



Abdullah Al- Othaim Markets Company
(A Saudi Joint Stock Company)
Interim Consolidated Financial Statements (Un-audited)
For the nine months period ended 30 September 2014
Together with the Review Report



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**REVIEW REPORT
TO THE SHAREHOLDERS OF ABDULLAH AL-OTHAIM MARKETS COMPANY
A SAUDI JOINT STOCK COMPANY**

Scope of Review

We have reviewed the accompanying interim consolidated balance sheet of **Abdullah Al-Othaim Markets Company – A Saudi Joint Stock Company** (“the Company”) and its subsidiaries (“the Group”) as at 30 September 2014, and the related interim consolidated statement of income for three-month and nine-month periods ended 30 September 2014, and interim consolidated statements of cash flows and changes in equity for the nine month period then ended and notes 1 to 17 which form integral part of these interim consolidated financial statements.

These interim consolidated financial statements are the responsibility of Group’s management and have been prepared by them and submitted to us together with all information and explanations which we required. We conducted our review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA).

A review consists principally of applying analytical procedure to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than the audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

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

For KPMG Al Fozan & Al Sadhan

Khalil Ibrahim Al Sedais
License No. 371



Riyadh on: 29 Dhul Al-Hijjah 1435H
Corresponding to: 23 October 2014.

Abdullah Al- Othaim Markets Company
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED BALANCE SHEET (Un-audited)
As at 30 September 2014
(Saudi Riyals)

	<u>Note</u>	<u>2014</u>	<u>2013</u>
ASSETS			
Current assets			
Cash and cash equivalents		121,853,010	169,116,142
Inventories, net		455,465,739	393,240,950
Prepayments and other current assets		124,597,827	87,532,677
Total current assets		701,916,576	649,889,769
Non-current assets			
Investments, net	(5)	204,972,399	201,189,522
Property and equipment, net	(6)	817,364,155	678,231,268
Investment property, net	(7)	498,675,068	516,551,454
Intangible assets, net		13,557,019	10,872,946
Biological assets, net	(8)	1,786,549	--
Total non-current assets		1,536,355,190	1,406,845,190
TOTAL ASSETS		2,238,271,766	2,056,734,959
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Current liabilities			
Trade payables		899,222,798	868,340,918
Current portion of long term loans and Murabahas	(9b)	64,545,454	78,181,818
Short term loans and Murabahas	(9a)	108,390,194	50,126,874
Accrued expenses and other current liabilities		140,215,861	123,482,024
Total current liabilities		1,212,374,307	1,120,131,634
Non-current liabilities			
Long term loans and Murabahas	(9b)	90,000,000	154,545,454
Employees' end of service benefits		54,615,056	46,632,109
Total non-current liabilities		144,615,056	201,177,563
TOTAL LIBILATIES		1,356,989,363	1,321,309,197
SHAREHOLDERS' EQUITY			
Share capital	(10)	450,000,000	225,000,000
Statutory reserve	(11)	--	74,159,036
Voluntary reserve	(12)	--	12,453,336
Retained earnings		428,421,886	423,737,052
Unrealized gains from investment in available for sale securities		1,143,838	76,338
Equity attributable to shareholder's		879,565,724	735,425,762
Non – controlling interest		1,716,679	--
Total Equity		881,282,403	735,425,762
TOTAL LIABILITIES AND EQUITY		2,238,271,766	2,056,734,959

The accompanying notes (1) to (17) form an integral part of these interim consolidated financial statements.

