

**ABDULLAH AL-OTHAIM MARKETS COMPANY**  
**(A Saudi Joint Stock Company)**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL**  
**STATEMENTS**  
**FOR THE THREE-MONTHS AND TWELVE-MONTHS PERIOD ENDED 31 DECEMBER**  
**2020**  
**AND REPORT ON REVIEW OF INTERIM CONDENSED**  
**CONSOLIDATED FINANCIAL INFORMATION**

ABDULLAH AL-OTHAIM MARKETS COMPANY

(A Saudi Joint Stock Company)

INDEX TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE- MONTHS AND TWELVE-MONTHS  
PERIOD ENDED 31 DECEMBER 2020 (UNAUDITED)

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**AUDITOR'S REVIEW REPORT ON THE  
INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

To the shareholders of  
**Abdullah Al-Othaim Markets Company**  
(A Saudi Joint Stock Company)  
Riyadh –Kingdom of Saudi Arabia

**Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of **Abdullah Al-Othaim Markets Company** "A Saudi Joint Stock Company" ("the Company") and its subsidiaries (together "the Group"), as of 31 December 2020 and the interim condensed consolidated statements of income and the interim condensed consolidated statements of comprehensive income for the three-month and twelve-month periods then ended, and the interim condensed consolidated statements of changes in equity and cash flows for the twelve-month period then ended and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standards 34 – "Interim Financial Reporting" (IAS 34) that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

**Scope of Review**

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

**Conclusion**

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

For Dr. Mohamed Al-Amri & Co.

Gihad Al-Amri  
Certified Public Accountant  
Registration No. 362



28 Jumada Al-Thani 1442 (H)  
10 February 2021 (G)

ABDULLAH AL-OTHAIM MARKETS COMPANY

A Saudi Joint Stock Company

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As of 31 December 2020 (Unaudited)	As of 31 December 2019 (Audited)
	Note	(Saudi Riyals)	
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment, net	5	1,408,098,327	1,433,482,523
Right of use leased assets	6	1,329,581,061	1,158,035,201
Investment properties, net	7	590,461,652	615,677,933
Intangible assets, net	8	3,473,064	4,642,641
Investments in associates	9	267,138,201	262,397,200
Equity instruments at fair value through other comprehensive income		3,398,734	4,019,032
<b>Total non-current assets</b>		<b>3,602,151,039</b>	<b>3,478,254,530</b>
<b>Current assets</b>			
Inventories, net		859,301,604	786,016,674
Financial assets at amortized cost		7,505,000	7,505,000
Prepayments and other receivables, net		157,336,099	177,220,545
Trade receivables, net		42,770,978	41,055,379
Cash and cash equivalents	10	277,764,776	262,430,338
<b>Total current assets</b>		<b>1,344,678,457</b>	<b>1,274,227,936</b>
<b>Non-current assets held for sale</b>		<b>19,083,631</b>	<b>13,643,929</b>
<b>TOTAL ASSETS</b>		<b>4,965,913,127</b>	<b>4,766,126,395</b>
<b>LIABILITIES AND EQUITY</b>			
<b>EQUITY</b>			
Paid-in share capital		900,000,000	900,000,000
Statutory reserve	11	109,824,670	64,727,410
Retained earnings		523,033,874	529,539,987
Fair value reserve		(2,058,404)	(1,938,106)
Exchange differences on translation of foreign operations		(6,417,559)	(5,949,535)
The Company's share in other comprehensive income of associates		(58,531)	1,055,741
<b>Equity attributable to shareholders of the Company</b>		<b>1,524,324,050</b>	<b>1,487,435,497</b>
Non-controlling interests		44,436,190	37,745,493
<b>Total equity</b>		<b>1,568,760,240</b>	<b>1,525,180,990</b>
<b>Non-current liabilities</b>			
Lease contracts Liabilities		1,279,556,625	1,133,073,678
Obligation for employees' end-of-service benefits	13	171,440,559	139,689,218
<b>Total non-current liabilities</b>		<b>1,450,997,184</b>	<b>1,272,762,896</b>
<b>Current liabilities</b>			
Trade Payables		1,363,456,927	1,328,739,847
Short term loans and murabahat	12	-	135,956,936
Lease contracts Liabilities		108,314,092	87,631,515
Accruals and other payables		447,790,279	393,124,920
Zakat provision	15	26,353,223	20,684,424
<b>Total current liabilities</b>		<b>1,945,914,521</b>	<b>1,966,137,642</b>
<b>Obligations related to assets held for sale</b>		<b>241,182</b>	<b>2,044,867</b>
<b>TOTAL LIABILITIES</b>		<b>3,397,152,887</b>	<b>3,240,945,405</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>4,965,913,127</b>	<b>4,766,126,395</b>

The accompanying notes from (1) to (24) form an integral part of these interim condensed consolidated financial statements and to be read therewith

