793,471**	226,024,628	6,321,763	232,346,391
Zakat and tax	8b-16	(1,225,629)	254,277	(971,352)	(4,140,628)	724,276	(3,416,352)	(8,365,856)	259,275	(8,106,581)
Net income for the period		**33,308,328**	**2,234,977**	**35,543,305**	**124,145,539**	**6,231,580**	**130,377,119**	**217,658,772**	**6,581,038**	**224,239,810**
Net income for the period attributable to:										
Shareholders of the parent		36,643,977	(452,050)	36,191,927	133,951,926	(1,376,029)	132,575,897	230,032,106	(1,958,371)	228,073,735
Non-controlling interests		(3,335,649)	2,687,027	(648,622)	(9,806,387)	7,607,609	(2,198,778)	(12,373,334)	8,539,409	(3,833,925)
		33,308,328	**2,234,977**	**35,543,305**	**124,145,539**	**6,231,580**	**130,377,119**	**217,658,772**	**6,581,038**	**224,239,810**

(All amounts are presented in Saudi riyals, unless otherwise indicated)

8) The financial effect of first-time adoption of *IFRS*s (*Continued*):

8a-5 Reconciliation of interim consolidated comprehensive income reported for the three-month and nine-month periods period ended 30/09/2016 and the year ended 31/12/2016

	for the three-month period ended 30/09/2016			for the nine-month period ended 30/09/2016			for the the year ended 31/12/2016		
	SOCPA	Effect of transition to *IFRS*s	*IFRS*s	*SOCPA*	Effect of transition to *IFRS*s	*IFRS*s	*SOCPA*	Effect of transition to *IFRS*s	*IFRS*s
Net income for the period	**33,308,328**	**2,234,977**	**35,543,305**	**124,145,539**	**6,231,580**	**130,377,119**	**217,658,772**	**6,581,038**	**224,239,810**
Other comprehensive income									
Items not to be reclassified to income in subsequent periods									
changes in fair value of financial assets at fair value through other comprehensive income	-	(2,038,450)	(2,038,450)	-	(2,974,002)	(2,974,002)	-	(1,653,952)	(1,653,952)
Items to be reclassified to income in subsequent periods									
Changes in fair value of hedges				-	(717,505)	(717,505)	-	(717,505)	(717,505)
Company's share of associates' other comprehensive income							-	(4,002,834)	(4,002,834)
Exchange differences on translation of foreign operations	-	-	-				-	1,281,853	1,281,853
Other comprehensive income for the period	**-**	**(2,038,450)**	**(2,038,450)**	**-**	**(3,691,507)**	**(3,691,507)**	**-**	**(5,092,438))**	**(5,092,438))**
Total comprehensive income for the period	**33,308,328**	**196,527**	**33,504,855**	**124,145,539**	**2,540,073**	**126,685,612**	**217,658,772**	**1,488,600**	**219,147,372**

(All amounts are presented in Saudi riyals, unless otherwise indicated)

8) The financial effect of first-time adoption of *IFRS*s (*Continued*):

8a-6 Adjustments on cash flow statements

There are no substantial differences between the presentation of the cash flow statement in accordance with *IFRS*s and *SOCPA*.

8-b The following is a summary of the nature of the adjustments made to the financial statements as of 01/01/2016 (the date of transition) and as of 30/09/2016 and as at 31/12/2016. The amounts for these adjustments show the cumulative effect of the differences between *IFRS*s and the accounting standards generally accepted in Saudi Arabia on those dates:

8b-1 Adjustments to non-current Assets

	1 January 2016	30 September 2016	31 December 2016
- Increase in balances of investments in associates as a result of the exclusion of Riyadh Food Industries from the consolidation process due to lack control,	43,317,476	34,019,285	32,880,422
- (Decrease) in balances of properties, plant and equipment as a result of the exclusion of Riyadh Food Industries from the consolidation process due to lack of control and the recognition of the remaining investment as an investment in an associate	(65,734,198)	(66,924,326)	(66,577,737)
- Reclassification of properties، plant and equipment acquired by the Company for investment or leasing to others under investment properties	(169,514,437)	(196,404,851)	(1,641,463)
- Reclassification of properties، plant and equipment acquired by the Company for investment or leasing to others under investment property	169,514,437	196,404,851	1,641,463
-(Decrease) in balances of intangible assets as a result of excluding Riyadh Food Industries from consolidation due to lack of control and the recognition of the remaining investment as an investment in associate	(50,095)	(117,595)	-
Net adjustments to non-current assets	**(22,466,817)**	**(33,022,636)**	**(33,697,315)**