Abdullah Al- Othaim Markets Company
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF INCOME (Un-audited)
For the three and nine months periods ended 30 September 2014
(Saudi Riyals)

	Three months ended		Nine months ended		
	<u>Note</u>	30 September 2014	30 September 2013	30 September 2014	30 September 2013
Sales		1,208,794,339	1,193,139,826	3,943,164,536	3,420,755,733
Cost of sales, net		(1,013,724,819)	(993,730,912)	(3,324,041,294)	(2,880,897,159)
Gross profit		195,069,520	199,408,914	619,123,242	539,858,574
Rental income, net		16,148,885	13,350,778	41,782,722	38,457,597
Selling and distribution expenses		(156,135,156)	(161,960,553)	(479,776,039)	(426,578,888)
General and administrative expenses		(18,261,392)	(15,379,482)	(52,181,558)	(42,893,122)
Income from operations		36,821,857	35,419,657	128,948,367	108,844,161
Share in profits of an equity accounted investee	(5)	7,588,943	8,080,957	18,014,582	19,391,115
Finance expenses		(1,675,612)	(1,681,695)	(5,321,415)	(5,658,553)
Other income, net		501,051	919,522	2,253,220	2,953,247
Net income before zakat and non-controlling interest		43,236,239	42,738,441	143,894,754	125,529,970
Zakat		(1,000,000)	(800,000)	(3,500,862)	(3,050,000)
Net income before non - controlling interest		42,236,239	41,938,441	140,393,892	122,479,970
Non - controlling interest in net results of subsidiaries		57,931	--	152,997	--
Net income for the period		42,294,170	41,938,441	140,546,889	122,479,970
Earnings per share – Basic and Diluted	(1 3)				
From operations		0.82	0.79	2.87	2.42
From other operating income		0.14	0.16	0.33	0.37
From net income		0.94	0.93	3.12	2.72
Weighted average number of shares		45,000,000	45,000,000	45,000,000	45,000,000

The accompanying notes (1) to (17) form an integral part of these interim consolidated financial statements.

Abdullah Al- Othaim Markets Company
(A Saudi Joint Stock Company)
IIINTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (Un-audited)
For the nine months period ended 30 September 2014
(Saudi Riyals)

	<u>Note</u>	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period		140,546,889	122,479,970
<i>Adjustments to reconcile net income to net cash generated from operating activities</i>			
Depreciation		74,774,322	67,067,079
Amortization		1,348,670	1,003,878
Loss/Gain on disposal of property and equipment		317,575	(987,247)
Loss on disposal of biological assets		170,610	--
Zakat charge for the period		3,500,000	3,050,000
Company's share in the profit of an equity accounted investee		(18,014,582)	(19,391,115)
End of service benefits provision, net		6,124,020	5,563,714
Non - controlling interest in net loss of the subsidiary		(152,997)	--
<i>Changes in working capital:</i>			
Inventories		(87,455,629)	(71,451,145)
Prepayments and other current assets		(34,292,535)	(7,647,282)
Trade payables, accrued expenses and other current liabilities		150,717,550	233,796,039
Zakat paid		(3,102,136)	(2,482,720)
Net cash generated by operating activities		<u>234,481,757</u>	<u>331,001,171</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Investments – available for sale securities		(10,000,000)	(12,030,375)
Additions to Property and equipment		(166,268,403)	(148,462,667)
Additions to Investment property		(2,656,466)	(1,052,261)
Additions to Biological assets		(270,683)	--
Dividend received from associated company		17,000,000	4,250,000
Impact of subsidiaries consolidated during the period		618,314	--
Proceeds from sale of property and equipment		1,025,407	1,029,340
Net cash used in investing activities		<u>(160,551,831)</u>	<u>(156,265,963)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends distribution		(67,500,000)	(67,500,000)
Proceeds from Loans and Murabahas		842,044,861	835,055,195
Repayments of Loans and Murabahas		(836,952,765)	(836,652,920)
Net cash used in financing activities		<u>(62,407,904)</u>	<u>(69,097,725)</u>
Net increase in cash and cash equivalents		11,522,022	105,637,483
Cash and cash equivalents at the beginning of the period		110,330,988	63,478,659
Cash and cash equivalents at the end of the period		<u>121,853,010</u>	<u>169,116,142</u>
Non - cash transactions			
Unrealized gains from investment in available for sale securities		1,008,250	--
Increase in share capital through retained earnings, statutory reserve and voluntary reserve		225,000,000	--

The accompanying notes (1) to (17) form an integral part of these interim consolidated financial statements.

