



**ABDULLAH AL-OTHAIM MARKETS COMPANY**

(A Saudi Joint Stock Company)

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTH PERIOD  
AND YEAR ENDED 31 DECEMBER 2016  
TOGETHER WITH THE REVIEW REPORT**

**ABDULLAH AL-OTHAIM MARKETS COMPANY**

(A Saudi Joint Stock Company)

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTH PERIOD AND YEAR ENDED 31 DECEMBER 2016**

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## **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 31 December 2016, the interim consolidated statement of income for the three month and year then ended, the interim consolidated statements of cash flows and changes in equity for the year 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



Rabi Al-Thani 24, 1438 (H)  
January 22, 2017 (G)

**ABDULLAH AL-OTHAIM MARKETS COMPANY**  
(A Saudi Joint Stock Company)  
**INTERIM CONSOLIDATED BALANCE SHEET**  
(Saudi Riyals)

		As at 31 December	
	<u>Note</u>	<u>2016</u> (Un-Audited)	<u>2015</u> (Audited)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalent		375,612,341	329,426,125
Inventories		679,080,481	603,995,906
Trade receivables, Net		31,524,925	28,194,855
Prepayments and other receivables		179,750,356	239,154,945
<b>Total current assets</b>		<b>1,265,968,103</b>	<b>1,200,771,831</b>
<b>Non-current assets</b>			
Investments in associates	(6)	173,118,648	169,644,532
Available for sale investments		14,991,495	16,645,447
Property and equipment, Net	(7)	1,339,873,823	1,226,961,725
Investment properties, Net	(8)	675,153,918	467,994,270
Biological assets, Net	(9)	-	796,900
Intangible assets		9,511,008	11,359,330
<b>Total non-current assets</b>		<b>2,212,648,892</b>	<b>1,893,402,204</b>
<b>TOTAL ASSETS</b>		<b>3,478,616,995</b>	<b>3,094,174,035</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables		1,101,372,812	927,325,129
Short term loans and Murabaha	(10a)	-	20,061,386
Current portion of long term loans and Murabaha	(10b)	187,213,333	192,213,333
Notes Payable		29,109,363	31,240,285
Accruals and other payables		373,264,444	281,137,008
<b>Total current liabilities</b>		<b>1,690,959,952</b>	<b>1,451,977,141</b>
<b>Non-current liabilities</b>			
Long term loans and Murabaha	(10b)	412,286,670	399,500,000
Provision for employees' end-of-service benefits		82,677,996	69,944,667
<b>Total non-current liabilities</b>		<b>494,964,666</b>	<b>469,444,667</b>
<b>TOTAL LIABILITIES</b>		<b>2,185,924,618</b>	<b>1,921,421,808</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital		450,000,000	450,000,000
Statutory reserve		67,409,203	44,565,425
Other reserves	(11)	-	717,505
Retained earnings		725,807,814	610,213,817
Unrealized (loss) from available for sale investments		(2,514,591)	(860,639)
Differences from translation of foreign subsidiary financial statements		(4,002,834)	-
<b>Total shareholders' equity</b>		<b>1,236,699,592</b>	<b>1,104,636,108</b>
Non – controlling interest		55,992,785	68,116,119
<b>Total equity</b>		<b>1,292,692,377</b>	<b>1,172,752,227</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3,478,616,995</b>	<b>3,094,174,035</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)