8b-2 Adjustments of current assets

	1 January 2016	30 September 2016	31 December 2016
- (Decrease) in balances of cash and cash equivalents as a result of the exclusion of Riyadh Food Industries from the consolidation process due to lack of control and the recognition of the investment as an investment in an associate	(5,569,834)	(9,483,983)	(1,471,647)
- (Decrease) in inventory balances as a result of the exclusion of Riyadh Food Industries from consolidation due to lack of control and recognition of the remaining investment as an investment in an associate	(35,338,756)	(30,971,957)	(33,946,716)
- (Decrease) in balances of trade receivables due to exclusion of Riyadh Food Industries from consolidation due to lack of control and the recognition of the remaining investment as an investment in associate	(18,476,307)	(17,840,430)	(26,944,085)
- (Decrease) in balances of prepayments and other receivables due to exclusion of Riyadh Food Industries from consolidation due to lack of control and recognition of the remaining investment as an investment in associate	(23,967,320)	(21,560,568)	(3,218,282)
Net adjustments to current assets	**(83,352,217)**	**(79,856,938)**	**(65,580,730)**

(All amounts are presented in Saudi riyals, unless otherwise indicated)

8) The financial effect of first *IFRS* time adoption (*Continued*):

8b-3 Adjustments to equity attributable to shareholders of the parent

	1 January 2016	30 September 2016	31 December 2016
- Effect of excluding the difference between the value paid and the fair value of the acquired interest in Riyadh Food Industries Company	(950,000)	(950,000)	(950,000)
- (Decrease) in balances of retained earnings as a result of the recognition of the actuarial valuation differences of the employees' end-of-service obligation, Disclosure (8B- 5)	(3,314,836)	(4,690,865)	(5,273,207)
Net adjustments to equity attributable to shareholders of the parent	**(4,264,836)**	**(5,640,865)**	**(6,223,207)**

8b- 4 Adjustments to non-controlling interests

- (Decrease) in non-controlling interests due to the exclusion of Riyadh Food Industries from consolidation due to lack of control and the actuarial recognition of the remaining investment as an investment in an associate.	(35,441,571)	(27,833,961)	(26,902,161)
Net adjustment to non-controlling interests	**(35,441,571)**	**(27,833,961)**	**(26,902,161)**

8b- 5 Adjustments to non-current liabilities

- (Decrease) in balances of the obligation for employees' end-of-service benefits as a result of the exclusion of Riyadh Food Industries from the consolidation process due to lack of control and the recognition of the remaining investment as an investment in an associate.	(3,801,842)	(3,869,908)	(3,892,331)
- Increase in the balance of the obligation for employees end-of-service benefits as a result of the recognition of the actuarial valuation differences of the liability for employees' end-of-service benefits.	3,314,836	4,690,865	5,273,207
- Reclassification of travel tickets provision to current liabilities		-	(706,255)
Net adjustments to non-current liabilities	**(487,006)**	**820,957**	**674,621**

8b- 6 Adjustments to current liabilities

- (Decrease) in balances of trade payables due to the exclusion of Riyadh Food Industries from the consolidation process due to the lack of control and the recognition of the remaining investment as an investment in an associate.	(17,477,210)	(20,855,469)	(22,169,677)
- (Decrease) in balances of accruals and other creditors due to exclusion of Riyadh Food Industries from consolidation due to lack of control and the recognition of the remaining investment as an investment in associate.	(16,084,514)	(18,170,714)	(15,685,626)
- (Decrease) on balances of notes payable due to the exclusion of Riyadh Food Industries from the consolidation process due to lack of control and the recognition of the remaining investment as an investment in an associate.	(31,240,285)	(39,792,707)	(29.109.363)
- (Decrease) in Zakat provision due to the exclusion of Riyad Food Industries from the consolidation process due to lack of control and the recognition of the remaining investment as an investment in an associate.	(823,612)	(1,406,815)	(568,887)
- Reclassification of travel tickets provision from non-current liabilities	-	-	706,255
Net adjustments to current liabilities	**(65,625,621)**	**(80,225,705)**	**(66,827,298)**

8) The financial effect of first-time adoption of *IFRSs* (*Continued*):

(All amounts are presented in Saudi riyals, unless otherwise indicated)

8b-7 Adjustments to net sales

	three-month period ended **30 September 2017**	*nine-month period ended* **30 September 2016**	*Year ended* **31 December 2016**
- (Decrease) in net sales as a result of the exclusion of Riyadh Food Industries from consolidation due to lack of control and the recognition of the remaining investment as investment in associate,	(13,710,256)	(91,539,101)	(106,277,208)
Net Adjustments to net of Sales	**(13,710,256)**	**(91,539,101)**	**(106,277,208)**

8b-8 Adjustments to cost of sales

- (Increase) in cost of sales resulting from adjustments to actuarial valuation of end-of-service obligation	(33,164)	(80,657)	(114,642)
- A decrease in the cost of sales as a result of the exclusion of Riyadh Food Industries from the consolidation process due to lack of control and the recognition of the remaining investment as an investment in an associate	2,305,106	41,918,390	46,805,856
Net adjustments to cost of sales	**2,271,942**	**41,837,733**	**46,691,214**

8b-9 Adjustments on rental income, net

- (Decrease) in rental income resulting from reclassification from marketing expenses to lease expenses	492,821	213,475	245,953
- (Decrease) in rental income arising from changes in actuarial valuation of employees' end-of-service obligation,	(273,522)	(751,550)	(1,070,001)
Net adjustments to rental income, net	**219,299**	**(538,075)**	**(824,048)**

