



**Abdullah Al- Othaim Markets Company**  
(A Saudi Joint Stock Company)  
**Interim Consolidated Financial Statements (Un-audited)**  
**For the six month period ended 30 June 2015**  
together with  
**Review Report**



**KPMG Al Fozan & Al Sadhan**

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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 June 2015, and the related interim consolidated statement of income for three-month and six-month periods ended 30 June 2015, and interim consolidated statements of cash flows and changes in equity for the six month period then ended and notes 1 to 16 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. Our responsibility is to express a conclusion on these interim financial statements based on our review.

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: 28 Ramadan 1436H  
Corresponding to: 15 July 2015

**Abdullah Al- Othaim Markets Company**  
(A Saudi Joint Stock Company)  
**INTERIM CONSOLIDATED BALANCE SHEET**  
As at 30 June 2015  
(Saudi Riyals)

	<u>Note</u>	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		279,141,707	267,965,950
Inventories		594,466,419	526,495,301
Prepayments and other current assets		181,016,978	154,703,533
<b>Total current assets</b>		<b>1,054,625,104</b>	<b>949,164,784</b>
<b>Non-current assets</b>			
Investments	(5)	317,028,455	196,336,956
Property and equipment	(6)	1,003,296,577	773,391,724
Investment property	(7)	479,516,311	501,334,782
Biological assets	(8)	1,021,342	1,796,006
Intangible assets		12,208,349	14,006,576
<b>Total non-current assets</b>		<b>1,813,071,034</b>	<b>1,486,866,044</b>
<b>TOTAL ASSETS</b>		<b>2,867,696,138</b>	<b>2,436,030,828</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables		1,217,235,946	1,171,883,496
Current portion of long term loans and Murabahas	(9b)	137,733,333	70,295,504
Short term loans and Murabahas	(9a)	--	20,064,142
Accrued expenses and other current liabilities		208,452,414	177,811,654
<b>Total current liabilities</b>		<b>1,563,421,693</b>	<b>1,440,054,796</b>
<b>Non-current liabilities</b>			
Long term loans and Murabahas	(9b)	259,666,667	105,000,000
Employees' end of service benefits		61,399,406	52,976,368
<b>Total non-current liabilities</b>		<b>321,066,073</b>	<b>157,976,368</b>
<b>TOTAL LIBILATIES</b>		<b>1,884,487,766</b>	<b>1,598,031,164</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital		450,000,000	450,000,000
Statutory reserve	(11)	21,477,889	--
Retained earnings		506,978,467	386,127,716
Other reserves	(10)	1,090,208	--
Unrealized gains from investment in available for sale securities		2,267,138	97,338
<b>Equity attributable to shareholders</b>		<b>981,813,702</b>	<b>836,225,054</b>
<b>Non – controlling interest</b>		<b>1,394,670</b>	<b>1,774,610</b>
<b>Total Equity</b>		<b>983,208,372</b>	<b>837,999,664</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>2,867,696,138</b>	<b>2,436,030,828</b>

The accompanying notes (1) to (16) form an integral part of these interim consolidated financial statements.

**Abdullah Al- Othaim Markets Company**  
(A Saudi Joint Stock Company)  
**INTERIM CONSOLIDATED STATEMENT OF INCOME**  
For the three and six month periods ended 30 June 2015  
(Saudi Riyals)