	For the three-months period ended 31, December		For the year ended 31, December	
<u>Note</u>	<u>2016</u> (Un-Audited)	<u>2015</u> (Un-Audited)	<u>2016</u> (Un-Audited)	<u>2015</u> (Audited)
Sales	1,928,234,804	1,553,364,788	7,171,729,236	6,035,801,745
Cost of sales	(1,555,688,638)	(1,236,637,195)	(5,900,068,018)	(5,037,330,186)
<b>Gross income</b>	<b>372,546,166</b>	316,727,593	<b>1,271,661,218</b>	998,471,559
Rental income, net	18,233,310	18,525,303	67,232,686	62,216,356
Selling and marketing expenses	(251,176,814)	(221,637,055)	(978,733,117)	(765,122,696)
General and administrative expenses	(37,292,326)	(28,347,086)	(126,385,999)	(85,791,179)
<b>Income from main operations</b>	<b>102,310,336</b>	85,268,755	<b>233,774,788</b>	209,774,040
Company's share in profits of investments in associates	(6) 7,055,766	6,562,947	27,232,137	26,884,450
Dividends received from available for sale investments	-	-	345,928	367,955
Impairment loss in assets	(14) (4,425,489)	-	(20,026,315)	-
Financing expenses	(5,903,660)	(2,894,638)	(17,233,432)	(9,048,026)
Other income, net	380,086	1,239,829	3,610,100	6,496,708
<b>Income before zakat, tax and non-controlling interest</b>	<b>99,417,039</b>	90,176,893	<b>227,703,206</b>	234,475,127
Zakat and tax	(7,498,137)	(2,212,591)	(11,638,765)	(5,322,531)
<b>Net income before non-controlling interest</b>	<b>91,918,902</b>	87,964,302	<b>216,064,441</b>	229,152,596
Non-controlling interest share	2,566,947	1,268,573	12,373,334	1,722,766
<b>Net income for the period / year</b>	<b>94,485,849</b>	89,232,875	<b>228,437,775</b>	230,875,362
<b>Earnings (losses) per share from:</b>				
Income from main operations	2,27	1,89	5,19	4,66
Income from other operations	(0,17)	0,09	(0,12)	0,47
Net income	2,1	1,98	5,07	5,13
Weight-average for number of shares	45,000,000	45,000,000	45,000,000	45,000,000

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 CASH FLOWS (Un-audited)**  
(Saudi Riyals)

	For the year ended	
	31 December <u>2016</u>	31 December <u>2015</u>
	(Un-Audited)	(Audited)
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Net income before zakat, tax and non - controlling interest	227,703,206	234,475,127
<i>Adjustments to reconcile net income before zakat, tax and non-controlling interest to net cash generated from operating activities</i>		
Depreciation	145,390,586	127,345,794
Amortization	1,950,397	1,748,132
Provision for stock shortage (increase)	2,166,752	(240,259)
Provision for doubtful debts	175,604	-
Loss (Gain) of sale of property and equipment	1,744,522	(7,179)
Loss on disposal of biological assets	294,292	139,577
Share in the net profits of associates	(27,232,137)	(26,884,450)
Dividends from available for sale investment	(345,928)	(367,955)
Provision for employees' end-of-service benefits, net	12,733,329	9,387,507
<b>Changes in working capital:</b>		
Inventories	(77,251,327)	(94,099,677)
Prepayments and other receivables	50,266,345	93,012
Trade payables	171,916,761	(83,006,973)
Accruals and other payables	83,664,207	54,635,349
Zakat and tax paid	(3,175,536)	(4,109,267)
<b>Net cash from operating activities</b>	<b>590,001,073</b>	<b>219,108,738</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Additions to property and equipment	(476,005,570)	(402,197,581)
Additions to investment properties	(2,403,039)	(132,206)
Addition to intangible assets	(102,075)	-
Additions to investments in associates	-	(26,124,563)
Change in biological assets	172,136	(2,544)
Proceeds from sale of property and equipment	2,127,170	3,810,101
Dividends received from associates investments	28,673,086	27,625,000
Dividends received from available for sale investments	345,928	367,955
<b>Net cash used in investing activities</b>	<b>(447,192,364)</b>	<b>(396,653,832)</b>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Proceeds from Loans and Murabaha	1,117,406,711	243,500,205
Repayments of Loans and Murabaha	(1,129,681,427)	(1,874,724,996)
Dividends paid	(90,000,000)	(78,750,000)
Non-controlling interest	250,000	33,050,857
<b>Net cash from financing activities</b>	<b>(102,024,716)</b>	<b>323,076,066</b>
Net change in cash and cash equivalent	40,783,993	145,530,966
Effects of changes in foreign exchange rates for translation of foreign subsidiary financial statements	5,402,223	-
Cash and cash equivalent at the beginning of the period	329,426,125	183,489,491
Cash resulted from consolidation associates companies	-	405,668
<b>Cash and cash equivalent at the ending of the year</b>	<b>375,612,341</b>	<b>329,426,125</b>
<b><u>Non-cash transactions</u></b>		
Unrealized (loss) from available for sale investments	(1,653,952)	(811,627)
Transferred from property and equipment to investment properties	229,723,408	-
Other reserves	(717,505)	717,505