Abdullah Al- Othaim Markets Company
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Un-audited)
For the nine months period ended 30 September 2014

	<u>Share Capital</u>	<u>Statutory reserve</u>	<u>Voluntary reserve</u>	<u>Retained earnings</u>	<u>Investment in available for sale securities</u>	<u>Equity Attributable to the shareholders of company</u>	<u>Non- controllin g interest</u>	<u>Total</u>
Balance at 1 January 2014	225,000,000	93,409,588	12,453,336	474,512,073	135,588	805,510,585	1,869,676	807,380,261
Net income for the period	--	--	--	140,546,889	--	140,546,889	(152,997)	140,393,892
Issuance of Bonus shares	225,000,000	(93,409,588)	(12,453,336)	(119,137,076)	--	--	--	--
Unrealized gain/(loss) on investment in available for sale securities	--	--	--	--	1,008,250	1,008,250	--	1,008,250
Cash dividends	--	--	--	(67,500,000)	--	(67,500,000)	--	(67,500,000)
Balance at 30 September 2014	<u>450,000,000</u>	<u>--</u>	<u>--</u>	<u>428,421,886</u>	<u>1,143,838</u>	<u>879,565,724</u>	<u>1,716,679</u>	<u>881,282,403</u>
Balance at 1 January 2013	225,000,000	74,159,036	12,453,336	368,757,082	76,338	680,445,792	--	680,445,792
Net income for the period	--	--	--	122,479,970	--	122,479,970	--	122,479,970
Unrealized gain/(loss) on investment in available for sale securities	--	--	--	--	--	--	--	--
Cash dividends	--	--	--	(67,500,000)	--	(67,500,000)	--	(67,500,000)
Balance at 30 September 2013	<u>225,000,000</u>	<u>74,159,036</u>	<u>12,453,336</u>	<u>423,737,052</u>	<u>76,338</u>	<u>735,425,762</u>	<u>--</u>	<u>735,425,762</u>

The accompanying notes (1) to (17) form an integral part of these interim consolidated financial statements.

Abdullah Al- Othaim Markets Company

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Un-audited)

For the nine months period ended 30 September 2014

1. **ORGANIZATION AND ACTIVITIES**

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

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

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

<u>Name of the Subsidiaries</u>	Effective ownership (%) at 30 September	
	<u>2014</u>	<u>2013</u>
Haley Holding Company	100%	100%
Universal Marketing Centre Company	100%	100%
Seven services Company	100%	100%
Bayt Alwatan Company	100%	100%
Marafeq Al Tashgheel Company	100%	100%
Haley Holding Company – Turkey	100%	--
Haley Holding Company – Bosnia and Herzegovina	100%	--
Al Othaim Markets Egypt (1.1)	100%	--
Thamarat Al Qassim Company	90%	--

- 1.1 Al Othaim Markets Egypt is a Joint stock company established in Egypt. The main activities of this subsidiary are wholesale and retail trading. The subsidiary has been consolidated for the first time in the interim consolidated financial statements for the period ended 30 June 2014.

2. **BASIS OF PREPARATION**

a- Statement of compliance

These interim consolidated financial statements have been presented in accordance with the requirements of accounting standards on interim financial reporting issued by the Saudi Organization of Certified Public Accountants (SOCPA). These interim financial statements do not include all the information presented in the annual financial statements; therefore, these interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Company for the year ended 31 December 2013.

Abdullah Al- Othaim Markets Company

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Un-audited)

For the nine months period ended 30 September 2014

2. BASIS OF PREPARATION (Continued)

b- *Basis of measurement*

The interim consolidated financial statements have been prepared on the historical cost convention (except for available for sale investments which carried at fair value) using the accrual basis of accounting and the going concern concept

c- *Use of estimates and judgments*

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

d- *Basis of consolidation*

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

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

Accounting policies of subsidiaries are aligned, where necessary, to ensure consistency with the polices adopted by the Company. Non-controlling interests represent the portion of result's and net assets not controlled by the Group and are presented separately in the consolidated statement of income and under equity in the consolidated balance sheet.