	Three months ended		Six months ended		
	Note	30 June 2015	30 June 2014	30 June 2015	30 June 2014
Sales		1,725,538,857	1,511,392,815	3,133,568,731	2,734,370,197
Cost of sales		<u>(1,477,546,367)</u>	<u>(1,291,999,781)</u>	<u>(2,673,219,029)</u>	<u>(2,310,316,475)</u>
<b>Gross profit</b>		<b>247,992,490</b>	219,393,034	<b>460,349,702</b>	424,053,722
Rental income		<b>14,963,778</b>	12,115,526	<b>28,901,060</b>	25,633,837
Selling and distribution expenses		<b>(193,691,004)</b>	(163,828,612)	<b>(358,422,375)</b>	(323,640,882)
General and administrative expenses		<u>(19,271,858)</u>	<u>(18,229,652)</u>	<u>(38,588,373)</u>	<u>(33,920,167)</u>
<b>Income from operations</b>		<b>49,993,406</b>	49,450,296	<b>92,240,014</b>	92,126,510
Share in profits of an equity accounted investees	(5)	<b>6,612,344</b>	4,851,918	<b>13,596,741</b>	10,425,639
Finance expenses		<b>(1,843,286)</b>	(1,808,510)	<b>(3,904,880)</b>	(3,645,803)
Other income, net		<u>2,031,741</u>	<u>761,656</u>	<u>4,780,168</u>	<u>1,752,169</u>
<b>Net income before zakat, tax and non-controlling interest</b>		<b>56,794,205</b>	53,255,360	<b>106,712,043</b>	100,658,515
Zakat and income tax		<u>(1,284,898)</u>	<u>(1,500,000)</u>	<u>(2,409,940)</u>	<u>(2,500,862)</u>
<b>Net income before non - controlling interest</b>		<b>55,509,307</b>	51,755,360	<b>104,302,103</b>	98,157,653
Non - controlling interest in net loss of subsidiaries		<u>151,778</u>	<u>28,317</u>	<u>250,373</u>	<u>95,066</u>
<b>Net income for the period</b>		<b>55,661,085</b>	51,783,677	<b>104,552,476</b>	98,252,719
<b>Earnings per share from</b>	(13)				
Operations		<u>1.11</u>	<u>1.10</u>	<u>2.05</u>	<u>2.05</u>
Non Operations		<u>0.15</u>	<u>0.08</u>	<u>0.32</u>	<u>0.19</u>
Net income		<u>1.24</u>	<u>1.15</u>	<u>2.32</u>	<u>2.18</u>
Weighted average number of shares		<u>45,000,000</u>	<u>45,000,000</u>	<u>45,000,000</u>	<u>45,000,000</u>

The accompanying notes (1) to (16) 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**  
For the six month period ended 30 June 2015  
(Saudi Riyals)

	<u>Note</u>	<u>2015</u>	<u>2014</u>
<b>OPERATING ACTIVITIES</b>			
Net income for the period before zakat and tax and non-controlling interest		<b>106,712,043</b>	100,658,515
Adjustments to reconcile net income to net cash generated			
from operating activities			
Depreciation		<b>55,928,126</b>	49,184,348
Amortization		<b>899,113</b>	899,113
Gain on disposal of property and equipment		<b>(662,203)</b>	(230,828)
Loss on disposal of biological assets		<b>59,108</b>	208,848
Company's share in the profits of an equity accounted investees		<b>(13,228,783)</b>	(10,425,639)
End of service benefits provision, net		<b>4,820,508</b>	4,485,331
Changes in working capital:			
Inventories		<b>(128,960,637)</b>	(158,485,191)
Prepayments and other current assets		<b>(43,869,467)</b>	(64,398,240)
Trade payables, accrued expenses and other current liabilities		<b>326,679,168</b>	461,974,041
Zakat paid		<b>(4,785,918)</b>	(3,102,997)
<b>Net cash generated by operating activities</b>		<b>303,591,058</b>	380,767,301
<b>INVESTING ACTIVITIES</b>			
Property and equipment		<b>(182,615,164)</b>	(99,805,434)
Investment properties		<b>(9,950)</b>	(1,416,766)
Investments		<b>(104,472,804)</b>	(10,000,000)
Biological assets		<b>(2,544)</b>	(184,194)
Dividends received from investments		<b>367,958</b>	17,000,000
Proceeds from sale of property and equipment		<b>3,143,172</b>	639,647
Impact of subsidiaries consolidated during the period		<b>--</b>	618,314
<b>Net cash used in investing activities</b>		<b>(283,589,332)</b>	(93,148,433)
<b>FINANCING ACTIVITIES</b>			
Cash Dividend		<b>(78,750,000)</b>	(67,500,000)
Proceed from Loans and Murabaha		<b>933,618,195</b>	275,587,572
Repayments of Loans and Murabaha		<b>(779,217,705)</b>	(338,071,478)
<b>Net cash used in financing activities</b>		<b>75,650,490</b>	(129,983,906)
Net increase in cash and cash equivalents		<b>95,652,216</b>	157,634,962
Cash and cash equivalents at beginning of the period		<b>183,489,491</b>	110,330,988
<b>Cash and cash equivalents at end of the period</b>		<b>279,141,707</b>	267,965,950
<b>Non - cash transactions</b>			
Unrealized (gain) / loss from investment in available for sale securities		<b>(2,316,150)</b>	38,250
Share of other comprehensive income from associated company (note 10)		<b>1,090,208</b>	--
Increase in share capital through retained earnings, statutory reserve and voluntary reserve		<b>--</b>	225,000,000