Vice-president, financial affairs  
Marwan Ahmed Ibrahim

Chief Executive Officer  
Abdulaziz Abdullah Al-Othaim

Chairman  
Abdullah Saleh Al-Othaim

ABDULLAH AL-OTHAIM MARKETS COMPANY

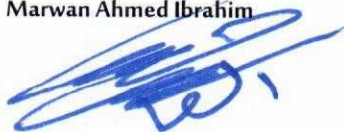
A Saudi Joint Stock Company

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

	Note	For the three-months period ended 31 December		For the twelve-months period ended 31 December	
		(Saudi Riyals)			
		2020 (Unaudited)	2019 (Audited)	2020 (Unaudited)	2019 (Audited)
Net sales	17	2,044,767,110	2,098,532,746	8,811,497,123	8,165,875,242
Cost of sales		(1,516,733,084)	(1,586,260,145)	(6,900,363,720)	(6,472,962,118)
<b>Gross profit</b>		<b>528,034,026</b>	<b>512,272,601</b>	<b>1,911,133,403</b>	<b>1,692,913,124</b>
Rental income, net		23,111,839	19,770,274	57,453,945	80,177,021
Vouchers sales commissions		491,565	634,237	1,933,483	2,286,571
Selling and marketing expenses		(336,189,667)	(344,421,347)	(1,343,192,989)	(1,267,484,771)
General and administrative expenses		(32,387,555)	(24,171,445)	(108,568,760)	(108,402,357)
<b>Operating profit</b>		<b>183,060,208</b>	<b>164,084,320</b>	<b>518,759,082</b>	<b>399,489,588</b>
The Company's share in income of associates	9	5,941,347	4,660,277	19,561,729	32,445,184
Income from financial assets at amortized cost and others		597,976	240,441	2,417,859	2,079,975
Financing costs of lease contracts liabilities		(16,597,577)	(17,876,967)	(66,717,222)	(62,862,171)
Financing charges, net		(511,938)	(2,345,305)	(1,310,129)	(4,595,244)
Other expenses, net		(1,494,447)	(141,711)	(4,121,500)	(274,035)
<b>Income before zakat</b>		<b>170,995,569</b>	<b>148,621,055</b>	<b>468,589,819</b>	<b>366,283,297</b>
Zakat	15	(7,022,347)	(4,625,596)	(16,221,417)	(10,842,953)
<b>Income from continuing operations</b>		<b>163,973,222</b>	<b>143,995,459</b>	<b>452,368,402</b>	<b>355,440,344</b>
<b>Discontinued Operations:</b>					
Gain (Loss) from discontinued operations, after zakat		6,525,030	(1,605,699)	5,347,074	(7,468,950)
<b>Net income for the period</b>		<b>170,498,252</b>	<b>142,389,760</b>	<b>457,715,476</b>	<b>347,971,394</b>
<b>Attributable to:</b>					
<b>Shareholders of the Company</b>					
Continuing operations		158,952,293	143,831,296	445,625,522	352,141,674
Discontinued operations		6,525,030	(1,605,699)	5,347,074	(7,468,950)
		<b>165,477,323</b>	<b>142,225,597</b>	<b>450,972,596</b>	<b>344,672,724</b>
<b>Non-controlling interest</b>					
Continuing operations		5,020,929	164,163	6,742,880	3,298,670
Discontinued operations		-	-	-	-
		<b>5,020,929</b>	<b>164,163</b>	<b>6,742,880</b>	<b>3,298,670</b>
<b>Earnings per share</b>					
Basic and diluted earnings per share from the net income attributable to the shareholders of the Company	16	1.84	1.58	5.01	3.83
Basic and diluted earnings per share from income from continuing operations attributable to the shareholders of the company		1.77	1.60	4.95	3.91

The accompanying notes from (1) to (24) form an integral part of these interim condensed consolidated financial statements and to be read therewith.

Vice-president, financial affairs  
Marwan Ahmed Ibrahim



Chief Executive Officer  
Abdulaziz Abdullah Al-Othaim

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Chairman  
Abdullah Saleh Al-Othaim



**ABDULLAH AL-OTHAIM MARKETS COMPANY**

(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Note	For the three-months period ended 31 December		For the twelve-months period ended 31 December	
		(Saudi Riyals)			
		2020 (Unaudited)	2019 (Audited)	2020 (Unaudited)	2019 (Audited)
<b>Net income for the period</b>		<b>170,498,252</b>	142,389,760	<b>457,715,476</b>	347,971,394
<b>Other comprehensive income for the period</b>					
<b>Items not to be reclassified to income:</b>					
Actuarial (losses) gains for employees' end of service benefits	13	(2,620,193)	(1,853,733)	(7,353,065)	843,361
Net changes in fair value of equity instruments measured at fair value through other comprehensive income		-	333,120	(148,259)	283,199
<b>Items to be reclassified to income:</b>					
Exchange differences on translation of foreign operations		(52,606)	1,257,057	(1,166,878)	(142,788)
The Company's share in other comprehensive income of associates		(32,060)	(304,906)	(468,024)	(1,988,279)
<b>Other comprehensive income for the period</b>		<b>(2,704,859)</b>	(568,462)	<b>(9,136,226)</b>	(1,004,507)
<b>Total comprehensive income for the period</b>		<b>167,793,393</b>	141,821,298	<b>448,579,250</b>	346,966,887
<b>Attributable to:</b>					
Shareholders of the Company		162,824,647	142,107,066	441,888,553	344,118,148
Non-controlling interests		4,968,746	(285,768)	6,690,697	2,848,739
		<b>167,793,393</b>	141,821,298	<b>448,579,250</b>	346,966,887

The accompanying notes from (1) to (24) form an integral part of these interim condensed consolidated financial statements and to be read therewith.