8b-10 Adjustments on selling and marketing expenses

- (Increase) in selling and marketing expenses resulting from actuarial adjustments to end-of-service obligation	(128,427)	(386,812)	(501,589)
- (Increase) in selling and marketing expenses resulting from reclassification of administrative and general expenses to selling and marketing expenses	-	-	(6,750,000)
- A decrease in selling and marketing expenses resulting from reclassification of marketing expenses to rental income, net	(492,821)	(213,475)	(245,953)
- A decrease in selling and marketing expenses as a result of the exclusion of Riyadh Food Industries from the consolidation process due to the absence of control and the recognition of the remaining investment as an investment in an associate	10,205,337	35,190,527	44,296,448
	9,584,089	**34,590,240**	**36,798,906**

(All amounts are presented in Saudi riyals, unless otherwise indicated)

8) The financial effect of first-time adoption of *IFRSs* (*Continued*):

8b-11 Adjustments to administrative and general expenses

	three-month period ended **30 September 2017**	*nine-month period ended* **30 September 2016**	*Year ended* **31 December 2016**
- (Increase) in administrative and general expenses resulting from actuarial valuation adjustments to employees' end-of-service obligation,	(16,937)	(157,010)	(272,140)
- A decrease in selling and marketing expenses resulting from reclassification of administrative and general expenses to selling and marketing expenses,	-	-	6,750,000
- A decrease in general and administrative expenses due to the exclusion of Riyadh Food Industries from the consolidation process due to the absence of control and the recognition of the remaining investment as an investment in an associate.	3,029,370	10,433,012	13,802,182
	3,012,433	**10,276,002**	**20,280,042**

8b-12 The Company's share in the losses of associates

- Increase in the Company's share in the losses of associates as a result of the recognition of the remaining investment in Riyadh Food Industries as an investment in an associate.	(1,678,510)	(9,298,191)	(10,437,054)
	(1,678,510)	**(9,298,191)**	**(10,437,054)**

8b-13 Impairment losses on property, plant and equipment

- Impairment losses on property, plant and equipment as a result of the exclusion of Riyadh Food Industries from consolidation due to lack of control and the recognition of the remaining investment as an investment in an associate.	-	15,600,826	15,600,828
	-	**15,600,826**	**15,600,828**

8b-14 Finance charges

- (decrease) in financing costs as a result of excluding Riyadh Food Industries from consolidation due to lack of control and the recognition of the remaining investment as an investment in an associate.	541,212	1,655,304	2,221,229
	541,212	**1,655,304**	2,221,229

8b-15 Other revenues (expenses), net

- (decrease) in other revenues (expenses) as a result of the exclusion of Riyadh Food Industries from the consolidation process due to lack of control and the recognition of the remaining investment as an investment in an associate.	1,740,491	2,922,566	2,267,854
	1,740,491	**2,922,566**	**2,267,854**

8b-16 Zakat

- (Decrease) in Zakat as a result of the exclusion of Riyadh Food Industries from the consolidation process due to lack of control and the recognition of the remaining investment as an investment in an associate.	254,277	724,276	259,275
	254,277	**724,276**	**259,275**

(All amounts are presented in Saudi riyals unless otherwise indicated)

9. PROPERTY, PLANT AND EQUIPMENT, NET

	properties								
	Lands	**Buildings**	**Machinery and equipment**	**Motor Vehicles**	**Computers**	**Furniture and fixtures**	**Leasehold improvements**	**Projects under construction**	**Total**
Cost									
1 January 2017	425,165,608	363,874,098	393,605,715	105,936,001	132,163,198	208,224,124	207,792,191	91,037,931	1,927,798,866
Additions	27,463,100	13,038, 349	55,972,296	13,081,958	19,343,619	18,703,468	15,276,880	102,921,000	265,801,670
Transferred from Projects under construction	-	66,598,008	2,508,526	-	1,918,433	8,727,134	33,733,486	(113,485,587)	-
Transferred to investment Prooerty	-	-	-	-	-	-	-	(23,097,175)	(23,097,175)
Disposals	-	-	(5,060,596)	(5,062,097)	(3,151,569)	(1,021,627)	(478,988)	-	(14,774,877)
Foreign currency translation adjustments - Subsidiaries	-	-	135,042	13,183	38,825	3,438	112,438	6,473	309,399
As of 30 September 2017	**452,628,708**	**443,510,455**	**447,160,983**	**113,969,045**	**150,312,506**	**234,636,537**	**256,436,007**	**57,383,642**	**2,156,037,883**
Accumulated depreciation									
1 January 2017	-	82,733,264	202,091,776	66,231,347	73,503,175	119,224,226	113,784,047	-	657,567,835
Charged during the period	-	16,292,705	31,306,685	8,641,146	15,385,437	16,067,570	15,041,403	-	102,734,946
Disposals	-	-	(2,921,844)	(2,310,514)	(2,680,375)	(963,366)	(76,673)	-	(8,952,772)
Foreign currency translation adjustments- Subsidiaries	-	-	10,822	1,734	8,142	543	7,577	-	28,818
As of 30 September 2017	**-**	**99,025,969**	**230,487,439**	**72,563,713**	**86,216,379**	**134,328,973**	**128,756,354**	**-**	**751,378,827**
Net book value									
30 September 2017	**425,628,708**	**344,484,486**	**216,673,544**	**41,405,332**	**64,096,127**	**100,307,564**	**127,679,653**	**57,383,636**	**1,404,659,056**
31 Dec 2016	425,165,608	281,156,295	191,513,939	39,704,654	58,660,023	88,999,898	94,008,144	91,037,931	1,270,231,031