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)

For the year ended December 31, 2016 (Un-audited)	Share Capital	Statutory reserve	Retained earnings	Unrealized (loss) gain on available for sale investments	Other reserves	Differences from translation of foreign subsidiary financial statements	Total shareholders' equity	Non-controlling interest	Total equity
<b>Balance at 1 January 2016</b>	<b>450,000,000</b>	<b>44,565,425</b>	<b>610,213,817</b>	<b>(860,639)</b>	<b>717,505</b>	<b>--</b>	<b>1,104,636,108</b>	<b>68,116,119</b>	<b>1,172,752,227</b>
Net income for the year	--	--	<b>228,437,775</b>	--	--	--	<b>228,437,775</b>	<b>(12,373,334)</b>	<b>216,064,441</b>
Transfer to statutory reserve	--	<b>22,843,778</b>	<b>(22,843,778)</b>	--	--	--	--	--	--
Non-controlling interest (change)	--	--	--	--	--	--	--	<b>250,000</b>	<b>250,000</b>
Unrealized loss in available for sale investments	--	--	--	<b>(1,653,952)</b>	--	--	<b>(1,653,952)</b>	--	<b>(1,653,952)</b>
Other reserves – (11)	--	--	--	--	<b>(717,505)</b>	--	<b>(717,505)</b>	--	<b>(717,505)</b>
Dividends	--	--	<b>(90,000,000)</b>	--	--	--	<b>(90,000,000)</b>	--	<b>(90,000,000)</b>
Differences from translation of foreign subsidiary financial statements	--	--	--	--	--	<b>(4,002,834)</b>	<b>(4,002,834)</b>	--	<b>(4,002,834)</b>
<b>Balance at 3a December 2016</b>	<b>450,000,000</b>	<b>67,409,203</b>	<b>725,807,814</b>	<b>(2,514,591)</b>	<b>--</b>	<b>(4,002,834)</b>	<b>1,236,699,592</b>	<b>55,992,785</b>	<b>1,292,692,377</b>
<b>For the year ended December 31, 2015 (Audited)</b>									
<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 year	--	--	230,875,362	--	--	--	230,875,362	(1,722,766)	229,152,596
Transfer to statutory reserve	--	23,087,536	(23,087,536)	--	--	--	--	--	--
Unrealized gain in available for sale investments	--	--	--	(811,627)	--	--	(811,627)	--	(811,627)
Dividends	--	--	(78,750,000)	--	--	--	(78,750,000)	--	(78,750,000)
Other reserves – (11)	--	--	--	--	717,505	--	717,505	--	717,505
Non-controlling interest (change)	--	--	--	--	--	--	--	68,193,842	68,193,842
<b>Balance at 31 December 2015</b>	<b>450,000,000</b>	<b>44,565,425</b>	<b>610,213,817</b>	<b>(860,639)</b>	<b>717,505</b>	<b>--</b>	<b>1,104,636,108</b>	<b>68,116,119</b>	<b>1,172,752,227</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)

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

For the three-month period and year ended 31 December 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 transferred 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. The company is also engaged in operating and maintaining storage and freezing warehouses, operating shopping malls, acquiring land to develop buildings for investment in rent or sale or for its own

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 consist 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 31 December</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%
Rawafid Al-khairat Operation and Maintenance Company	<b>100%</b>	--
Thamarat Al Qassim Company	<b>90%</b>	90%
Riyadh Foods Industries Company	<b>55%</b>	--
Mueen Recruitment Company	<b>68%</b>	--
Jannat Al Attema Factory Company	<b>55%</b>	--
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, acquiring the necessary real estate to commence its operations, provide loans and guarantees to its subsidiaries, possessing industrial copy rights of patents, trademarks, franchising and other moral rights and rent them to its subsidiaries.



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

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

For the three-month period and year ended 31 December 2016

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

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**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, acquiring the necessary real estate to commence its operations, provide loans and guarantees to its subsidiaries, possessing industrial copy rights of patents, trademarks, franchising and other moral rights and rent them to its subsidiaries.

**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 vegetables, fruits, grains, flour, rice, dates, sugar, meat, fish, milk, dairy products, ghee, millet, olives, pasta, soft drinks, mineral water and packing and packaging services.