Vice-president, financial affairs  
Marwan Ahmed Ibrahim

Chief Executive Officer  
Abdulaziz Abdullah Al-Othaim

Chairman  
Abdullah Saleh Al-Othaim

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

Share capital	Statutory reserve	Retained earnings	Fair value reserve	Exchange differences on translation of foreign operations	Company's share in other comprehensive income of associates	Total shareholders' equity	Non-controlling interests	Total equity
900,000,000	64,727,410	529,539,987	(1,938,106)	(5,949,535)	1,055,741	1,487,435,497	37,745,493	1,525,180,990
-	-	450,972,596	-	-	-	450,972,596	6,742,880	457,715,476
-	-	(7,300,882)	(148,259)	(468,024)	(1,166,878)	(9,084,043)	(52,183)	(9,136,226)
-	-	443,671,714	(148,259)	(468,024)	(1,166,878)	441,888,553	6,690,697	448,579,250
-	-	(52,606)	-	-	52,606	-	-	-
-	-	(27,961)	27,961	-	-	-	-	-
-	45,097,260	(45,097,260)	-	-	-	-	-	-
-	-	(405,000,000)	-	-	-	(405,000,000)	-	(405,000,000)
<b>900,000,000</b>	<b>109,824,670</b>	<b>523,033,874</b>	<b>(2,058,404)</b>	<b>(6,417,559)</b>	<b>(58,531)</b>	<b>1,524,324,050</b>	<b>44,436,190</b>	<b>1,568,760,240</b>
900,000,000	30,260,138	627,166,246	(6,124,005)	(3,951,256)	976,226	1,548,317,349	39,696,754	1,588,014,103
-	-	344,672,724	-	-	-	344,672,724	3,298,670	347,971,394
-	-	1,293,292	283,199	(1,988,279)	(142,788)	(554,576)	(449,931)	(1,004,507)
-	-	345,966,016	283,199	(1,988,279)	(142,788)	344,118,148	2,848,739	346,966,887
-	-	(222,303)	-	-	222,303	-	-	-
-	34,467,272	(34,467,272)	-	-	-	-	-	-
-	-	(3,902,700)	3,902,700	-	-	-	-	-
-	-	(405,000,000)	-	-	-	(405,000,000)	-	(405,000,000)
-	-	-	-	-	-	-	(4,800,000)	(4,800,000)
<b>900,000,000</b>	<b>64,727,410</b>	<b>529,539,987</b>	<b>(1,938,106)</b>	<b>(5,949,535)</b>	<b>1,055,741</b>	<b>1,487,435,497</b>	<b>37,745,493</b>	<b>1,525,180,990</b>

**For the twelve-months period ended 31 December 2020 (Unaudited)**

Balance as at 1 January 2020 (Audited)  
Net income for the period  
Items of other comprehensive income  
**Total comprehensive income for the period**  
The Company's share in other comprehensive income of associates  
The impact of disposing of equity instruments at fair value through other comprehensive income  
Transferred to statutory reserve  
Cash dividends (Note 22)

**Balance as at 31 December 2020**

**For the twelve-months period ended 31 December 2019 (Audited)**

Balance as at 1 January 2019  
Net income for the period  
Items of other comprehensive income  
Total comprehensive income for the period  
The Company's share in other comprehensive income of associates  
Transferred to statutory reserve  
Fair value losses transferred to retained earnings  
Cash dividends (Note 22)  
Non-controlling interests

**Balance as at 31 December 2019**

The accompanying notes from (1) to (24) form an integral part of these interim condensed consolidated financial statements and to be read therewith.

Vice-president, financial affairs  
Marwan Ahmed Ibrahim

Chief Executive Officer  
Abdulaziz Abdullah Al-Othaim

Chairman  
Abdullah Saleh Al-Othaim

**ABDULLAH AL-OTHAIM MARKETS COMPANY**  
A Saudi Joint Stock Company  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	For the twelve-months period ended 31	
	December	
	(Saudi Riyals)	
	2020	2019
	(Unaudited)	(Audited)
<b><u>OPERATING ACTIVITIES</u></b>		
Income before zakat	474,073,997	358,814,347
<i>Adjustments</i>		
Financing costs of lease contracts liabilities and Finance charges, net	68,027,351	67,457,415
Depreciation & amortization	332,324,352	318,942,231
Provision for obsolete and slow moving inventory	(10,651,387)	501,236
Provision for doubtful debts	9,341,135	11,292,759
Obligation for employees' end-of-service benefits	31,498,996	24,688,258
Loss on sale of property, plant and equipment	1,346,487	115,840
Exchange differences on translation of foreign operations	(614,992)	(3,122,375)
The Company's share in income of associates	(19,561,729)	(32,445,184)
Income from financial assets at amortized cost and others	(1,357,949)	(2,079,975)
Income from equity instruments at fair value through income	(1,059,910)	-
<i>Changes in:</i>		
Inventories, net	(62,633,543)	37,279,743
Trade receivables, net	(8,589,679)	(4,641,577)
Prepayments and other receivables, net	7,853,164	(29,088,069)
Trade payables	34,717,080	(72,341,876)
Accruals and other payables	50,386,831	(3,874,240)
	<u>905,100,204</u>	<u>671,498,533</u>
Paid zakat	(10,689,722)	(9,307,270)
End of service benefits paid	(7,100,720)	(4,708,817)
<b>Net cash from operating activities</b>	<u>887,309,762</u>	<u>657,482,446</u>
<b><u>INVESTING ACTIVITIES</u></b>		
Additions to property, plant and equipment	(137,675,896)	(184,582,153)
Additions to investment properties	(1,187,117)	(339,770)
Proceeds from sale of property, plant and equipment	2,090,357	1,767,032
Additions to intangible assets	(318,299)	(526,310)
Proceeds from disposal of investment properties	305,966	-
Dividends from associates	13,653,850	27,307,700
Proceeds from equity instruments at fair value through income and other comprehensive income	7,629,246	-
Proceeds from financial assets at amortized cost and other	1,860,020	1,650,461
<b>Net cash used in investing activities</b>	<u>(113,641,873)</u>	<u>(154,723,040)</u>
<b><u>FINANCING ACTIVITIES</u></b>		
Proceeds from loans and murabahat	275,124,216	805,572,237
Payments of loans and murabahat	(411,081,152)	(669,615,301)
Payments of lease contracts liabilities	(149,349,164)	(118,254,644)
Financing charges paid	(68,027,351)	(67,457,415)
Dividends paid	(405,000,000)	(409,800,000)
<b>Net cash used in financing activities</b>	<u>(758,333,451)</u>	<u>(459,555,123)</u>
<b>Net change in cash and cash equivalents</b>	<u>15,334,438</u>	<u>43,204,283</u>
Cash and cash equivalents at the beginning of the period	<u>262,430,338</u>	<u>219,226,055</u>
<b>Cash and cash equivalents at the end of the period</b>	<u>277,764,776</u>	<u>262,430,338</u>

