



**Abdullah Al-Othaim Markets Company**  
(A Saudi Joint Stock Company)  
**Interim Consolidated Financial Statements**  
**For the three and six-months periods ended 30 June 2016**  
Together with the Limited Review Report

**Abdullah Al-Othaim Markets Company**  
(A Saudi Joint Stock Company)  
**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX-MONTHS PERIOD ENDED 30 June 2016**

	<b><u>PAGE</u></b>
Limited Review report	
Interim consolidated balance sheet	1
Interim consolidated statement of income	2
Interim consolidated statement of cash flows	3
Interim consolidated statement of changes in equity	4
Notes to the interim consolidated financial statements	5 - 19



**LIMITED REVIEW REPORT**  
**ON INTERIM FINANCIAL STATEMENTS**

To: The Shareholders  
Abdullah Al-Othaim Markets Company  
Riyadh – Kingdom of Saudi Arabia

**Scope of Review**


We have reviewed the interim consolidated balance sheet of **Abdullah Al-Othaim Markets Company – A Saudi Joint Stock Company** as at 30 June 2016, the interim consolidated statement of income for the three and six-months period then ended, the interim consolidated statements of cash flows and changes in equity for the six-month period then ended and the attached notes from 1 to 18 which form an integral part of the interim consolidated financial statements. These interim consolidated financial statements are the responsibility of Company'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 Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A review consists principally of analytical procedure applied to financial data and information and making inquiries of Group personnel responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion on 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 Dr. Mohamed Al-Amri & Co.,

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



Shawwal 21, 1437 (H)  
July 26, 2016 (G)

**Abdullah Al-Othaim Markets Company**  
(A Saudi Joint Stock Company)  
**INTERIM CONSOLIDATED BALANCE SHEET (Un-audited)**  
(Saudi Riyals)

		As at 30 June	
	<u>Note</u>	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash on hand and at banks		200,476,272	279,141,707
Inventories		775,642,163	594,466,419
Trade receivables		40,900,074	-
Prepayments and other receivables		252,337,899	181,016,978
<b>Total current assets</b>		<b>1,269,356,408</b>	<b>1,054,625,104</b>
<b>Non-current assets</b>			
Investments in associates	(6)	187,446,897	297,255,228
Available for sale investments		15,709,895	19,773,227
Property and equipment	(7)	1,447,725,302	1,003,296,577
Investment properties	(8)	484,145,598	479,516,311
Biological assets	(9)	1,429,213	1,021,342
Intangible assets		10,521,235	12,208,349
<b>Total non-current assets</b>		<b>2,146,978,140</b>	<b>1,813,071,034</b>
<b>TOTAL ASSETS</b>		<b>3,416,334,548</b>	<b>2,867,696,138</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables		1,252,073,695	1,217,235,946
Short term loans and Murabaha	(10a)	50,078,977	-
Current portion of long term loans and Murabaha	(10b)	177,213,333	137,733,333
Accruals and other payables		371,340,595	208,452,414
<b>Total current liabilities</b>		<b>1,850,706,600</b>	<b>1,563,421,693</b>
<b>Non-current liabilities</b>			
Long term loans and Murabaha	(10b)	318,393,333	259,666,667
Provision for employees' end-of-service benefits		76,361,935	61,399,406
<b>Total non-current liabilities</b>		<b>394,755,268</b>	<b>321,066,073</b>
<b>TOTAL LIABILITIES</b>		<b>2,245,461,868</b>	<b>1,884,487,766</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital		450,000,000	450,000,000
Statutory reserve		44,565,425	21,477,889
Other reserves	(11)	-	1,090,208
Retained earnings		617,521,766	506,978,467
Unrealized (loss) / gain from available for sale investments		(1,796,191)	2,267,138
<b>Total shareholders' equity</b>		<b>1,110,291,000</b>	<b>981,813,702</b>
<b>Non – controlling interest</b>		<b>60,581,680</b>	<b>1,394,670</b>
<b>Total equity</b>		<b>1,170,872,680</b>	<b>983,208,372</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3,416,334,548</b>	<b>2,867,696,138</b>

The accompanying notes (1) to (18) 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)**  
(Saudi Riyals)