The accompanying notes (1) to (16) form an integral part of these interim consolidated financial statements.

**Abdullah Al- Othaim Markets Company**  
(A Saudi Joint Stock Company)  
**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the six month period ended 30 June 2015

	<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>Other Reserve</u>	<u>Equity Attributable to the shareholders of company</u>	<u>Non-controlling interest</u>	<u>Total</u>
<b>Balance at 1 January 2015</b>	<b>450,000,000</b>	<b>21,477,889</b>	<b>--</b>	<b>481,175,991</b>	<b>(49,012)</b>	<b>--</b>	<b>952,604,868</b>	<b>1,645,043</b>	<b>954,249,911</b>
Net income for the period	--	--	--	<b>104,552,476</b>	--	--	<b>104,552,476</b>	<b>(250,373)</b>	<b>104,302,103</b>
Unrealized gain/(loss) on investment in available for sale securities	--	--	--	--	<b>2,316,150</b>	--	<b>2,316,150</b>	--	<b>2,316,150</b>
Cash dividends	--	--	--	<b>(78,750,000)</b>	--	--	<b>(78,750,000)</b>	--	<b>(78,750,000)</b>
Equity accounted investees – share of other comprehensive income	--	--	--	--	--	<b>1,090,208</b>	<b>1,090,208</b>	--	<b>1,090,208</b>
<b>Balance at 30 June 2015</b>	<b><u>450,000,000</u></b>	<b><u>21,477,889</u></b>	<b><u>--</u></b>	<b><u>506,978,467</u></b>	<b><u>2,267,138</u></b>	<b><u>1,090,208</u></b>	<b><u>983,813,702</u></b>	<b><u>1,394,670</u></b>	<b><u>983,208,372</u></b>
<b>Balance at 1 January 2014</b>	225,000,000	93,409,588	12,453,336	474,512,073	135,588	--	805,510,585	1,869,676	807,380,261
Net income for the period	--	--	--	98,252,719	--	--	98,252,719	(95,066)	98,157,653
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	--	--	--	--	(38,250)	--	(38,250)	--	(38,250)
Cash dividends	--	--	--	(67,500,000)	--	--	(67,500,000)	--	(67,500,000)
<b>Balance at 30 June 2014</b>	<b><u>450,000,000</u></b>	<b><u>--</u></b>	<b><u>--</u></b>	<b><u>386,127,716</u></b>	<b><u>97,338</u></b>	<b><u>--</u></b>	<b><u>836,225,054</u></b>	<b><u>1,774,610</u></b>	<b><u>837,999,664</u></b>

The accompanying notes (1) to (16) 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 six month period ended 30 June 2015