The accompanying notes from (1) to (23) form an integral part of these interim condensed consolidated financial statements and to be read therewith.

Vice-president, financial affairs  
Marwan Ahmed Ibrahim

Chief Executive Officer  
Abdulaziz Abdullah Al-Othaim

Chairman  
Abdullah Saleh Al-Othaim



## ABDULLAH AL-OTHAIM MARKETS COMPANY

(A Saudi Joint Stock Company)

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three-months and Twelve-months periods ended 31 December 2020

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

#### 1- INFORMATION ABOUT THE COMPANY, ITS SUBSIDIARIES AND THEIR ACTIVITIES

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

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

The company's share capital is SR 900 million divided into 90 million shares with par value of SR 10 per share.

The company's headquarters are located in Riyadh, Al Rabwa, Eastern Ring Road PO Box 41700, Saudi Arabia.

The Company's fiscal year begins on 1 January and ends on 31 December of each Gregorian year.

The interim condensed consolidated financial statements include the financial statements of Abdullah Al-Othaim Markets Company and its following subsidiaries and referred to them together the "Group".

Details of the companies controlled by the company are as follows:

Name	Country of incorporation	Main Activity	Effective ownership percentage	
			December 2020	December 2019
Haley Holding Company	Saudi Arabia	Wholesale and retail trade	100	100
Universal Marketing Centre Company	Saudi Arabia	Wholesale and retail trade	100	100
Seven Services Company	Saudi Arabia	Import, export and wholesale and retail trade	100	100
Bayt Al Watan Company	Saudi Arabia	Import, export and wholesale and retail trade	100	100
Marafeq Al Tashgheel Company	Saudi Arabia	General contracting for building	100	100
Abdullah Al Othaim Markets - Egypt	Egypt	Wholesale and retail	100	100
Thamarat Al Qassim Company	Saudi Arabia	Cultivation of vegetables and fodder	100	100
Shurofat Al Jazeerah Company	Saudi Arabia	General contracting and operation of commercial complexes	100	100
Mueen For Human Resources Company	Saudi Arabia	Labor services	68	68

## **ABDULLAH AL-OTHAIM MARKETS COMPANY**

*(A Saudi Joint Stock Company)*

### **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

For the three-months and Twelve-months periods ended 31 December 2020

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

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**The following is a summary of the subsidiaries whose balances have been consolidated in these interim condensed consolidated financial statements:**

#### **Haley Holding Company**

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

#### **Universal Marketing Centre Company**

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

#### **Seven Services Company**

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

#### **Bayt Al Watan Company**

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

#### **Marafeq Al Tashgheel Company**

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

#### **Abdullah AL Othaim Markets - Egypt:**

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

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

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

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#### **Shurofat Al Jazeera Company**

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

#### **Mueen for Human Resources Company**

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

## **2- BASIS OF PREPARATION**

### **2-1 Statement of compliance**

These interim condensed consolidated financial statements have been prepared in accordance with IAS (34) "Interim Financial Report" (The IFRS that specifies the minimum contents of the interim financial report).

According to the circular of the Capital Market Authority ("CMA") on 16<sup>th</sup> October 2016 amended by its resolution on 31 December 2019, the Group should apply the cost model to measure the real estate properties, plants, equipment, investment properties and intangible assets until 31 December 2021. After that, the group shall decide to apply either the cost model or the fair value model to measure the real estate and investment properties, while it should continue to apply the cost model to measure the plants, equipment and intangible assets.

The interim condensed consolidated financial statements do not include all the disclosures that are usually attached to the annual consolidated financial statements. Therefore, they should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2019.