	<u>Note</u>	For the three-months period ended 30 June		For the six-months period ended 30 June	
		<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Sales		2,020,189,306	1,725,538,857	3,660,211,431	3,133,568,731
Cost of sales		<u>(1,683,509,550)</u>	<u>(1,477,546,367)</u>	<u>(3,044,164,367)</u>	<u>(2,673,219,029)</u>
<b>Gross income</b>		<b>336,679,756</b>	247,992,490	<b>616,047,064</b>	460,349,702
Rental income, net		<b>16,344,604</b>	14,963,778	<b>32,324,641</b>	28,901,060
Selling and marketing expenses		<b>(269,666,901)</b>	(193,691,004)	<b>(486,449,735)</b>	(358,422,375)
General and administrative expenses		<b>(32,097,174)</b>	(19,271,858)	<b>(60,274,902)</b>	(38,588,373)
<b>Income from main operations</b>		<b>51,260,285</b>	49,993,406	<b>101,647,068</b>	92,240,014
Company's share in profits of investments in associates	(6)	<b>5,229,235</b>	6,612,344	<b>12,887,300</b>	13,596,741
Impairment loss in assets	(14)	-	-	<b>(15,600,826)</b>	-
Financing expenses		<b>(3,781,153)</b>	(1,843,286)	<b>(6,967,186)</b>	(3,904,880)
Other income, net		<b>673,242</b>	2,031,741	<b>1,785,854</b>	4,780,168
<b>Income before zakat, tax and non-controlling interest</b>		<b>53,381,609</b>	56,794,205	<b>93,752,210</b>	106,712,043
Zakat and tax		<b>(1,629,999)</b>	(1,284,898)	<b>(2,914,999)</b>	(2,409,940)
<b>Net income before non-controlling interest</b>		<b>51,751,610</b>	55,509,307	<b>90,837,211</b>	104,302,103
Non-controlling interest share		<b>(1,451,093)</b>	151,778	<b>6,470,738</b>	250,373
<b>Net income for the period</b>		<b>50,300,517</b>	55,661,085	<b>97,307,949</b>	104,552,476
<b>Earnings (losses) per share from:</b>					
Income from main operations		<b>1.14</b>	1.11	<b>2.26</b>	2.05
Income from other operations		<b>0.05</b>	0.15	<b>(0.18)</b>	0.32
Net income		<b>1.12</b>	1.24	<b>2.16</b>	2.32

The accompanying notes (1) to (18) 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)**  
(Saudi Riyals)

	For the six-months period ended <b>30 June 2016</b>	30 June 2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period before zakat, tax and non - controlling interest	<b>93,752,210</b>	106,712,043
<i>Adjustments to reconcile net income before zakat, tax and non-controlling to net cash generated from operating activities</i>		
Depreciation	<b>69,141,696</b>	55,928,126
Amortization	<b>904,095</b>	899,113
Provision for obsolete and slow-moving inventories	<b>9,339,211</b>	11,173,905
Provision for doubtful debts	<b>912,510</b>	993,610
Impairment loss in assets	<b>18,520,167</b>	-
Loss (Gain) of sale of property and equipment	<b>294,527</b>	(662,203)
Loss on disposal of biological assets	<b>41,131</b>	59,108
Share in the net profits of associates	<b>(12,887,300)</b>	(13,228,783)
Provision for employees' end-of-service benefits	<b>6,417,268</b>	4,820,508
<b>Changes in working capital:</b>		
Inventories	<b>(180,985,468)</b>	(140,134,542)
Prepayments and other receivables	<b>(52,464,549)</b>	(44,863,077)
Trade payables	<b>293,508,281</b>	337,785,853
Accruals and other payables	<b>96,294,122</b>	(11,106,685)
Zakat and tax paid	<b>(3,175,536)</b>	(4,785,918)
<b>Net cash from operating activities</b>	<b>339,612,365</b>	303,591,058
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property and equipment	<b>(307,274,925)</b>	(182,615,164)
Additions to investment properties	<b>(497,623)</b>	(9,950)
Additions to investments in associates	<b>(5,632,570)</b>	(104,472,804)
Change in biological assets	<b>(832,314)</b>	(2,544)
Proceeds from sale of property and equipment	<b>1,514,290</b>	3,143,172
Dividends received from investments	-	367,958
<b>Net cash used in investing activities</b>	<b>(312,723,142)</b>	(283,589,332)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Loans and Murabaha	<b>314,391,305</b>	933,618,195
Repayments of Loans and Murabaha	<b>(380,480,381)</b>	(779,217,705)
Dividends paid	<b>(90,000,000)</b>	(78,750,000)
Non-controlling interest	<b>250,000</b>	-
<b>Net cash (used in ) from financing activities</b>	<b>(155,839,076)</b>	75,650,490
Net change in cash and cash equivalent	<b>(128,949,853)</b>	95,652,216
Cash and cash equivalent at the beginning of the period	<b>329,426,125</b>	183,489,491
<b>Cash and cash equivalent at the ending of the period</b>	<b>200,476,272</b>	279,141,707
<b>Non-cash transactions</b>		
Unrealized (loss) / gain from available for sale investments	<b>(935,552)</b>	2,316,150
Transferred from property and equipment to investment properties	<b>(27,715,996)</b>	(2,477,828)
Other reserves	<b>(717,505)</b>	1,090,208

The accompanying notes (1) to (18) 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)**  
(Saudi Riyals)