**1. ORGANIZATION AND ACTIVITIES**

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

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

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

<b><u>Name of the Subsidiaries</u></b>	<b>Effective ownership (%)</b>	
	<b>at 2015</b>	<b>30 June 2014</b>
Haley Holding Company	<b>100%</b>	100%
Universal Marketing Centre Company	<b>100%</b>	100%
Seven services Company	<b>100%</b>	100%
Bayt Alwatan Company	<b>100%</b>	100%
Marafeq Al Tashgheel Company	<b>100%</b>	100%
Haley Holding Company – Turkey	<b>100%</b>	100%
Haley Holding Company – Bosnia and Herzegovina	<b>100%</b>	100%
Al Othaim Markets Egypt	<b>100%</b>	100%
Thamarat Al Qassim Company	<b>90%</b>	90%

**2. BASIS OF PREPARATION**

**a- Statement of compliance**

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

**b- Basis of measurement**

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

## **Abdullah Al- Othaim Markets Company**

(A Saudi Joint Stock Company)

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

For the six month period ended 30 June 2015

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

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

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

##### **d- Basis of consolidation**

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

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries are aligned, where necessary, to ensure consistency with the polices adopted by the Group. 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.

##### **b- Expenses**

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

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



**Abdullah Al- Othaim Markets Company**  
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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Un-audited)**  
For the six month period ended 30 June 2015  
(Saudi Riyals)

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

**c- Investments**

- Equity accounted investees

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

- Available for sale

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

**d- Inventories**

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

**e- Provisions and contingent liabilities**

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

**Abdullah Al- Othaim Markets Company**

(A Saudi Joint Stock Company)

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

For the six month period ended 30 June 2015

(Saudi Riyals)

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

**f- Property and equipment**

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

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

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

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

**g- Investment property**

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

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

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

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

**i- Biological Assets**

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

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(Saudi Riyals)

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

**j- Intangible assets**

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

**k- Borrowing costs**

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

**l- Foreign currency translation**

Items included in the financial statements of each of the group's entities are measured using the functional currency of the entity. The consolidated financial statements are presented in SAR which is the group's presentation currency. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at that date. Transactions denominated in foreign currencies are translated to 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.

**m- Rental Income.**

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

**n- 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.

**o- Zakat and tax**

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

**Abdullah Al- Othaim Markets Company**

(A Saudi Joint Stock Company)

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

For the six month period ended 30 June 2015

(Saudi Riyals)

**4. RELATED PARTIES TRANSACTIONS AND BALANCES**

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

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

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

**Nature of transactions****Amount of transactions**

	<u>2015</u>	<u>2014</u>
Purchases	<b>50,675,069</b>	46,828,811
Rent expense	<b>5,151,662</b>	5,586,771
Rent income	<b>19,038,785</b>	18,782,195
- Prepayments include an amount of SR 4.67 million (2014: SR 9.96 million) which represent rents paid to a related party in advance against early payment discount.		
- Accounts payable includes an amount of SR 23.7 million (2014 : 22 million) which represents payable to a related party against the purchases made during the period.		

**5. INVESTMENTS**

Investments consist of the following:

	<b>2015</b>	2014
Investment in equity accounted investee	5.1 <b>297,255,228</b>	178,733,529
Investments in available-for-sale securities	<b>19,773,227</b>	17,603,427
	<b>317,028,455</b>	196,336,956

**5.1 Investment in equity accounted investees**

	<u>2015</u>	<u>2014</u>
Balance, January 1	<b>178,831,391</b>	185,926,204
Company's share in net profits of associated company	<b>13,228,783</b>	10,425,639
Company's share in other comprehensive income of associated company	<b>1,090,208</b>	--
Additions during the period (5.1.1)	<b>104,104,846</b>	--
Investment in subsidiaries consolidated during the period	--	(618,314)
Cash dividends received	--	(17,000,000)
Balance, June 30	<b>297,255,228</b>	178,733,529

The investment in associated company includes 13.65% of the share capital of Abdullah Al-Othaim Real Estate Investment and Development Company.