### **2-2 Basis of measurement**

The interim condensed consolidated financial statements have been prepared at historical cost, except for the following significant items stated in the consolidated statement of financial position as follows:

- Derivative financial instruments are measured at fair value.
- Investment in equity instruments at fair value through other comprehensive income and measured through fair value.
- End of service benefits is measured by the present value of future obligations using the expected credit unit method.

### **2-3 Functional and presentation currency**

The Interim condensed consolidated financial statements are presented in Saudi Riyal which represents the company's functional currency. All amounts in the Interim condensed consolidated financial statements are in Saudi Riyal unless otherwise stated.

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#### **2-4 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair values maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Due to the short-term maturity of financial instruments such as receivables and payables, other debit and credit balances, their carrying amount approximate fair values significantly.

#### **2-5 New standards, amendments to standards and interpretations:**

No new standards have been issued. However, several amendments on the standards are effective from 1 January 2020, which have been explained in the annual consolidated financial statements, but they have no significant impact on the interim condensed consolidated financial statements of the Group.

### **3- ACCOUNTING ESTIMATES AND SIGNIFICANT ASSUMPTIONS**

The preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standards "IFRS" that are applied in Kingdom of Saudi Arabia, according to requires the use of critical judgment and estimates and assumptions that affect the reported amounts of income, expenses, assets, liabilities and the notes besides the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities that might be affected in the future.

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

In view of the Corona pandemic outbreak (Covid-19), and as explained in Note (20), the management has reviewed the uncertainties about the main sources of the estimates that have been disclosed and taking into consideration the potential impact of the new Corona pandemic (Covid-19).

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#### **a- Summary of Significant Adopted Accounting Estimates and Assumptions**

##### **Definition of the lease term with renewal and termination options**

The Group has defined the term of the lease as the non-cancellable lease term, in addition to any periods covered by the option to extend the lease if this option is certain to be exercised.

The group has several lease contracts that include options for extension and termination. The Group applies its judgment in assessing whether it is reasonably certain to exercise the option of renewing or terminating the contract. This means, to consider all relevant factors that create an economic incentive to exercise the option to renew or terminate the contract.

After the starting date of the lease contract, the group management use to re-assess the lease contract term whenever a significant change in conditions or major event controllable by the group occurs and affects its ability to exercise the option of renewal or cancelation.

##### **The implicit rate of return for lease contracts**

The group cannot easily determine the implicit rate of return for all lease contracts, and therefore it uses the incremental borrowing rate to measure the lease liability. The incremental borrowing rate is the borrowing rate that the group must pay to borrow for a similar period, with similar guarantees to obtain an asset of value similar to the right of use leased asset in a similar environment.

The Group estimates the incremental borrowing rate using obtainable inputs (such as market rates of returns).

##### **Useful lives of property, plant and equipment**

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

##### **Useful lives of intangible assets**

Intangible assets represent costs incurred to obtain the right of use to properties leased from the principal tenant (key money). These assets are amortized over the respective term of the lease contracts.

##### **Provision for obsolete and slow-moving inventory**

Management estimates a provision to reduce the inventory value to its net realizable value, if the inventory cost is not recoverable ,the inventory was damaged or became obsolete in whole or in part, if the selling price is lower than the cost, or if there are any factors that cause a decrease in the recoverable amount below the carrying value.

##### **Selling Incentives**

The liability of the variable consideration of the selling incentives in accordance with the loyalty program (Iktissab) is estimated based on customary practices and the Company's previous experience. This liability is reviewed when preparing the financial reports to reflect the potential value of the Company's liability toward the customers.

##### **Progressive rebate incentives**

The Company may receive additional incentives from suppliers according to the volume of purchases during the fiscal year. The Company recognizes these incentives upon realization in accordance with contracts signed with suppliers. The Company management exercises its professional judgement in examining market variables and consumer behavior when estimating the recognition of the incentives at the date of the interim condensed consolidated financial statements.

##### **Recoverability**

Management estimates the recoverable value of assets to test impairment.

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#### **Obligation for employees end of service benefits**

The employees' end-of-service benefits obligation is determined according to a defined unfunded benefit plan and measured using actuarial evaluation. Actuarial evaluation includes many assumptions that may differ from the actual future developments. These assumptions include the determination of the discount rate and future salary increases and turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. Thus, all assumptions are reviewed once a year or more often, as deemed necessary.

#### **b- Going concern**

The Group has no doubts regarding its capability to continue its operations. Accordingly, these interim condensed consolidated financial statements have been prepared on a going concern basis.

#### **4- SUMMARY OF SIGNIFICANT ACCOUNTS POLICIES**

The accounting policies used in the preparation of the interim condensed consolidated financial statements as of 31 December 2020 are the same as those followed in the consolidated financial statements as at 31 December 2019. The significant accounting policies used by the Group in preparing the interim condensed consolidated financial statements are as follows:

##### **A. Basis of consolidation**

The interim condensed consolidated financial statements are comprised of the financial statements of the Company and its subsidiaries which are under its control as at 31 December 2020. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investees and has the ability to affect those returns through its power over the investees. Specifically, the Company controls an investee, if and only if the company has all of the following elements:

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

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

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The company's voting rights and any potential voting rights.

The Group re-assesses whether it has control over an investee, if the facts and circumstances indicate any changes in one or more of the three control elements. The consolidation of the subsidiary begins from the date when the Group obtains control over the subsidiary and ceases when the Group loses its control over the subsidiary. The assets, liabilities, revenues and expenses of a subsidiary acquired during the period are recognized in the interim condensed consolidated financial statements from the date the Group obtains control until such control ceases to exist.