	Share Capital	Statutory reserve	Retained earnings	Unrealized gain / (loss) on available for sale investments	Other reserves	Total shareholders ' equity	Non- controlling interest	Total equity
For the six months ended June 30, 2016								
<b>Balance at 1 January 2016</b>	450,000,000	44,565,425	610,213,817	(860,639)	717,505	1,104,636,108	68,116,119	1,172,752,227
Net income for the period	--	--	97,307,949	--	--	97,307,949	(6,470,738)	90,837,211
Non-controlling interest (change)	--	--	--	--	--	--	(1,063,701)	(1,063,701)
Unrealized loss in available for sale investments	--	--	--	(935,552)	--	(935,552)	--	(935,552)
Other reserves – (10)	--	--	--	--	(717,505)	(717,505)	--	(717,505)
Dividends	--	--	(90,000,000)	--	--	(90,000,000)	--	(90,000,000)
<b>Balance at 30 June 2016</b>	450,000,000	44,565,425	617,521,766	(1,796,191)	--	1,110,291,000	60,581,680	1,170,872,680
For the six months ended June 30, 2015								
<b>Balance at 1 January 2015</b>	450,000,000	21,477,889	481,175,991	(49,012)	--	952,604,868	1,645,043	954,249,911
Net income for the period	--	--	104,552,476	--	--	104,552,476	(250,373)	104,302,103
Unrealized gain in available for sale investments	--	--	--	2,316,150	--	2,316,150	--	2,316,150
Dividends	--	--	(78,750,000)	--	--	(78,750,000)	--	(78,750,000)
Other reserves – (10)	--	--	--	--	1,090,208	1,090,208	--	1,090,208
<b>Balance at 30 June 2015</b>	450,000,000	21,477,889	506,978,467	2,267,138	1,090,208	981,813,702	1,394,670	983,208,372

The accompanying notes (1) to (18) 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-months period ended 30 June 2016  
*(All amounts are presented in Saudi riyals unless otherwise indicated)*

---

**1. ORGANIZATION AND ACTIVITIES**

Abdullah Al-Othaim Markets Company (the "Company") is a Saudi joint stock company registered in Riyadh on Rajab 7, 1400(H) (May 21, 1980(G)) under Commercial Register 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(H) (corresponding to September 15, 2007(G)).

The main activities of the company are trade of food, fish, meat, agricultural crops, livestock and household items, and the company also is doing maintenance and operation for cooling and storage warehouses.

The share capital of the Company amounting to SR 450 million divided into 45 million shares of SR 10 each.

The fiscal year for the Company and its subsidiaries starts on January 1<sup>st</sup> and ends December 31<sup>st</sup> each calendar year.

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 company</u></b>	<b>Effective ownership at 30 June</b>	
	<b><u>2016</u></b>	<b><u>2015</u></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%
Riyadh Foods Industries Company	<b>55%</b>	50%
Mueen Recruitment Company	<b>68%</b>	--
Jannat Al Attema Factory Company	<b>55%</b>	50%
Rafif Tours and Travels Company	<b>75%</b>	--

**Haley Holding Company**

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



**Abdullah Al-Othaim Markets Company**  
(A Saudi Joint Stock Company)  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Un-audited)**  
For the six-months period ended 30 June 2016  
*(All amounts are presented in Saudi riyals unless otherwise indicated)*

---

**Universal Marketing Centre Company**

A limited liability company operates under commercial register number 1010314201 issued in Riyadh city on 09 Ramadan 1432 H corresponding to 09 August 2011. The activities are investment in other companies in order to have control over the operations of the acquired company, wholesale, retail trading of groceries, rice, wheat, fish, vehicles spare parts, computer services (Information System and Data Bases), import and export services, marketing of others, and maintenance of training and entertaining facilities and subsistence services cooked and uncooked.

**Seven Services Company**

A limited liability company operates under commercial register number 1010320848 issued in Riyadh city on 02 Muharram 1433 H corresponding to 27 November 2011 G. The activities are importing and exporting, whole sale and retail of ready clothes and sport clothes, jewelry and sewing tools, bags and leather products, decorations and roofs, vehicles and agriculture spare parts and importing and exporting on behalf of others, establish agriculture projects and operating bakeries and cafes.

**Bayt Al Watan Company**

A limited liability company operates under commercial register number 1010320847 issued in Riyadh city on 02 Muharram 1433 H corresponding to 27 November 2011 G. The main activities of the company are importing and exporting, retail and whole sales of fruits and vegetables, fish and dairy products, olive and beverages and importing and exporting for others, and maintenance of training and entertainment facilities and sport facilities and general contracting for building (building, maintenance and demolition) and electronic and electrical works.

**Marafeq Al Tashgheel Company**

A limited liability company operates under commercial register number 1010321917 issued in Riyadh city on 15 Muharram 1433 H corresponding to 10 December 2011 G. The activities are general contracting for the buildings, construction and demolition, restoration, main roads works, streets, bridges, excavation and reinforcement work and carpentry.