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**5. INVESTMENTS (Continued)**

**5.1 Investment in equity accounted investees (Continued)**

**5.1.1** The additions during the period represents:

- 68% of share capital of the Mueen Recruitment Company incorporated during the period having a share capital of SR 100 million. As at 30 June 2015, the company has not started its operations, therefore the said financial statements has not been consolidated in the interim condensed consolidated financial statements of the Group as at 30 June 2015.
- 25% of the share capital of the Al – Woustah Food Services Company incorporated during the period having a share capital SR 100 million.
- 5% increase in the investment in Riyadh Food Industries Company results the Group's holding to 55% of the share capital of the Riyadh Food Industries Company i-e associated company. The group does not have the ability to control the composition of Riyadh Food Industries Company's board as at 30 June 2015. The legal formalities including the shareholders' approval is pending as at 30 June 2015 therefore the said financial statements has not been consolidated in the interim condensed consolidated financial statements of the Group as at 30 June 2015.

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**6. PROPERTY AND EQUIPMENTS**

	Land	Machinery and equipment	Buildings	Vehicles	Computers	Furniture and fixtures	Leasehold improvements	Capital Work in progress	Total
<b>Cost</b>									
January 1, 2015	279,451,999	278,606,504	194,351,925	82,255,457	96,087,588	150,307,191	161,856,078	90,858,854	1,333,775,596
Additions	39,180,880	28,999,992	5,195,055	9,251,130	6,318,684	5,923,587	4,073,585	83,672,251	182,615,164
Transferred from CWIP	--	3,970,845	14,292,691	--	247,648	6,332,353	3,628,821	(28,472,358)	--
Transfer from Investment properties	--	--	2,477,828	--	--	--	--	--	2,477,828
Disposals	--	(2,253,936)	--	(3,043,793)	(3,014,906)	(1,921,560)	--	--	(10,234,195)
<b>June 30, 2015</b>	<b>318,632,879</b>	<b>309,323,405</b>	<b>216,317,499</b>	<b>88,462,794</b>	<b>99,639,014</b>	<b>160,641,571</b>	<b>169,558,484</b>	<b>146,058,747</b>	<b>1,508,634,393</b>
<b>Accumulated depreciation</b>									
January 1, 2015	--	139,044,425	55,060,211	51,118,439	49,298,243	92,055,908	81,665,357	--	468,242,583
Charge for the period	--	14,299,095	5,195,965	4,137,589	5,803,065	7,120,335	7,611,692	--	44,167,741
Transfer from investment properties	--	--	680,718	--	--	--	--	--	680,718
Disposals	--	(1,640,921)	--	(1,602,562)	(2,625,771)	(1,883,972)	--	--	(7,753,226)
<b>June 30, 2015</b>	<b>--</b>	<b>151,702,599</b>	<b>60,936,894</b>	<b>53,653,466</b>	<b>52,475,537</b>	<b>97,292,271</b>	<b>89,277,049</b>	<b>--</b>	<b>505,337,816</b>
<b>Net book value</b>									
<b>June 30, 2015</b>	<b>318,632,879</b>	<b>157,620,806</b>	<b>155,380,605</b>	<b>34,809,328</b>	<b>47,163,477</b>	<b>63,349,300</b>	<b>80,281,435</b>	<b>146,058,747</b>	<b>1,003,296,577</b>
<b>June 30, 2014</b>	<b>245,130,732</b>	<b>136,164,511</b>	<b>127,354,859</b>	<b>27,788,170</b>	<b>47,424,649</b>	<b>52,181,556</b>	<b>81,836,418</b>	<b>55,510,829</b>	<b>773,391,724</b>

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

6-2 Land mentioned above amounting to SR 254 million (2014: SR 40 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.