Profit or loss and each component of other comprehensive income are attributable to the shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. In other words, losses on non-controlling interests are recognized even if this results in a deficit balance in the non-controlling interests.

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Upon consolidating the financial statements, adjustments are made to the interim condensed consolidated financial statements of the subsidiaries, if necessary, to make their accounting policies consistent with the Company's accounting policies. All assets, liabilities, equity, revenues, expenses and cash flows related to inter-company transactions are entirely eliminated.

Changes in the ownership of subsidiaries under control that do not result in loss of control are treated as equity transactions

In case the Group loses control over the subsidiary, it would:

- Derecognize the related assets and liabilities of the invested subsidiary;
- Derecognize the carrying amount of any non-controlling interest;
- Derecognize accumulated exchange differences recorded in equity;
- Recognize the fair value of the consideration received;
- Recognize the fair value of any held investment;
- Recognize any surplus or deficit in the statement of income
- Reclassify its share of items previously recognized in other comprehensive income to the income statement or transfer directly to retained earnings, if, as required by other international standards

#### **B. Classification of assets and liabilities into current / non-current**

The Group presents the assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- Held primarily for the purpose of trading.
- Expected to be realized within twelve months after the reporting period.
- Expected to be realized or intended to be sold or consumed in the normal operating cycle.
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies all other assets as non-current.

A liability is current when:

- It is held primarily for the purpose of trading.
- It is expected to be settled in the normal operating cycle.
- It is due to be settled within twelve months after the reporting period.
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

#### **C. Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Group recognizes the financial asset and liability in its consolidated statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument. A purchase, sale or de recognition is accounted for on trade date basis.

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#### **C.1. Financial assets**

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

##### **Initial measurement of the financial asset**

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

##### **Subsequent measurement of the financial asset**

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

- At amortized cost if the Company's objective is to hold a group of financial debt instruments to collect the contractual cash flows at defined dates that are solely payments of principal and interest on the principal amount outstanding.
- At fair value through the statement of other comprehensive income if the Company's objective is to hold a group of financial debt instruments to collect the contractual cash flows at defined dates and sell the financial asset; and result in contractual cash flows on defined dates that are solely payments of principal and interest on the principal amount outstanding.
- At fair value through other comprehensive income, if the Company uses this measurement option that is available in the *IFRS9*, Financial instruments.
- At fair value through the income statement, unless measured at amortized cost or at fair value through the statement of other comprehensive income.
- Financial assets are measured at amortized cost using the effective interest rate. Disposal gains and losses are recognized in the consolidated income statement when derecognizing the financial asset. As for the financial assets measured at fair value, they are measured at fair value while presenting the valuation differences through the statement of income, except for the financial assets which the Company chooses to measure at fair value at the initial recognition through the statement of other comprehensive income, in this case, the valuation differences presented in the statement of other comprehensive income. Further, the dividends realized from such assets are recognized through the statement of income.

##### **De-recognition of financial assets**

The financial asset is de-recognized when -and only when:

- The contractual rights to receive cash flows from the financial asset expire, or
- Transfers contractual rights to receive cash flows from the financial asset and transferring substantially all the risks and rewards of ownership of the financial asset, or retaining contractual rights to receive cash flows from the financial asset with a contractual obligation to pay cash flows to one or more of the recipients and transferring substantially all risks and rewards of ownership of the financial asset, or
- Transfers contractual rights to receive cash flows from the financial asset without transferring or retaining substantially all the risks and rewards of ownership of the financial asset not retain control of the financial asset. or



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- Retains contractual rights to receive cash flows from the financial asset, with assuming a contractual obligation to pay the cash flows to one or more recipients without transferring or retaining substantially all the risks and rewards of ownership of the financial asset retain control over the financial asset.

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

#### **Impairment of financial assets**

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event'), and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial restructuring and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### **C.2 Financial liabilities**

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

#### **De-recognition of financial liabilities**

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

#### **C.3 Reclassification of financial assets and liabilities:**

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

#### **D. Equity, reserves and dividends payments**

Share capital represents the nominal value of shares that have been issued,

Retained earnings include all current and prior periods profits.

All transactions with owners of the parent are recorded separately within equity.

#### **E. Dividends payments**

Dividends are recognized as a liability when the dividends are approved. In accordance with the Companies Regulations in Saudi Arabia, dividends must be approved by the shareholders or the delegation of the shareholders to the Board of Directors to distribute interim dividends to the shareholders of the Company on a semi-annual or quarterly basis, in accordance with the company's financial position and cash flows. The corresponding amount is deducted directly from the equity.

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#### **F. Trade receivables**

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

#### **G. Cash and cash equivalents**

Cash and cash equivalents comprise cash at banks and in hand and short-term deposits with a maturity of three months or less. For purposes of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, demand deposits and cash at banks.

#### **H. Lease Contracts**

##### **As a lessee**

Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases in the statement of financial position. However, the Group has elected not to recognize right-of-use asset and lease liabilities for some leases of short term and low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group recognizes the right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment loss and adjusted for certain re-measurements of the lease liability.