**Haley Holding Company – Bosnia and Herzegovina**

A limited liability company operates under commercial register number 065-Reg-13-000344 issued in Republic of Bosnia and Herzegovina on 5 Rabi Al-Akhir 1434H corresponding to 15 February 2013. The activities are providing mediation & commercial services.

**Haley Holding Company – Turkey**

A Joint stock company operates under commercial register number 846205 issued in Republic of Turkey on 1 Safar 1434H corresponding to 14 December 2012. The activities are providing mediation & commercial services.

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

(A Saudi Joint Stock Company)

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

For the six-months period ended 30 June 2016

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

---

#### **Al Othaim Markets Egypt**

A Joint stock company operates under commercial register number 55010 issued in Arab Republic of Egypt on 20 Dhu Al-Hijjah 1432 H corresponding to 16 November 2011. The activities are wholesale and retail trading of consumer goods and general trading.

#### **Thamarat Al Qassim Company**

A limited liability company operates under commercial register number 1010378315 issued in Riyadh city on 30 Rajab 1434 H corresponding to 9 June 2013. . The activities are the cultivation of vegetables, fodder, livestock and poultry, services for import, export and marketing for others, purchase of lands for constructing buildings on them, and investing them by sale or rent, and exploitation of real estate and lands for the benefit of the company.

#### **Riyadh Food Industries Company**

A closed joint stock company operates under commercial register number 1010011849 issued in Riyadh city on 17 Rabi Al Akhir 1397 H corresponding to 5 April 1977. The activities are purchasing of lands for the constructing of industrial buildings and entities and invested for the benefit of the company, and the operation, maintenance and development of plants for the others, and marketing of food and consumer products, and all needed to create shops and markets or participate in wholesale and retail food and consumer goods. The financial statements are consolidated from the beginning of the consolidated financial statements of the Group for the year ended December 31, 2015 G.

#### **Mueen Recruitment Company**

A closed joint stock company operates under commercial register number 1010135202 issued in Riyadh city on 6 Ramadan 1436 H corresponding to 23 June 2015. The activities are providing house labor services for both public and private sectors based on the registration number of Ministry of Labor number HMM 24 dated 23 Dhul Hijja 1436 H corresponding to 16 October 2015. The financial statements are consolidated from the beginning of the consolidated financial statements of the Group for the year ended December 31, 2015 G.

## **2. BASIS OF PREPARATION**

### ***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 and notes presented in the annual financial statements; therefore, these interim consolidated financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2015.

### ***Basis of measurement***

The interim consolidated financial statements have been prepared on the historical cost bases, except investments in associates and available for sale

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

(A Saudi Joint Stock Company)

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

For the six-months period ended 30 June 2016

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

---

investments which are stated as described in the below paragraphs, using the accrual basis of accounting and in conformity with the accounting standards generally accepted in Kingdom of Saudi Arabia.

#### **Accounting estimates**

The interim consolidated financial statements prepared are in conformity with the accounting standards generally accepted require the use of estimates and assumptions which has an effect on the values of recorded assets and liabilities and disclosures for contingent assets and liabilities at the date of the interim consolidated financial statements, and on the values of revenues and expenses during the period of the interim consolidated financial statements. Although the estimates are based on the best information and events available to the management at the date of issuance of interim consolidated financial statements, however the ultimate actual results may insignificantly 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.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have significant effect on the amounts recognized in the interim consolidated financial statements are as follows:

- *Useful lives of property and equipment*
- *Long term contracts costs*
- *Provision for doubtful debts*
- *Allowances and accruals*
- *Provision for slow moving inventory items*

#### **Basis of consolidation**

The interim consolidated financial statements include the financial statements of the Company and its subsidiaries as disclosed in note (1). Subsidiaries are entities controlled by the Company. Control exists when the Company 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 interim consolidated financial statements from the date that control commences until the date control ceases.

All significant transactions and balances between the Company and its subsidiaries and within the subsidiaries are eliminated when preparing the interim consolidated financial statements. Unrealized gains or losses resulting from internal transactions between companies of the group are also eliminated on consolidating interim financial statements.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted 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.

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

(A Saudi Joint Stock Company)

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

For the six-months period ended 30 June 2016

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

---

#### **Cash and Cash Equivalents**

Cash and cash equivalents comprise cash in hand, cash in banks, bank Murabaha and other short-term highly liquid investments with original maturities of three month or less from purchase date.

#### **Accounts receivable**

Accounts receivable are stated net of doubtful debts provision, if any. A provision for doubtful debts is provided for when there is an evidence of the inability of the Company to collect all amounts under the terms entered into with the debtors. This provision is recognized in the interim consolidated statement of income under general and administrative expenses. When the debts are uncollectible, they are written-off against the provision for doubtful debts.