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**7. INVESTMENT PROPERTY**

	<u>2015</u>	<u>2014</u>
<b>Cost</b>		
1 January	588,457,694	583,071,888
Additions	9,950	1,416,766
Transfer to property and equipment	<u>(2,477,828)</u>	--
<b>Balance at 30 June</b>	<u>585,989,816</u>	<u>584,488,654</u>
<b>Accumulated depreciation</b>		
1 January	95,549,198	71,685,135
Charge for the period	11,605,025	11,468,737
Transfer to property and equipment	<u>(680,718)</u>	--
<b>Balance at 30 June</b>	<u>106,473,505</u>	<u>83,153,872</u>
<b>Net Book value</b>	<u>479,516,311</u>	<u>501,334,782</u>

**8. BIOLOGICAL ASSETS**

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

	<u>2015</u>	<u>2014</u>
<b>Cost</b>		
1 January	1,603,668	2,250,813
Additions	2,544	184,194
Disposals	<u>(90,517)</u>	<u>(208,848)</u>
<b>Balance at 30 June</b>	<u>1,515,695</u>	<u>2,226,159</u>
<b>Accumulated depreciation</b>		
1 January	370,402	227,739
Charge for the period	155,360	202,414
Disposals	<u>(31,409)</u>	--
<b>Balance at 30 June</b>	<u>494,353</u>	<u>430,153</u>
<b>Net Book value</b>	<u>1,021,342</u>	<u>1,796,006</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 June 2015 amounted to SR 290 million (30 June 2014: SR 250 million).

b) Long-term loans and murabahas:

	<u>2015</u>	<u>2014</u>
<b>Current portion</b>	137,733,333	70,295,504
<b>Non-current portion</b>	<u>259,666,667</u>	<u>105,000,000</u>
<b>Total</b>	<u>397,400,000</u>	<u>175,295,504</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 254 million as at 30 June 2015 (30 June 2014: SR 40 million).

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**10. OTHER RESERVES**

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

**11. STATUTORY RESERVE**

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

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

**12. EARNINGS PER SHARE**

Earnings per share are calculated based on net income for the 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.

**13. DIVIDENDS**

On 13 April 2015 the shareholders' General Assembly approved the distribution of cash dividends of SR 78.5 million represents SR 1.75 per share.

**14. SEGMENTAL INFORMATION**

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

	<b>For the period ended June 30, 2015</b>	
	<b><u>Retail and wholesale</u></b>	<b><u>Real estate and leasing (Rent)</u></b>
Sales	<b>3,133,568,731</b>	--
Rental revenue	--	<b>53,715,634</b>
Gross Profit	<b>460,349,702</b>	<b>28,901,060</b>
Property and equipment, net	<b>1,003,296,577</b>	<b>479,516,311</b>
Biological Assets, net	--	--



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**14. SEGMENTAL INFORMATIONS: (CONTINUED)**

	<b>For the period ended June 30, 2014</b>	
	<u>Retail and wholesale</u>	<u>Real estate and leasing (Rent)</u>
Sales	2,734,370,197	--
Gross rental revenue	--	46,871,987
Gross Profit	424,053,722	25,633,837
Property and equipment, net	773,391,824	501,334,782

**15. CONTINGENCIES AND COMMITMENTS**

a) As at June 30, the Group has the following commitments and contingent liabilities:

	<b><u>2015</u></b>	<b><u>2014</u></b>
Letters of credit	<b>30,686,863</b>	30,686,863
		3
Letters of guarantee	<b>9,565,790</b>	9,306,480
Capital commitments on projects in progress	<b>88,617,034</b>	12,329,933
		3

b) Commitment against operating lease agreements:

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

	<b><u>2015</u></b>	<b><u>2014</u></b>
Up to one year	<b>70,492,926</b>	67,700,851
More than one year, and up to 5 years	<b>213,350,728</b>	206,973,342
More than 5 years, and up to 25 years	<b>250,906,090</b>	193,149,537

**16. DATE OF AUTHORISATION**

The financial statements were authorized for issue by the board of directors on 28 Ramadan 1436 H corresponding to 15 July 2015.