The lease is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured whenever there is a change in future lease payments arising from a change in an index or rate used to determine those payments, a change in the estimate of the expected payable amount under a residual value guarantee, or as appropriate, a changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied its judgment to determine the lease term for some leases which contains renewal options. The assessment of whether the Group is reasonably certain to exercise such options affects the lease term; which significantly affects the amount of lease liabilities and right-of-use assets recognized.

##### **As a lessor**

The accounting policies applicable to the Group as a lessor are not different from those under IAS 17. However, when the Group is an intermediate lessor the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Upon the initial application of IFRS 16, the Group is not required to make any adjustments for leases in which it acts as lessor. However, the Group has applied IFRS 15 "Revenue from Contracts with Customers" to allocate the consideration of each lease and non-lease component in the contracts.

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#### I. Property, plant and equipment

##### I.1 Recognition and measurement

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

##### I.2 Subsequent costs

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

##### I.3 Depreciation

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

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

<u>Item</u>	<u>Useful lives (years)</u>
Machinery and equipment	10
Buildings and constructions	20 -25
Transportation	5-7
Computer hardware and systems	5-7
Furniture and fixtures	7
Leasehold improvements	10 or contract period whichever less

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

##### I.4 Capital work in progress:

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

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#### **J. Investment properties**

The Company classifies an asset as an investment property if the purpose of holding it is to (a) earn rental income, or (b) increase the share capital or (c) both. At initial recognition, investment property is stated at cost, including expenditure that is directly attributable to the acquisition of investment properties. Upon subsequent measurement, the Company uses the cost module where the accumulative depreciation and accumulative impairment losses are deducted, and their fair value is disclosed as required by the IFRS at the date of preparing the interim condensed consolidated financial statements.

The Company uses the straight-line method to depreciate investment properties over the estimated life of each of the investment property items. Assets built on leased lands are depreciated over the lower of the lease term or their respective useful lives. Depreciation charge is recorded in the interim condensed consolidated statement of comprehensive income.

#### **K. Impairment of non-financial assets**

The Group assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. Recoverable amount of an asset's or cash-generating unit is the higher of its fair value less costs of disposal and its value in use.

The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks identified to the asset. The Group calculation of impairment relies on detailed budgets and forecasts, which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated.

Impairment losses of continuing operations are recognized in the consolidated statement of comprehensive income in expense categories consistent with the function of the impaired asset.

Later where an asset impairment loss is reversed when there are indications for such, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the asset or cash-generating unit in prior period.

A reversal of an impairment loss is immediately recognized as income in the interim condensed consolidated statement of income.

#### **L. Intangible assets**

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

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

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Profit or loss resulting from the de-recognition of intangible assets is measured by the difference between the net proceeds of disposal and the asset's carrying amount, and they are included in the consolidated statement of income, upon de-recognition of the asset.

Subsequent to initial recognition, they are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is charged to the consolidated income statement on a straight-line basis over the useful life of each item of the intangible assets.

#### **M. Investments in associates**

- An associate is an entity over which the Company exercises significant influence, as an investor.
- When an entity holds- directly or indirectly- 20% or more of the voting right in the investee, the Company is assumed to have a significant influence unless there is clear evidence that this is not the case.
- The significant influence is the ability to participate in financial and operational policies of the investee and not control or joint control over those policies.
- The Company's investments in its associates are accounted for using the equity method.
- At initial recognition, the investment in an associate is recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share in the investee's profit or loss is recognized in the Company's statement of income. Dividends received from the investee decreases the carrying amount of the investment. Other comprehensive income of the Company includes its share of the investee's other comprehensive income.
- The Company's share of income of an associate is stated in the consolidated statement of income outside operating profit and represents the established share of profit or loss after tax and zakat and equity of other owners in the associate.
- The consolidated financial statements of the associate are prepared for the same financial year as that of the Company, using consistent accounting policies.
  - After applying the equity method, the Company determines whether it is necessary to recognize any additional impairment loss with respect to its investment in an associate. The Company determines at the end of each fiscal year whether there is an objective evidence of impairment of the investment in an associate. If there is an evidence on impairment, the Company calculates the impairment as the difference between the associate's recoverable amount and its carrying amount. The loss is recognized in the consolidated statement of income. When losing the significant influence over an associate, the Company measures and recognizes the return on investment at fair value, any differences between the carrying amount of the investment and the fair value are recorded in the consolidated statement of income.

#### **N. Revenue**

##### **N1. Sales revenue recognition**

Revenue is measured based on the consideration specified in a contract with customer and excludes amount collected on behalf of third parties. The Group recognizes revenue when it transfers control of goods or services to the customer. The principles of IFRS (15) "Revenue from Contracts with Customers " are applied by using the following five steps:

##### **Step 1: Identify the contract - in the following cases:**

- When the contract has been approved and the parties are committed.
- When each party's rights are identified.
- When the payment terms are defined.
- When the contract has a commercial substance.
- When the contract is collectible.

## **ABDULLAH AL-OTHAIM MARKETS COMPANY**

*(A Saudi Joint Stock Company)*

### **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

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

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**Step 2: Identify the performance obligations of the contract**, by identifying promised goods or services agreed in a contract and determines whether to account for each promised good or service as a separate performance obligation. A good or service is distinct and is separated from other obligations in the contract if:

- The customer can benefit from the goods or services separately or together with other resources that are readily available to the customer; and
- The good or service is separately identifiable from the other goods or services in the contract.