#### **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 are presented net of cost of sales.
- Income from rebates and other supplier's incentives are recognized on accrual basis according to the agreements with the suppliers. For the presentation purposes, cost of sales is stated net of these rebates and incentives.
- Rental income is recognized on accrual basis by straight-line method over the term of the lease.

#### **Expenses**

Selling and marketing expenses principally comprise of costs incurred in the marketing 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 in Kingdom of Saudi Arabia. Allocations between general and administrative expenses and cost of revenues, when required, are made on consistent basis.

#### **Investments**

##### *Investments in associates*

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 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 cease charging any other losses except in cases where the Company has incurred legal or implicit obligations to make 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.

## Abdullah Al-Othaim Markets Company

(A Saudi Joint Stock Company)

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

For the six-months period ended 30 June 2016

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

---

#### **Available for sale investments**

Acquired investments for non-trading purposes and the company has no control or significant influence upon are classified as available for sale investments, and are recognized initially at cost, which represents the fair value of the paid value included acquisition charges related to the investments, and subsequently re-measured at fair value and any changes other than permanent decline in the fair value are recognized in equity.

The fair value is determined by market value if they are traded in an active market, if any. In the absence of active financial market, the cost is considered as the fair value. The permanent decline in the value of investments that mentioned above (if any) is recognized in the interim consolidated statement of income. Gains and losses from sale of available for sale investments are recognized during the period in which they are occurred with the settlement of any unrealized gains or losses that have been recognized previously. The cash distributions from these investments are recognized in the interim consolidated income statement when the distribution from those investee entities.

#### **Inventories**

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

Provision is made (if necessary) for obsolete, slow moving and damaged inventory.

#### **Provisions and contingent liabilities**

Provisions are recognized for liabilities of uncertain timing or amount, when the Company has a contractual or legal 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 liability.

#### **Property and equipment**

Property and equipment are stated at cost less accumulated depreciation and impairment loss. Repair and maintenance expenses are considered revenue expenditures and improvements expenses are considered capital expenditures. Depreciation is charged using straight-line method over the estimated useful life. Leasehold improvements are depreciated over the shorter of estimated useful life or lease term. 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

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

(A Saudi Joint Stock Company)

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

For the six-months period ended 30 June 2016

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

---

#### **Investment property**

Investment properties in the form of buildings and lands to earn rentals or for capital appreciation is recognized at cost less accumulated depreciation, and impairment, if any. Lands are not depreciated. The estimated useful lives of buildings constructed on owned lands are 5 – 25 years while the buildings constructed on leased lands are depreciated over the shorter of 25 or lease term.

#### **Projects under construction**

Projects under construction are stated at costs that incurred until the completion of the preparation for the target which are established for, then those costs are capitalized to the related assets. Projects under construction include the costs of contractors, materials and services, finance costs, salaries, other direct costs and indirect costs, and which are charged on a regular basis. No depreciation for projects under construction.

#### **Impairment of non-current assets**

*At each balance sheet date, the Company reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss, If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.*

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount, Impairment losses are expensed in the statement of income.

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

#### **Biological Assets**

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

#### **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 six-months period ended 30 June 2016  
*(All amounts are presented in Saudi riyals unless otherwise indicated)*

---

**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.

**Statutory reserve**

In accordance with the Companies Law applicable in Saudi Arabia and the Company's bylaws, the Company has established a statutory reserve by the appropriation of 10% of net income of the year until the reserve reaches 30% of the share capital. This reserve is not available for dividend distribution. This transfer is made only at the end of the year.

**Foreign currency translation**

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

**Provision for end-of-service**

Provision for end of service is calculated in accordance with Kingdom of Saudi Arabian labor regulations, and on the basis of total benefits that the employee deserves in case of leaving his work at the date of the consolidated balance sheet, reduced by any prepayments to the employees. Differences between actual end of service benefits and the provision, if any are recognized at the end of their services.

**Zakat and tax**

The Company and its subsidiaries registered in Kingdom of Saudi Arabia are subject to the regulations of the Department 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. Zakat and income tax are charged in the current period consolidated statement of income.

**Earnings per share**

Earnings per share are calculated by using the weighted average number of shares in issued during the period. All issued shares are ordinary shares.

**Segmental information**

A segment is considered a significant part of the group, and providing products or services (business segment), or providing products or services within a particular economic environment (geographical segment). Profits and losses of a certain segment varies from other segments.

**Abdullah Al-Othaim Markets Company**  
(A Saudi Joint Stock Company)  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Un-audited)**  
For the six-months period ended 30 June 2016  
*(All amounts are presented in Saudi riyals unless otherwise indicated)*

---

**4. ITERIM RESULTS FOR THE PERIOD**

The Company's management made all the necessary adjustments in order for the interim consolidated financial statements to fairly present the interim consolidated financial position of the Company and its subsidiaries as at 30 June 2016 and the results of its operations for the six months period ended on that date. The interim consolidated financial results for that period may not give an accurate indication of the consolidated financial results for the full year.