**Bayt Al Watan Company**

A limited liability company operates under commercial register number 1010320847 issued in Riyadh city on 02 Muharram 1433H 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, halva, pasta 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 1433H 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.

**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.

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

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

For the three-month period and year ended 31 December 2016

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

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**Rawafid Al-khairat Operation and Maintenance Company**

A limited liability company operates under commercial register number 1010228732 issued in Riyadh on 23 Safar 1428H corresponding 19 November 2007. The activities are general contracting and the operation of commercial complexes.

**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 interim consolidated financial statements of the Group for the three-month period and the year ended December 31, 2015.

**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 prepared 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 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.

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

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

For the three-month period and year ended 31 December 2016

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

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**Accounting estimates**

The interim consolidated financial statements are prepared 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 and residual values 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 of 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 three-month period and year ended 31 December 2016

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

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**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 the sale of goods is recognized at the time of check-out sales where there is no continuing management involvement with the goods. New stores opening fees recognize based on agreements with the suppliers at the time of opening of the store and presented in the statement of income, net of cost of sales.
- Income from rebates and other supplier's incentives recognize 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 recognizes 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, 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 capital of the investee, which title for the owner ability to vote in significant influence to affect the investee company. Associates are accounted for using the equity method and recognize initially 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 will reduce 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 credited or charged to the interim consolidation statement of income.

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**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 recognize 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 determines by market value if they traded in an active market, if any. In the absence of active financial market, the cost considers as the fair value. The permanent decline in the value of investments that mentioned above (if any) recognize in the interim consolidated statement of income. Gains and losses from sale of available for sale investments recognize 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 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 stated at the present value of the expenditures expected to settle the liability.

**Property and equipment**

Property and equipment stated at cost less accumulated depreciation and impairment loss. Repair and maintenance expenses consider revenue expenditures and improvements expenses consider capital expenditures. Depreciation charges using straight-line method over the estimated useful life. Leasehold improvements depreciate 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

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**Investment property**

Investment properties in the form of buildings and lands to earn rentals or held for long periods to earn 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 stated at costs that incurred until the completion of the preparation for the purposes that established for, and 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 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 five 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.

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**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 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 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 recognize 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.

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**4. INTERIM 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 **31 December 2016** and the results of its operations for the three-month period and year 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 group 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 for 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.

Below are major transactions with related parties during the period.

<u>Company</u>	<u>Nature of relationship</u>	<u>Nature of transactions</u>	<u>Transaction</u>	
			<u>2016</u>	<u>2015</u>
Abdullah Al-Othaim for Real Estate Investment and Development Company	Associate	Rent expense	<b>10,014,520</b>	10,644,267
Abdullah Al-Othaim for Real Estate Investment and Development Company	Associate	Rent income	<b>37,224,948</b>	37,364,525
Abdullah Al-Othaim for Real Estate Investment and Development Company	Associate	Ticket sales	<b>816,470</b>	-
Al-Othaim Holding Company	Founder Shareholder	Rent expense	<b>10,000</b>	10,000
Al-Othaim Holding Company	Founder Shareholder	Rent income	<b>710,050</b>	728,800
Al-Othaim Holding Company	Founder Shareholder	Ticket sales	<b>2,534,951</b>	-
General Organization of Social Insurance	Board member	Rent expense	<b>5,562,500</b>	5,562,500
Alwosta Food Services Company	Associate	Rent income	<b>350,000</b>	-

Prepayments include an amount of SR 8.39 million (2015: SR 2.98 million) which represent prepaid rent to related parties according to the contractual terms.

**6. INVESTMENTS IN ASSOCIATES**

	<u>2016</u> <u>(Un-audited)</u>	<u>2015</u> <u>(Audited)</u>
Balance at 1 January	<b>169,644,532</b>	178,831,391
Company's share in net profits	<b>27,232,137</b>	26,884,450
Additions during the period	<b>5,632,570</b>	26,124,563
Company's share in comprehensive income of associates	<b>(717,505)</b>	717,505
Disposals	-	(35,288,377)
Dividends-received	<b>(28,673,086)</b>	(27,625,000)
Balance at 31 December	<b>173,118,648</b>	169,644,532