3. SIGNIFICANT ACCOUNTING POLICIES

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

a- *Revenue recognition*

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

Abdullah Al- Othaim Markets Company

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Un-audited)

For the nine months period ended 30 September 2014

(Saudi Riyals)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b- Expenses

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

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

c- Investments

- Equity accounted investees

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

- Investments available for sale

Investments which are neither for trading purposes nor have fixed or determinable maturity and where the Company has no significant influence over its activities are classified as investments available for sale. These investments are initially recognized at cost which represents the fair value of the consideration paid including expenses related to acquisition of the investments, but and are subsequently measured at fair value. Fair value changes other than impairment losses are recognized in equity. Fair value is determined by reference to the market value in an open market, if exists. In the absence of an open market, cost is considered to be the fair value for these investments. Permanent diminution in the value of the above mentioned investments, if any, is charged to the interim consolidated statement of income. Profit and loss resulted from disposing those investments are recognized in the period in which disposal occurs. Cash dividends from those investments are recorded in statement of income upon declaration by investees and are reduced from the carrying value of these investments.

d- Inventories

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

e- Provisions and contingent liabilities

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

Abdullah Al- Othaim Markets Company

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Un-audited)

For the nine months period ended 30 September 2014

(Saudi Riyals)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f- *Property and equipment*

Property and equipment are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method. Leasehold improvements and buildings constructed on leased lands are amortized over the shorter of the estimated useful life of the leasehold improvements and buildings or the remaining term of the lease. The estimated lives of the principal classes of assets are as follows:

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

g- *Investment property*

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

h- *Impairment of non-current assets*

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

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

i- *Biological Assets*

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

j- *Intangible assets*

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

Abdullah Al- Othaim Markets Company
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Un-audited)
For the nine months period ended 30 September 2014
(Saudi Riyals)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

a- *Borrowing costs*

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

b- *Foreign currency translation*

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

c- *Accounting for lease contracts*

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

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

d- *Provision for end-of-service benefits*

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

e- *Zakat and tax*

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

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Un-audited)
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(Saudi Riyals)

4. RELATED PARTIES TRANSACTIONS AND BALANCES

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

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

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

<u>Nature of Transactions</u>	<u>2014</u>	<u>2013</u>
Rent expense	<u>8,365,991</u>	<u>8,444,139</u>
Rent income	<u>28,173,673</u>	<u>28,173,673</u>

Prepayments include an amount of SR 8 million (2013: SR 12.3 million) which represent rents paid to a related party in advance against early payment discount.

5. INVESTMENTS

Investments consist of the following:

		2014	2013
Investment in equity accounted investee	5.1	186,322,472	192,951,251
Advance against equity investments		--	7,661,933
Investments in available-for-sale securities		<u>18,649,927</u>	<u>576,338</u>
		<u>204,972,399</u>	<u>201,189,522</u>

5.1 Investment in equity accounted investees

	<u>2014</u>	<u>2013</u>
Balance, January 1	185,926,204	173,441,694
Company's share in net profits	18,014,582	19,391,115
Additions during the period	--	4,368,442
Investment in subsidiaries consolidated during the period	(618,314)	--
Cash dividends received	(17,000,000)	(4,250,000)
Balance, 30 September	<u>186,322,472</u>	<u>192,951,251</u>

5.1 The investment in associated company represents 13.65% of the share capital of Abdullah Al-Othaim Real Estate Investment and Development Company. The remaining percentage is owned by Al-Othaim Holding Company, Mr. Abdullah Saleh Al-Othaim and his family members.