**5. RELATED PARTIES**

Related parties of the company comprise of its shareholders, associates, and board of directors members.

During the period, the Company dealt mainly with Al-Othaim Holding Company (founder shareholder), Abdullah Al-Othaim Real Estate Investment and Development Company (associate) and the General organization of Social insurance.

Transactions with related parties are in accordance with the terms and agreements approved by the management.

<u>Company</u>	<u>Nature of relationship</u>	<u>Nature of transactions</u>	<u>2016</u>	<u>2015</u>
Riyadh Foods industries Company	Subsidiary	Goods purchases	-	17,134,345
Abdullah Al-Othaim Real Estate Investment and Development Company	Associate	Rent expense	<b>5,022,635</b>	5,146,662
Abdullah Al-Othaim Real Estate Investment and Development Company	Associate	Rent income	<b>18,608,237</b>	18,671,260
Al-Othaim Holding Company	Founder	Rent expense	<b>5,000</b>	5,000
Al-Othaim Holding Company	Founder	Rent income	<b>355,025</b>	367,525
General organization of Social insurance	Board member	Rent expense	<b>2,859,816</b>	2,844,103

Prepayments include an amount of SR 5.79 million (2015: SR 6.53 million) which represent prepaid rents to Abdullah Al-Othaim for Investment and Real Estate Development Company according to the terms of the contracts.



**Abdullah Al-Othaim Markets Company**  
(A Saudi Joint Stock Company)  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Un-audited)**  
For the six-months period ended 30 June 2016  
*(All amounts are presented in Saudi riyals unless otherwise indicated)*

---

**6. INVESTMENTS IN ASSOCIATES**

	<u>2016</u>	<u>2015</u>
Balance at 1 January	<b>169,644,532</b>	178,831,391
Company's share in net profits	<b>12,887,300</b>	13,228,783
Company's share in comprehensive income of associates	--	1,090,208
Additions for purchasing investments in associates	<b>5,632,570</b>	104,104,846
Company's share in financial derivatives	<b>(717,505)</b>	--
Balance at 30 June	<b><u>187,446,897</u></b>	<u>297,255,228</u>

<u>Company</u>	<u>Ownership %</u>	<u>Country of incorporation</u>	<u>Capital</u>	<u>Currency</u>
Abdullah Al-Othaim Real Estate Investment and Development Company	13.65	Kingdom of Saudi Arabia	622,535,000	Saudi Riyal
O.S.M Company	50	United Arab Emirates	544,600	American dollar
Alwousta food services	25	Kingdom of Saudi Arabia	100,000,000	Saudi Riyal

**Abdullah Al-Othaim Markets Company**  
(A Saudi Joint Stock Company)  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Un-audited)**  
For the six-months period ended 30 June 2016  
*(All amounts are presented in Saudi riyals unless otherwise indicated)*

**7. PROPERTY AND EQUIPMENT, NET**

	Lands	Machineries and equipment	Buildings	Vehicles	Computers	Furniture and fixtures	Leasehold improvements	Projects under construction	Total
<b>Cost</b>									
1 January 2016	372,948,632	354,451,153	292,469,945	98,883,551	109,032,118	171,183,183	180,209,056	208,237,151	1,787,414,789
Additions	100,033,181	32,836,516	8,821,377	5,686,151	13,658,582	16,731,879	5,702,270	123,241,345	306,711,301
Transferred from PUC	-	2,819,727	59,396,531	-	2,275,796	4,368,478	8,136,345	(76,996,877)	--
Transferred to Investment properties	(20,959,200)	-	-	-	-	-	-	(6,756,795)	(27,715,995)
Disposals	--	(950,785)	(9,637,588)	(527,526)	(1,778,233)	(2,045,415)	-	-	(14,939,547)
<b>30 June 2016</b>	<b>452,022,613</b>	<b>389,156,611</b>	<b>351,050,265</b>	<b>104,042,176</b>	<b>123,188,263</b>	<b>190,238,125</b>	<b>194,047,671</b>	<b>247,724,824</b>	<b>2,051,470,548</b>
<b>Accumulated depreciation</b>									
1 January 2016	-	169,827,919	74,456,611	57,326,572	58,879,945	103,564,100	96,397,917	-	560,453,064
Charge for the period	-	18,641,630	8,935,479	4,904,350	7,730,187	8,388,155	8,320,734	-	56,920,535
Disposals	-	(720,025)	(9,298,864)	(244,656)	(1,389,408)	(1,975,400)	--	-	(13,628,353)
<b>30 June 2016</b>	<b>-</b>	<b>187,749,524</b>	<b>74,093,226</b>	<b>61,986,266</b>	<b>65,220,724</b>	<b>109,976,855</b>	<b>104,718,651</b>	<b>-</b>	<b>603,745,246</b>
<b>Net book value</b>									
<b>30 June 2016</b>	<b>452,022,613</b>	<b>201,407,087</b>	<b>276,957,039</b>	<b>42,055,910</b>	<b>57,967,539</b>	<b>80,261,270</b>	<b>89,329,020</b>	<b>247,724,824</b>	<b>1,447,725,302</b>
30 June 2015	318,632,879	157,620,806	155,380,605	34,809,328	47,163,477	63,349,300	80,281,435	146,058,747	1,003,296,577