a - The title to most of lands was transferred to the Company and the transfer of title for the rest of the lands with a value of 37 million Saudi riyals is being completed by Abdullah Al Othaim Real Estate Investment and Development Company.

b - The lands as at 30 September 2017 include lands with a carrying amount of SR 217.1 million and buildings constructed thereon, with a carrying amount of SR 66.3 million (2016- lands: SR 202.8 million, buildings: SR 54.4 million), which are pledged to some banks against bank facilities.

c - The Company has capitalized financing costs on capital works under Construction amounted to SR 2.1 million for the period ended 30 September 2017 (2016 - SR 1.8 million).

(All amounts are presented in Saudi riyals unless otherwise indicated)

10. INVESTMENT PROPERTIES, NET

Investment properties represent commercial centers, exhibitions, buildings and their lands which are mainly dedicated for investment and lease to other parties, The movement in such was as follows:

	30 September 2017	31 December 2016	1 January 2016
Cost			
Opening Balance	**819,373,810**	754,323,686	694,173,389
Additions	**30,801,627**	65,050,124	62,628,125
Transfers from property, plant and equipment	**23,097,175**	-	-
Transfers to property, plant and equipment	**-**	-	(2,477,828)
Transfers to held for sale investment properties- (current assets)	**(250,258,108)**	-	-
Ending Balance	**623,014,504**	**819,373,810**	**754,323,686**
Accumulated depreciation			
Opening Balance	**143,377,449**	116,814,979	94,537,982
Additions	**20,555,398**	26,562,470	22,957,715
Transfers to property, plant and equipment	**-**	-	(680,718)
Transfers to Held for sale investment properties- current assets	**(4,657,404)**	-	-
Ending Balance	**159,275,443**	**143,377,449**	**116,814,979**
Net Book Value	**463,739,061**	**675,996,361**	**637,508,707**

- The fair value of investment properties amounted to SAR 936 million (this amount is disclosed merely to fulfil the disclosure requirements per *IFRS*s). The fair value of investment properties was determined by an independent qualified expert during September and October 2016,
- As at 30 September 2017, investment properties include lands with a carrying amount of SR 3.2 million and buildings constructed thereon, with a carrying amount of SR 2.6 million (2016- lands: SR 85.4 million, buildings: SR 2.6 million), which are pledged to some banks against bank facilities.
- During the period, the commercial center owned by the Company in Hail with an area of 61,045 square meters was reclassified to investment properties for sale under current assets, and It was sold during the third quarter 2017 (note 15).

(All amounts are presented in Saudi riyals unless otherwise indicated)

11. INTANGIBLE ASSETS, NET

Intangible assets comprise the costs incurred to acquire the utilization rights of property site of markets leased from the original tenant (key money) which are amortized over the leases period which is 10 to 15 years, The movement in intangible assets was as follows:

	For the period/ year ended		
	30 September 2017	**31 December 2016**	**1 January 2016**
Cost			
Opening Balance	**19,597,230**	19,597,230	19,597,230
Balance at the end of period	**19,597,230**	19,597,230	19,597,230
Accumulated amortization			
Opening Balance	**10,086,222**	8,287,995	6,489,768
Amortization charged during the period/ year	**1,348,670**	1,798,227	1,798,227
Ending Balance	**11,434,892**	**10,086,222**	**8,287,995**
Net Book Value	**8,162,338**	**9,511,008**	**11,309,235**

12. BIOLOGICAL ASSETS, NET

Biological assets represent sheep and cows owned by the Thamarat Al Qassim Company (subsidiary) before their disposal in 2016, Biological assets, prior to disposal, were depreciated on a straight line basis over the estimated useful lives of 5 years, The movement in biological assets was as follows:

	For the period/ year ended		
	30 September 2017	**31 December 2016**	**1 January 2016**
Cost			
Opening Balance	-	1,368,520	1,603,667
Additions during the year	-	979,686	2,544
Disposal during the year	-	(2,348,206)	(237,691)
	-	-	**1,368,520**
Accumulated depreciation			
Opening Balance	-	571,620	370,401
Additions during the year	-	330,472	299,333
Disposal during the year	-	(902,092)	(98,114)
	-	-	**571,620**
Net Book Value	**-**	-	**796,900**