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<b><u>Company</u></b>	<b><u>Ownership %</u></b>	<b><u>Country of incorporation</u></b>	<b><u>Capital</u></b>	<b><u>Currency</u></b>
Abdullah Al-Othaim for Real Estate Investment and Development Company	13.6538	Kingdom of Saudi Arabia	1,000,000,000	Saudi Riyal
O.S.M Company	50	United Arab Emirates	544,600	American dollar
Alwousta Food Services Company	25	Kingdom of Saudi Arabia	100,000,000	Saudi Riyal

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**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 (Audited)	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	100,376,713	66,153,940	17,375,828	11,348,299	24,627,169	32,210,199	13,529,416	210,384,006	476,005,570
Transferred from PUC	-	9,524,157	85,608,635	-	3,947,588	10,238,436	15,623,481	(124,942,297)	-
Transferred to Investment properties	-	-	2,830,498	-	-	-	-	-	2,830,498
Transferred from Investment properties	(33,946,895)	-	-	-	-	-	-	(198,607,011)	(232,553,906)
Disposals	-	(2,354,237)	(11,012,752)	(1,294,718)	(1,793,490)	(2,046,355)	(33,649)	(1,056,361)	(19,591,562)
Foreign currency translation adjustments	-	(3,822,109)	-	(481,645)	(1,127,782)	(820,194)	(2,243,594)	(1,427,053)	(9,922,377)
<b>31 Dec. 2016 (Un-Audited)</b>	<b>439,378,450</b>	<b>423,952,904</b>	<b>387,272,154</b>	<b>108,455,487</b>	<b>134,685,603</b>	<b>210,765,269</b>	<b>207,084,710</b>	<b>92,588,435</b>	<b>2,004,183,012</b>
<b>Accumulated depreciation</b>									
1 January 2016 (Audited)	-	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	-	39,487,852	18,344,489	10,033,819	16,884,013	17,887,688	17,455,454	-	120,093,315
Disposals	-	(2,065,317)	(9,298,864)	(980,994)	(1,392,819)	(1,975,487)	(6,388)	-	(15,719,869)
Foreign currency translation adjustments	-	(170,083)	-	(35,750)	(181,383)	(41,829)	(88,276)	-	(517,321)
<b>31 Dec. 2016 (Un-Audited)</b>	<b>-</b>	<b>207,080,371</b>	<b>83,502,236</b>	<b>66,343,647</b>	<b>74,189,756</b>	<b>119,434,472</b>	<b>113,758,707</b>	<b>-</b>	<b>664,309,189</b>
<b>Net book value</b>									
<b>31 Dec. 2016 (un-Audited)</b>	<b>439,378,450</b>	<b>216,872,533</b>	<b>303,769,918</b>	<b>42,111,840</b>	<b>60,495,847</b>	<b>91,330,797</b>	<b>93,326,003</b>	<b>92,588,435</b>	<b>1,339,873,823</b>
31 Dec. 2015 (Audited)	372,948,632	184,623,234	218,013,334	41,556,979	50,152,173	67,619,083	83,811,139	208,237,151	1,226,961,725

- 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 Real Estate Investment and Development Company.
- Lands mentioned above include an amount of SR 220 million (2015: SR 275 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 7.6 million (2015: SR 3.1 million )

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**8. INVESTMENT PROPERTIES, NET**

The investment properties represent shopping malls, commercial and showrooms center and buildings used for the investment and primarily leased to others. The movement during the period is as follow:

	<b><u>2016</u></b> <b><u>(Un-Audited)</u></b>	<b><u>2015</u></b> <b><u>(Audited)</u></b>
<b>Cost</b>		
At 1 January	586,112,072	588,457,694
Additions	2,403,039	132,206
Transfer from projects under construction	198,607,011	-
Transfers from property and equipment	33,946,895	-
Transfers to property and equipment	<u>(2,830,498)</u>	<u>(2,477,828)</u>
<b>At 31 December</b>	<b><u>818,238,519</u></b>	<b><u>586,112,072</u></b>
<b>Accumulated depreciation</b>		
At 1 January	118,117,802	95,549,198
Charge for the period	24,966,799	23,249,322
Transfer to property and equipment	-	(680,718)
<b>At 31 December</b>	<b><u>143,084,601</u></b>	<b><u>118,117,802</u></b>
<b>Net Book value</b>	<b><u>675,153,918</u></b>	<b><u>467,994,270</u></b>