- 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 Abdullah Al-Othaim for Investment and Real Estate Development Company.
- Lands mentioned above include SR 288 million (2015: SR 254 million) is mortgaged to some banks against bank facilities (Note 10b).
- The Group has capitalized the borrowing costs related to the projects under construction amounting to SR 2.16 million.

**Abdullah Al-Othaim Markets Company**  
(A Saudi Joint Stock Company)  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Un-audited)**  
For the six-months period ended 30 June 2016  
*(All amounts are presented in Saudi riyals unless otherwise indicated)*

---

**8. INVESTMENT PROPERTIES, NET**

The investment properties comprise of commercial centers, exhibitions and buildings used for the company's branches and are basically leased to others, and the movement during the period is as follow:

	<u>2016</u>	<u>2015</u>
<b>Cost</b>		
At 1 January	<b>586,112,072</b>	588,457,694
Additions	<b>497,623</b>	9,950
Transfer from projects under construction	<b>6,756,796</b>	-
Transfers from property and equipment	<b>20,959,200</b>	-
Transfers to property and equipment	-	(2,477,828)
<b>At 30 June</b>	<b><u>614,325,691</u></b>	<u>585,989,816</u>
<b>Accumulated depreciation</b>		
At 1 January	<b>118,117,802</b>	95,549,198
Charge for the period	<b>12,062,291</b>	11,605,025
Transfer to property and equipment	-	(680,718)
<b>At 30 June</b>	<b><u>130,180,093</u></b>	<u>106,473,505</u>
<b>Net Book value</b>	<b><u>484,145,598</u></b>	<u>479,516,311</u>

**9. BIOLOGICAL ASSETS, NET**

The biological assets represent the livestock owned by one of the subsidiaries (Thamarat Al Qassim), biological assets depreciated using straight-line method over the estimated useful life of five years. And the movement during the period is as follow:

	<u>2016</u>	<u>2015</u>
<b>Cost</b>		
At 1 January	<b>1,368,520</b>	1,603,668
Additions	<b>877,858</b>	2,544
Disposals	<b>(188,200)</b>	(90,517)
<b>At 30 June</b>	<b><u>2,058,178</u></b>	<u>1,515,695</u>
<b>Accumulated depreciation</b>		
At 1 January	<b>571,620</b>	370,402
Charge for the period	<b>158,870</b>	155,360
Disposals	<b>(101,525)</b>	(31,409)
<b>At 30 June</b>	<b><u>628,965</u></b>	<u>494,353</u>
<b>Net Book value</b>	<b><u>1,429,213</u></b>	<u>1,021,342</u>

**Abdullah Al-Othaim Markets Company**  
(A Saudi Joint Stock Company)  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Un-audited)**  
For the six-months period ended 30 June 2016  
*(All amounts are presented in Saudi riyals unless otherwise indicated)*

---

**10. LOANS AND MURABAHA**

a) Short-term Murabaha:

The Company has facilities from local commercial banks in the form of short-term Murabaha to finance working capital. Unutilized balance of these Murabaha as at 30 June 2016 amounted to SR 240 million (30 June 2015: SR 290 million).

b) Long-term loans and Murabaha:

	As at 30 June	
	<u>2016</u>	<u>2015</u>
Current portion	<b>177,213,333</b>	137,733,333
Non-current portion	<b>318,393,333</b>	<u>259,666,667</u>
Total	<b><u>495,606,666</u></b>	<u>397,400,000</u>

Certain facilities are secured by mortgage of land title deeds owned by the Company with a book value of SR 288 million as at 30 June 2016 (30 June 2015: SR 254 million).

**11. OTHER RESERVES**

Other reserves represent the Company's share in the changes in fair value of financial derivative of associated company recorded in shareholders' equity.

**12. DIVIDENDS**

On 27<sup>th</sup> March 2016 the Shareholders' General Assembly approved the distribution of cash dividends of SR 90 million represents SR 2 per share for the financial year ended 31 December 2015 which are paid to the Shareholders on 12<sup>th</sup> April 2016.