(All amounts are presented in Saudi riyals unless otherwise indicated)

13. INVESTMENTS IN ASSOCIATES

Details of the significant data of the Company's associates are as follows:

Company	Activity	Capital	Country of Incorporation	Functional Currency	Ownership as of 30 September 2017	Ownership as of 31 December 2016	Ownership as of 1 January 2016
Abdullah Al-Othaim for Real Estate Investment and Development company *	Real-estate investment	1,000,000,000	Kingdom of Saudi Arabia	SAR	13.653%	13.653%	13.653%
AlWoustah Food Services Company	Food services	100,000,000	Kingdom of Saudi Arabia	SAR	25%	25%	25%
OSM. Trading company	Wholesale	544,600	United Arab Emirates	USD	50%	50%	50%
Riyadh Foods Industries Company	Food industries	100,000,000	Kingdom of Saudi Arabia	SAR	55%	55%	55%

* Investment in an associate represents investment in the capital of Abdulla Al-Othaim for Investment and Real Estate Development at 13.65385% considering that the remaining percentage is owned by Al-Othaim Holding Company and Mr. Abdullah Saleh Al-Othaim and his family members

Summary of movements in investment in associates:

	For the period/ year ended 30 September 2017	31 December 2016	1 January 2016
Opening Balance	205,413,942	212,962,008	178,831,391
Share in associate's net profit	27,049,781	14,928,100	25,965,004
Additions/(Exclusions)	(589,367)	5,632,572	35,073,105
Exclusions arising from reciprocal transactions	(15,397,823)	-	-
Share in associate's other comprehensive income	-	(717,505)	717,508
Share in foreign currency translation differences	(96,133)	1,281,853	-
Cash dividends received	-	(28,673,086)	(27,625,000)
	216,380,400	**205,413,942**	**212,962,008**

(All amounts are presented in Saudi riyals unless otherwise indicated)

Investments in associates are as follows:

Associate Company	30 September 2017	31 December 2016	1 January 2016
Abdullah Al-Othaim for Real Estate Investment and Development Company	158,808,609	146,145,287	143,765,088
AlWoustah Food Services Company	23,312,408	24,419,906	24,348,858
OSM Trading Company	1,378,961	1,968,326	1,530,586
Riyadh Foods Industries Company	32,880,422	32,880,423	43,317,476
Total	216,380,400	205,413,942	212,962,008

Investment in Riyadh Food Industries per the equity method was added after the exclusion of its financial statements from the consolidated financial statements of the Company which were prepared according to the *IFRS*s since the Company has a significant influence (not control) over the Company's decision.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 September 2017	31 December 2016	1 January 2016
Opening Balance	14,991,495	16,645,447	17,457,077
Net change in the fair value of financial assets through other comprehensive income	(1,641,918)	(1,653,952)	(811,630)
	13,349,577	**14,991,495**	**16,645,447**

15. HELD FOR SALE INVESTMENT PROPERTIES

Investment properties held for sale represent net carrying amount of the shopping mall in Ha'il city which the shareholders' general assembly in its meeting held on 22 Rajab 1438H corresponding to 19 April 2017, approved the sale of this mall to a related party at the sum of SAR 361,265,067. and It was sold during the third quarter 2017, and transfer of ownership and recognition of profits.

16. CASH AND CASH EQUIVALENTS

	30 September 2017	31 December 2016	1 January 2016
Cash on hand	45,583,764	52,959,302	71,222,089
Cash at banks – current accounts	316,696,503	259,484,537	252,634,202
Total	362,280,267	312,443,839	323,856,291

17. LOANS AND MURABAHAS

a. Short term loans and murabahas

	30 September 2017	31 December 2016	1 January 2016
Islamic murabaha facilities	-	-	20,061,386
	-	-	20,061,386

The Islamic bank facilities (murabaha) are secured by a promissory note in the name of Abdullah Al-Othaim Markets Company, with maturities of less than one year, renewable in nature and are used to finance the working capital. The Islamic bank facilities (murabaha) are available for use but were not used as at 30 September 2017 at SAR 340 million (2016: SAR 75 million).

(All amounts are presented in Saudi riyals unless otherwise indicated)

b. Long-term loans and murabahas

	30 September 2017	31 December 2016	1 January 2016
Opening Balance	343,840,000	599,500,003	591,713,333
Less: Short-term dues	(100,213,333)	(187,213,333)	(192,213,333)
Long-term dues	243,626,667	412,286,670	399,500,000

The profiles of long term loans and murabahas which are outstanding at the date of the consolidated interim condensed financial statements are as follows:

Loan	Purpose	Guarantee	Outstanding balance as of 30 September2017	Tenure	Repayment Method
Short term facilities if form of Murabaha loans amounting SR 200 million	Financing new branches	Transfer title deeds of lands with a total carrying value of SR 119 million	113,200,000	Five years	Quarterly
Facilities in form of long term Murabaha loans amounting SR 184 million	Financing new branches and a mall in Ha'il city	Promissory note	60,640,000	Five years	Quarterly
Islamic Murabahas long-term deposits SR 200 million	Financing new branches	Transfer title deeds of lands with a total carrying value of SR 101.3 million	170,000,000	- loan with an amount of SR106 million (Three years) - Loan with an amount of SR 200 million (Five years)	Quarterly

18. RELATED PARTIES

Transactions with related parties are transactions made with the parent company, associates, subsidiaries, major shareholders and key management of the Company. Management of the Company approved a policy for prices and conditions for transactions with related parties. Transactions with related parties represent mainly income, rental expenses and purchases of inventories.