Abdullah Al- Othaim Markets Company
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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Un-audited)
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(Saudi Riyals)

6. PROPERTY AND EQUIPMENT, NET

	Land	Machinery and equipment	Buildings	Vehicles	Computers	Furniture and fixtures	Leasehold improvements	Capital Work in progress	Total
Cost									
January 1, 2014	233,692,794	250,701,737	174,200,849	67,123,670	86,482,539	129,638,075	145,040,606	24,549,139	1,111,429,409
Additions	24,271,510	21,296,763	2,280,113	11,316,139	8,405,755	11,808,159	7,804,974	79,084,990	166,268,403
Transferred from CWIP	--	1,398,432	11,276,694	604,258	1,047,058	1,757,778	6,146,257	(22,230,477)	--
Transfer to investment property	--	--	(2,622,828)	--	--	--	--	--	(2,622,828)
Disposals	--	(3,337,147)	--	(820,558)	(2,827,953)	(1,465,894)	---	--	(8,451,552)
September 30, 2014	<u>257,964,304</u>	<u>270,059,785</u>	<u>185,134,828</u>	<u>78,223,509</u>	<u>93,107,399</u>	<u>141,738,118</u>	<u>158,991,837</u>	<u>81,403,652</u>	<u>1,266,623,432</u>
Accumulated depreciation									
January 1, 2014	--	116,031,423	46,641,567	47,028,161	41,579,890	81,141,422	67,498,639	--	399,921,102
Charge for the period	--	18,946,436	6,817,145	4,641,334	7,319,380	8,952,119	10,503,505	--	57,179,919
Eliminated on transfer to investment property	--	--	(733,174)	--	--	--	--	--	(733,174)
Eliminated on disposals	--	(2,708,426)	--	(797,972)	(2,244,322)	(1,357,850)	--	--	(7,108,570)
September 30, 2014	<u>--</u>	<u>132,269,433</u>	<u>52,725,538</u>	<u>50,871,523</u>	<u>46,654,948</u>	<u>88,735,691</u>	<u>78,002,144</u>	<u>--</u>	<u>449,259,277</u>
Net book value									
September 30, 2014	<u>257,964,304</u>	<u>137,790,352</u>	<u>132,409,290</u>	<u>27,351,986</u>	<u>46,452,451</u>	<u>53,002,427</u>	<u>80,989,693</u>	<u>81,403,652</u>	<u>817,364,155</u>
September 30, 2013	<u>221,984,850</u>	<u>129,570,740</u>	<u>124,334,759</u>	<u>15,609,277</u>	<u>43,797,787</u>	<u>46,975,758</u>	<u>73,217,418</u>	<u>22,740,679</u>	<u>678,231,268</u>

6-1 Title deeds of certain lands amounting to SR 37 million are still under progress to be transferred to the company and are under the name of Al Othaim Real Estate Investment Company.

6-2 Land mentioned above amounting to SR 67.6 million (2013: SR 69.5 million) is mortgaged to some local banks as collateral against bank facilities (Note 9b). No capital commitments associated with these projects existed as at the interim consolidated balance sheet date.

Abdullah Al - Othaim Markets Company

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Un-audited)

For the nine months period ended 30 September 2014

(Saudi Riyals)

7. INVESTMENT PROPERTY

	<u>2014</u>	<u>2013</u>
Cost		
1 January	583,071,888	581,454,662
Additions	2,656,466	1,052,261
Transfer from property and equipment	2,622,828	--
Balance at 30 September	<u>588,351,182</u>	<u>582,506,923</u>
Accumulated depreciation		
1 January	71,685,135	48,740,699
Charge for the period	17,257,805	17,214,770
Transfer from property and equipment	733,174	--
Balance at 30 September	<u>89,676,114</u>	<u>65,955,469</u>
Net Book value	<u>498,675,068</u>	<u>516,551,454</u>

8. BIOLOGICAL ASSETS, NET

The biological assets include Sheep and Cows owned by one of the subsidiaries (Thamarat Al Qassim) and the movement at 30 September 2014:

	<u>2014</u> (Unaudited)
Cost	
January 1	2,250,813
Additions	270,683
Disposals	(206,759)
Balance at 30 September	<u>2,314,737</u>
Accumulated depreciation	
January 1	227,739
Charge for the period	336,598
Eliminated on disposals	(36,149)
Balance at 30 September	<u>528,188</u>
Net book value	<u>1,786,549</u>

9. LOANS AND MURABAHAS

a) Short-term murabahas:

The Company has facilities from local commercial banks in the form of short-term murabahas to finance working capital. Unutilized balance of these murabahas loans as at 30 September 2014 amounted to SR162 million (30 September 2013: SR 220 million).

b) Long-term loans and murabahas:

	<u>2014</u>	<u>2013</u>
Current portion	64,545,454	78,181,818
Non-current portion	90,000,000	154,545,454
Total	<u>154,545,454</u>	<u>232,727,272</u>

These facilities are secured by personal guarantees of chairman of the company and mortgage of land title deeds owned by the Company with a book value of SR 67.6 million as at 30 September 2014 (30 September 2013: SR 69.5 million).

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10. SHARE CAPITAL

During the period the company issued 22.5 million bonus shares, as a result the number of shares increased from 22.5 million to 45 million and the share capital increased from Saudi Riyal 225 million to Saudi Riyal 450 million. This increase in capital made by transferring statutory reserve, voluntary reserve and retained earnings.

11. STATUTORY RESERVE

In accordance with the Regulations for Companies in Saudi Arabia and the Company's bylaws, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve reaches 50% of the share capital. This reserve is not available for dividend distribution. In the general assembly meeting held in the 6 April 2014 the shareholders approved the transfer of the statutory reserve to the share capital of the company.

12. VOLUNTARY RESERVE

The extraordinary general assembly in its meeting held on Jumad Al-Awal 2, 1430 (corresponding to April 27, 2009) approved a voluntary reserve of 20% from the profits for the year ended 31 December 2008 and appropriated it as voluntary reserve for the expansion of the Company's operations. In the general assembly meeting held in the 6 April 2014, the shareholders approved the transfer of the voluntary reserve to the share capital of the company.

13. EARNINGS PER SHARE

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

14. DIVIDENDS

In its meeting held on 6 April, 2014 the shareholders' General Assembly approved the distribution of cash dividends of SR 67.5 million represents SR 3 per share and 100 % issuance of bonus shares resulting in increase in share capital from 225 million to 450 million.

15. SEGMENTAL INFORMATIONS

The Company's activities are focused on retail and wholesale of food stuff and carries out its operations in the Kingdom of Saudi Arabia. The company also invest in developing of commercial malls. Some selected information was summarized for each business segment as at September 30:

	For the period ended September 30, 2014	
	Retail and wholesale	Real estate and leasing (Rent)
Sales	3,943,164,536	--
Rental revenue	--	73,289,689
Gross Profit	619,123,242	41,782,722
Property and equipment, net	817,364,155	498,675,068
Biological Assets, net	1,786,549	--

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15. SEGMENTAL INFORMATIONS: (CONTINUED)

	For the period ended September 30, 2013	
	Retail and wholesale	Real estate and leasing (Rent)
Sales	3,420,755,733	--
Rent income	--	69,218,071
Gross Profit	539,858,574	38,457,597
Property and equipment, net	678,231,268	516,551,454

16. CONTINGENCIES AND COMMITMENTS

- a) As at September 30, the Company had the following commitments and contingent liabilities:

	2014	2013
Letters of credit	9,068,228	7,945,167
Letters of guarantee	10,788,780	12,373,950
Capital commitments on projects in progress	57,092,478	9,000,000

- b) Commitment against operating lease agreements:

The outstanding lease commitments of the Company related to non-cancelable long term operating leases for the Company's branches and malls as at September 30 were as follows:

	2014	2013
Less than one year	67,100,851	39,972,584
More than one year, but less than 5 years	206,578,342	146,284,763
More than 5 years, but less than 25 years	188,870,137	217,275,526

17. DATE OF AUTHORISATION

The financial statements were authorized for issue by the board of directors on 23 October 2014.