**13. BUSINESS COMBINATION**

On 1 October 2015, the Group has been increased its ownership in Riyadh Foods Industries Company from 50% to 55% for a consideration amount of SR 10 million. This acquisition results to the group Riyadh Foods Industries Company as a subsidiary instead of accounting for the investment by using equity method.

The company is currently in the process of distribution of the purchase amount on the assets and liabilities that acquired and identifiable.

The difference between the consideration paid and the fair value of the net assets acquired will be recognized as goodwill or negative goodwill as appropriate. If the new information that will obtain has changed within one year of the date of acquisition by the evaluation of acquired company by an independent evaluator about the facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts. However, the Company has initially accounted for the transaction based on the carrying values of the assets and liabilities as of the acquisition date which are summarized below:

**Abdullah Al-Othaim Markets Company**  
(A Saudi Joint Stock Company)  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Un-audited)**  
For the six-months period ended 30 June 2016  
*(All amounts are presented in Saudi riyals unless otherwise indicated)*

---

	<b>A full consideration of financial statements of Book Value</b>
<b><u>Assets</u></b>	
Cash on hand and at banks	405,668
Trade receivables	26,182,599
Prepaid expenses and other current assets	17,552,279
Inventories	44,150,188
Property, plants and equipment	65,034,082
	<b>153,324,816</b>
<b><u>Liabilities</u></b>	
Trade payables	27,899,895
Notes payables	27,686,837
Accrued expenses and other liabilities	9,656,275
Accrued zakat	1,450,916
Other liabilities	12,221,268
End of service benefits	3,978,263
	<b>82,893,454</b>
<b>Net Assets (Shareholders' equity)</b>	70,431,362
Non-controlling interest in the company's net loss	145,392
Total equity	<b>70,576,754</b>
Add: Increase in capital	10,000,000
Less: Non-controlling interest 45%	(36,259,539)
Controlling interest in the book value of shareholders' equity 55%	<b>44,317,215</b>
<b><u>Acquisition Cost:</u></b>	
Consideration	10,000,000
Book value of shares held prior to the date of acquisition	35,288,377
Total acquisition cost	<b>45,288,377</b>

**14. IMPAIRMENT LOSS IN ASSETS:**

During the year ended 31 December 2015, a fire occurred at one of the manufacturing facilities of Riyadh Foods Industries Company Limited (subsidiary). The fire resulted in damage to certain property, equipment and inventories having a book value of SR 20.6 million. The subsidiary has recognized an impairment loss amounting to SR 5 million. The Company's share of the loss is SR 11.33 million, which was recorded in year 2015 and in the first quarter of year 2016, amounting to SR 2.75 million and SR 8.6 million respectively, The subsidiary has recognized further impairment loss amounting to SR 15.6 million In its financial statements for 2015, after the issuance of the financial statements of the Company for the same year.

At the date of financial position no assured value of compensations from insurance company is reached due to the civil defense report not received.

**Abdullah Al-Othaim Markets Company**

(A Saudi Joint Stock Company)

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

For the six-months period ended 30 June 2016

*(All amounts are presented in Saudi riyals unless otherwise indicated)***15. SEGMENTAL INFORMATION**

The Company's activities are focused on retail and wholesale of food and carries out its operations in the Kingdom of Saudi Arabia and Arab republic of Egypt. In addition to investing in developing sector of commercial malls by selling or renting in favor of the company. Certain selected information was summarized for each business segment as at 30 June:

	<b>For the period ended 30 June 2016</b>		For the period ended 30 June 2015	
	<b>Retail and wholesale</b>	Building and leasing (rents)	<b>Retail and wholesale</b>	Building and leasing (rents)
Sales	<b>3,660,211,431</b>	-	3,133,568,731	-
Rental revenue	-	<b>56,388,894</b>	-	53,715,634
Gross Profit	<b>616,047,064</b>	<b>32,324,841</b>	460,349,702	28,901,060
Property and equipment, net	<b>1,684,639,807</b>	<b>247,231,093</b>	1,003,296,577	479,516,311
Biological Assets	<b>1,429,213</b>	-	1,125,967	-

**16. CONTINGENCIES AND COMMITMENTS**

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

	<u>2016</u>	<u>2015</u>
Letters of credit	<u>27,208,237</u>	<u>33,065,754</u>
Letters of guarantee	<u>35,126,912</u>	<u>9,565,790</u>
Capital commitments on projects under construction	<u>104,604,610</u>	<u>88,617,034</u>

b) Commitments against operating lease agreements:

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

	<u>2016</u>	<u>2015</u>
Up to one year	<u>66,122,937</u>	<u>70,492,926</u>
More than one year, and up to 5 years	<u>215,510,928</u>	<u>213,350,728</u>
More than 5 years, and up to 30 years	<u>239,175,864</u>	<u>250,906,090</u>

**17. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to be consistent with the presentation of the current period.

**18. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by audit committee on 21 Shawwal 1437 corresponding to 26 July 2016 G.