Related party	Nature of relationship
Al-Othaim Holding Company	Founding Shareholder
Abdullah Al-Othaim for Real Estate Investment and Development Company	Associate
AlWoustah Food Services Company	Associate
Riyadh Foods Industries Company	Associate
General Organization of Social Insurance	Board member
OSM Trading Company	Associate
Nahj Alkhayal Co.	Related party – subsidiary of an associate
Members of the board of directors	Related party - Managememt

(All amounts are presented in Saudi riyals unless otherwise indicated)

Transactions with related parties for the nine month period ended 30 September 2016 are as follows:

Related party	Rent expense	Rent revenue	Merchandising purchases	Manpower services	Ticket sales
Al-Othaim Holding Company	7,500	532,537	-	-	2,042,788
Abdullah Al-Othaim for Real Estate Investment and Development Company	7,517,078	27,916,593	-	-	628,864
AlWoustah Food Services Company	-	262,500	-	-	-
Riyadh Foods Industries Company	116,102	-	74,454,957	375,304	-
General Organization of Social Insurance	4,305,438	-	-	-	-
OSM Trading Company	-	-	43,719,316	-	-
Nahj Alkhayal Co.	-	136,500	-	-	-

Transactions with related parties for the nine month period ended 30 September 2017 are as follows:

Related party	Rent expense	Rent revenue	Merchandising purchases	Manpower services	Sale of assets
Al-Othaim Holding Company	7,500	532,537	-	-	-
Abdullah Al-Othaim for Real Estate Investment and Development Company	18,343,015	52,602,468	-	-	361,265,067
AlWoustah Food Services Company	-	33,733	-	-	-
Riyadh Foods Industries Company	115,678	-	84,916,845	114,752	-
General Organization of Social Insurance	4,289,725	-	-	-	-
Nahj Alkhayal Co.	-	136,500	-	-	-

Board members and senior executives' benefits:

	Charged to comprehensive income	
	30 September 2017	**30 September 2016**
Short term benefits	**11,737,955**	11,005,742
Post-employment benefits	**481,785**	256,223
	12,219,740	11,261,965

(All amounts are presented in Saudi riyals unless otherwise indicated)

Below are the balances due from and to related parties

Due from related Parties:

	30 September 2017	31 December 2016	1 January 2016
Abdullah Al-Othaim for Real Estate Investment and Development Company	-	2,501,884	-
Riyadh Foods Industries Company	3,972,222	-	-
Nahj Alkhayal Company	-	62,960	-
Al-Othaim Holding Company	-	73,830	-
	3,972,222	**2,638,674**	**-**

Due to related parties

	30 September 2017	31 December 2016	1 January 2016
Al Riyadh Foods Industries Company	14,339,096	3,466,896	2,767,134
OSM Trading Company	-	12,337,120	21,971,503
	14,339,096	15,804,016	24,738,637

19. OBLIGATION FOR END-OF-SERVICE BENEFITS

	30 September 2017	31 December 2016
Opening Balance	**83,352,617**	69,457,661
Additions	**17,898,384**	16,535,222
payments	**(2,138,796)**	(2,640,266)
	99,112,205	83,352,617

20. STATUTORY RESERVE

In accordance with the Company bylaws and the Companies Law in the Kingdom of Saudi Arabia, the Company transfers 10% of the annual net income to a statutory reserve until such reserve reaches 30% of the share capital. This reserve is not available for distribution to the shareholders as dividends. However, it can be used to absorb the Company losses or increase its capital.

21. BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY

Earnings per share related to profit and loss of the ordinary shareholders of the parent company for the nine-month periods ended 30 September 2017 and 2016 are calculated based on the weighted average number of shares outstanding during such periods. Diluted earnings per share is the same as the basic earnings per share since the Company does not have any issued dilutive instruments.