The Board of directors Abdullah Al-Othaim Markets Company has recommended to sell a shopping mall in Ha'el city to Abdullah Al-Othaim for Real Estate Investment and Development Company (a related party). The book value of the mall at the completion of the deal is estimated to be SR 249.1 million

**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:

	<b><u>2016</u></b> <b><u>(Un-Audited)</u></b>	<b><u>2015</u></b> <b><u>(Audited)</u></b>
<b>Cost</b>		
At 1 January	1,368,520	1,603,667
Additions	979,686	2,544
Disposals	<u>(2,348,206)</u>	<u>(237,691)</u>
<b>At 31 December</b>	<b><u>-</u></b>	<b><u>1,368,520</u></b>
<b>Accumulated depreciation</b>		
At 1 January	571,620	370,401
Charge for the period	330,472	299,333
Disposals	<u>(902,092)</u>	<u>(98,114)</u>
<b>At 31 December</b>	<b><u>-</u></b>	<b><u>571,620</u></b>
<b>Net Book value</b>	<b><u>-</u></b>	<b><u>796,900</u></b>

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The company's management decided during the fourth quarter of 2016 to cease the activity of livestock and meat production of the subsidiary Thamarat Al Qassim Company .

**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 31 December 2016 amounted to SR 340 million (31 December 2015: SR 270 million).

b) Long-term loans and Murabaha:

	<b>As at 31 December</b>	
	<b><u>2016</u></b>	<b><u>2015</u></b>
	<b><u>(Un-Audited)</u></b>	<b><u>(Audited)</u></b>
Current portion	<b>187,213,333</b>	192,213,333
Non-current portion	<b>412,286,670</b>	399,500,000
Total	<b><u>599,500,003</u></b>	<u>591,713,333</u>

Certain facilities are secured by mortgage of land title deeds owned by the Company with a book value of SR 220 million as at 31 December 2016 (31 December 2015: SR 275 million).

**10. OTHER RESERVES**

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

**11. 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 fiscal year ended 31 December 2015 which are paid to the Shareholders on 12<sup>th</sup> April 2016.

**12. 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 using the 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:

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	<b>Carrying value recognized on acquisition date</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 net losses the Company	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 (subsidiary). The fire resulted a 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 reached.

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The company's management decided during the fourth quarter of 2016 to cease the cultivation of fodder, livestock and meat production of the Thamarat Al Qassim Company (subsidiary). This is resulted in an impairment loss in the value of the assets of such activities amounting to SR 4.42 million

**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 31 December:

	<b>For the period ended 31 December 2016</b>		For the period ended 31 December 2015	
	<b>Retail and wholesale (Un-Audited)</b>	<b>Building and leasing (rents) (Un- Audited)</b>	Retail and wholesale (Audited)	Building and leasing (rents) (Audited)
Sales	<b>7,171,729,236</b>	-	6,035,801,745	-
Rental income	-	<b>115,517,480</b>	-	111,198,353
Gross Profit	<b>1,271,661,218</b>	<b>67,232,686</b>	998,471,559	62,216,356
Property and equipment, net	<b>1,339,873,823</b>	<b>675,153,918</b>	1,226,961,725	467,994,270
Biological Assets	-	-	796,900	-

**16. CONTINGENCIES AND COMMITMENTS**

a) As at **31 December**, the Company has the following commitments and contingent liabilities:

	<u><b>2016</b></u> <u><b>(Un-Audited)</b></u>	<u><b>2015</b></u> <u><b>(Audited)</b></u>
Letters of credit	<u><b>75,238,067</b></u>	<u>35,286,228</u>
Letters of guarantee	<u><b>47,162,361</b></u>	<u>8,946,175</u>
Capital commitments on projects under construction	<u><b>124,778,491</b></u>	<u>128,980,594</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 **31 December** were as follows:

	<u><b>2016</b></u> <u><b>(Un-Audited)</b></u>	<u><b>2015</b></u> <u><b>(Audited)</b></u>
Up to one year	<u><b>68,180,400</b></u>	<u>65,658,571</u>
More than one year, and up to 5 years	<u><b>220,867,673</b></u>	<u>208,995,042</u>
More than 5 years, and up to 30 years	<u><b>301,786,480</b></u>	<u>241,136,839</u>

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**17. COMPARATIVE FIGURES**

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

**18. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements approved by audit committee on January 18, 2017G.

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