(All amounts are presented in Saudi riyals unless otherwise indicated)

a. Basic and diluted earnings per share (*EPS*) from net income attributable to the shareholders of the parent Company:

	For the three-months ended 30 September		For the nine-months ended 30 September	
	2017	**2016**	**2017**	**2016**
Net income (*SAR*)				
Weighted-average number of shares	**45,000,000**	45,000,000	**45,000,000**	45,000,000
Basic and diluted earnings per share from net income	**3,35**	0,80	**6,27**	2.95

b. Basic and diluted earnings per share (*EPS*) from continuing operations attributable to the shareholders of the parent Company:

	For the three-months ended 30 September		For the nine-months ended 30 September	
	2017	**2016**	**2017**	**2016**
Income from continuing operations *(SAR)*				
Weighted-average number of shares	**45,000,000**	45,000,000	**45,000,000**	45,000,000
EPS from continuing operations	**1,12**	0,80	**3,89**	2.95

22. LOSS ON DISPOSAL OF ASSETS

During the period ended on 30 September 2017, a fire incident occurred at one of the branches at resulted in losses of SR 3.7 million. This branch is covered by an insurance policy. The claim to reimburse the damages was submitted to the insurance company .

23. SEGMENT INFORMATION

The Company is engaged mainly in retail and whole trading of food supplies, in addition to leasing commercial centers for the purpose of investment for the interest of the Company through sale or leasing. The Company operates in the Kingdom of Saudi Arabia. The results of the segments are reviewed by the parent company's CEO, Income, profits, assets and liabilities are measured using the same accounting principles used in preparing the consolidated financial statements.

a. The selected information for each business sector for the nine months ended 30 June 2017 are summarized below:

	Retail and wholesale	Real estate and leasing	Other	Total
Property plant and equipment, net	1,350,707,387	-	53,951,669	1,404,659,056
Investment properties	-	463,739,061	-	463,739,061
Intangible assets, net	8,162,338	-	-	8,162,338
Total assets	2,446,348,789	493,263,505	423,892,623	3,363,504,917
Total liabilities	1,840,392,399	33,987,650	34,099,296	1,908,479,345
Sales outside the Group	5,791,752,887	-	40,823,812	5,832,576,699
Sales inside the Group	-	-	82,402,456	82,402,456
Rental income from operating lease outside the Group	-	98,028,068	-	98,028,068
Total revenue and net rental income	977,150,853	56,382,647	18,977,275	1,052,510,775
Operating Income	111,597,356	56,382,647	4,332,066	172,312,069
Discontinued operations	-	-	-	106,858,496

(All amounts are presented in Saudi riyals unless otherwise indicated)

b. Distribution of retail and wholesale sales revenues and rental income on geographical regions as follows:

	Coverage of areas in the Kingdom and abroad for the nine months period ended 30 September 2017					
Geographical area	**Retail and wholesale**	**Percentage %**	**Leasing**	**Percentage %**	**اخرى**	**Percentage %**
Central region - Saudi Arabia	3,847,255,325	66,4	51,492,565	39,7	40,823,812	100
Eastern Region - Saudi Arabia	540,950,873	9,3	37,636,981	28,4	-	-
Southern Region - Saudi Arabia	688,082,100	11,9	4,220,315	3,3	-	-
Northern Region - Saudi Arabia	502,210,118	8,6	3,791,147	27,9	-	-
Western Region - Saudi Arabia	156,527,181	2,7	887,060	0,7	-	-
Egypt	56,727,290	1	-	-	-	-
Total	5,791,752,887	100	98,028,068	100	40,823,812	100

24. CONTINGENCIES AND COMMITMENTS

a- The Company has the following contingent liabilities and capital commitments:

	30 September 2017	**31 December 2016**
Letters of credit	29,100,404	33,491,601
Letters of guarantee	50,766,540	47,127,761
Commitments on capital projects under construction	63,413,675	124,778,491

b- The Company has the following outstanding commitments under long-term non-cancellable operating leases for its branches and commercial centers:

	30 September 2017	**31 December 2016**
Up to one year	73,504,911	67,734,216
More than one year up to five years	221,292,315	220,512,673
More than 5 years and up to 28 years	263,990,346	301,768,480

25. FINANCIAL INSTRUMENTS - RISK MANAGEMENT

Financial assets in the Company's balance sheet are comprised mainly of financial assets at fair value through other comprehensive income, trade and other receivables, investments for trade at fair value through income, cash and cash equivalents, loans and murabaha, trade payables, accrued payments and other payables,

Foreign currencies exchange risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currency exchange rates. The Company did not undertake significant transactions in currencies other than Saudi Riyal and US Dollar. As the Saudi Riyal is pegged to the US Dollar, they are not considered to represent significant currency risk. The Company management monitors foreign currency rates and believes that currency risk is insignificant.

(All amounts are presented in Saudi riyals unless otherwise indicated)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss. The financial instruments of the Company that may be exposed to credit risks principally include cash at banks and receivables. The Company deposits its money in financial institutions that have high trustworthiness and high credit capacity. Also, the Company has a policy on the volume of deposited funds in each bank. The management doesn't expect to incur significant credit risks resulting from that. Also, the management does not expect to have significant credit exposure coming from trade receivables because of its wide customer base operating in different activities and various sites. The management monitors outstanding trade receivables periodically, in addition to guarantees provided by customers to cover any receivables expected to be irrecoverable.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting commitments associated with financial commitments. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient funds are available to meet any commitments as they arise. The Company's financial liabilities comprise payables, accruals and other payable balances. The Company limits liquidity risk by ensuring the availability of bank facilities, in addition to aligning the period of collecting customers' balances and the periods of settling suppliers' balances and other payable balances.

Financial liabilities maturity schedule:

	As of 30 September 2017			
	Less than one year	From 1 to 5 years	More than 5 years	Total
loans and murabahas	100,213,333	243,626,667	-	343,840,000
Trade payables and other payables	1,447,874,524	-	-	1,447,874,524
	1,548,087,857	**243,626,667**	**-**	**1,791,714,524**

	As of 31 December 2016			
	Less than one year	From 1 to 5 years	More than 5 years	Total
loans and murabahas	187,213,333	412,286,670	-	599,500,003
Trade payables and other payables	1,417,820,600	-	-	1,417,820,600
	1,605,033,933	412,286,670	-	2,017,320,603

	As of 1 January 2016			
	Less than one year	From 1 to 5 years	More than 5 years	Total
loans and murabahas	212,274,719	399,500,000	-	611,774,719
Trade payables and other payables	1,165,101,916	-	-	1,165,101,916
	1,377,376,635	399,500,000	-	1,776,876,635

Fair value

- Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Differences can arise between the book values and the fair value estimates. The fair value definition is the measurement based on the market and assumptions that market participants use.

- The Company management considers that the fair value of short-term financial assets and liabilities approximates their carrying amounts due to their short-term maturities.
- The management has estimated that the fair value of long term loans and murabaha is close to their carrying amounts, as the commission rates on these loans are floating and changes with the change in the market commission rate (*SIBOR*).
- Financial assets at fair value through other comprehensive income include investment funds measured at the quoted market price (fair value level 1).
- Financial assets at fair value through other comprehensive income include investments in unlisted companies where the fair value has been estimated on the basis of the net adjusted assets value from the latest available financial statements (fair value level 3)

Interest rate risks

Financial instruments are exposed to the risk of changes in value or cash flows due to changes in market interest rates.The Company's exposure to the risk of changes in market interest rates relates primarily to financial assets and liabilities with floating interest rates. The effective interest rates and the periods during which the rates or maturities of financial assets and liabilities are restated, were indicated in the related notes.

26. NEW AND REVISED *IFRS*

IFRS 15 ***Revenue from Contracts with Customers***

IFRS 15, which was issued on 15 May 2014, applies to the financial periods starting from 1 January 2018. It establishes a single comprehensive model to account for revenue arising from contracts with customers. The core principle of *IFRS 15* is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps:

(a) Step 1: Identify the contract(s) with a customer.
(b) Step 2: Identify the performance obligations in the contract.
(c) Step 3: Determine the transaction price.
(d) Step 4: Allocate the transaction price to the performance obligations in the contract.
(e) Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

According to *IFRS 15*, the Company recognizes revenue when (or as) it satisfies a performance obligation by transferring a promised goods or services to the customer (which is when the customer obtains control of that good or service). The standard includes more restrictive guidance for dealing with specific scenarios, and furthermore, the standard requires extensive disclosures.

IFRS ***16 Leases***

The International Accounting Standards Board ("*IASB*") issued *IFRS* 16 in January 2016 which is applicable for the financial periods starting on and after 1 January 2019 with early adoption permitted for companies applying *IFRS* 15. The standard aims to provide adequate information for the users of financial statements to evaluate the effect of leases on the entity's position, financial performance and cash flows.

IFRS 16 determines the way of recognizing, measuring, presenting and disclosing leases. Lessees will be required to recognize assets and liabilities for all leases with a term of 12 months or more, unless the underlying asset has insignificant value. Lessors will continue to classify leases as operating or financing in *IFRS* 16 without any significant change from the previous *IAS 17*.

Amendments to IFRS 10 and IAS 28 ***Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.

The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in *IFRS 3* “Business Combinations”.
Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors’ interests in the associate or joint venture.
The amendments must be applied prospectively. Early application is permitted and must be disclosed.

Amendments (Transfers of Investment Property to IAS 40)

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property.
The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management’s intentions for the use of a property does not provide evidence of a change in use.
The Entity should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. These amendments are effective for annual periods that beginning on or after 1 January 2018. Retrospective application in accordance with *IAS 8* is only permitted if that is possible without the use of hindsight. Early application of the amendments is permitted and must be disclosed.

Possible effect of new and amended IFRSs that were issued but not yet applicable:

The Company is conducting an extensive assessment to reach a reasonable conclusion about the effect of applying these standards on the presentation of the financial statements and the accompanying disclosures. This will be disclosed when the Company completes this assessment.

27. EVENTS SUBSEQUENT TO THE DATE OF THE INTERIM FINANCIAL REPORT

No significant events occurred subsequent to the date of the interim financial report that require adjustments or additional disclosures in the unaudited condensed interim consolidated financial statements.

28. APPROVAL OF THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The unaudited condensed interim consolidated financial statements were approved by the Audit Committee under an authorization from the Board of Directors at 31 October 2017 corresponding to 11 Safar 1439H.