**Step 3:** Determine the transaction price, which is the amount of consideration it expects to be entitled to in exchange for transferring promised goods or services to a customer.

**Step 4:** Allocate the transaction price to performance obligations in the contract, by allocating the transaction price to each separate performance obligation based on the relative standalone selling price of the goods or services being provided to the customer.

**Step 5:** Revenue is recognized when control of the goods or services is transferred to the customer.

Accordingly, a contract with a customer is accounted for upon fulfilling all the following criteria:

- The contract parties agreed (in writing, verbally or according to other business practice) to commit to its obligations.
- The rights of each party regarding the goods and services to be transferred is established.
- The repayment terms for goods and services to be transferred can be determined.
- The contract has a commercial implication (meaning that it is expected for the risks or the timing or amount of future cash flows of the entity to change due to the contract).
- The possibility of receiving a consideration to which the Group has the right in return of goods or services it transferred to the client. When assessing the probability of receiving a consideration, the client's ability and intention to repay when the amount falls due is taken into consideration. It is taken into account that the consideration might be lower than the price stated by the contract if the consideration is variable.
- The revenue is recognized when the obligation is met through transferring the good or service promised to the client and the asset is considered transferred when the client obtains control over the asset, and when the contract is made, meeting the obligation is determined to be made over a time period or at a point in time.

#### **N2. Incentives and other benefits from suppliers:**

- Revenue of opening fees agreed upon with the suppliers at the opening of the branch is recognized and deducted from the cost of the goods sold.
- The incentives and earned benefits from suppliers are recognized on an accrual basis according to the contracts signed with the suppliers. For the presentation purposes, the incentives and earned benefits are deducted from the cost of the goods sold.

#### **N3. Other income**

- Rental income is recognized on an accrual basis in accordance with the lease contracts terms.
- Dividends income are recognized when approved by the General Assemblies of the investees in the consolidated statement of income.
- Other revenues are recognized according to accrual principle and when the conditions to earn such revenues are fulfilled in accordance with the *IFRSs*.

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#### **N4. Customer loyalty program (Iktissab)**

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

#### **O. Inventory and spare Parts**

##### **O.1 Inventories:**

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

##### **O2. Spare parts inventory**

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

#### **P. Non-current assets held for sale**

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

#### **Q. Provisions**

Provisions are recognized when the Group has a current obligation (legal or contractual) arising from a past event, and it is probable that there will be outflow of economic benefits to settle this obligation and can be reliably measured. They are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks associated with that obligation.

#### **R. Employees' end-of-service benefits obligation**

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

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

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

The present value of the defined benefits obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related benefit obligation. Where there is no deep market in such bonds, the market rates on government bonds are used. Actuarial gains and losses arising from previous changes in actuarial assumptions are charged or credited to equity in other comprehensive income statement in the period in which they arise.

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#### **S. Long-term loans**

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

#### **T. Borrowing costs**

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

#### **U. Accounts payable and accruals**

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

#### **V. Foreign currency transactions**

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

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

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

#### **W. Segmental information**

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



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#### **X. Offset**

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

#### **Y. Zakat and taxes**

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

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*(All amounts are presented in Saudi riyals unless otherwise indicated)***5. PROPERTY, PLANT AND EQUIPMENT- NET**

	<u>Properties</u>		<u>Machinery and equipment</u>	<u>Motor Vehicles</u>	<u>Computers</u>	<u>Furniture and fixtures</u>	<u>Leasehold improvements</u>	<u>Capital work in progress</u>	<u>Total</u>
	<u>Land</u>	<u>Buildings</u>							
<b><u>Cost</u></b>									
As at 1 January 2020	457,719,313	538,127,362	518,931,027	116,053,072	199,645,132	285,421,214	339,268,707	30,254,653	2,485,420,480
Additions	25,055,313	512,978	30,916,043	9,726,678	12,895,119	16,264,598	703,775	41,601,392	137,675,896
Transferred from capital work in progress	-	8,589,341	2,626,094	-	2,079,583	4,989,886	11,862,350	(30,147,254)	-
Transfers between items	-	16,315,297	-	-	-	52,137	(16,367,433)	211,560	211,561
Disposals	-	(2,868,520)	(8,227,779)	(4,841,644)	(3,039,332)	(7,548,197)	(21,511,958)	(1,065,937)	(49,103,367)
Translation reserve for foreign subsidiary	-	-	317,319	27,813	78,731	7,579	290,128	666	722,236
<b>As at 31 December 2020</b>	<b>482,774,626</b>	<b>560,676,458</b>	<b>544,562,704</b>	<b>120,965,919</b>	<b>211,659,233</b>	<b>299,187,217</b>	<b>314,245,569</b>	<b>40,855,080</b>	<b>2,574,926,806</b>
<b><u>Accumulated depreciation</u></b>									
As at 1 January 2020	-	140,371,861	316,627,131	88,994,161	136,852,064	185,489,170	183,603,570	-	1,051,937,957
Depreciation for the period	-	26,000,989	42,983,679	10,464,354	25,827,768	27,919,490	26,745,006	-	159,941,286
Disposals	-	(2,868,516)	(7,568,403)	(4,196,645)	(2,803,008)	(7,210,464)	(21,019,487)	-	(45,666,523)
Transfers between items	-	4,000,441	99,947	1,680	12,001	114,603	(4,017,111)	-	211,561
Translation reserve for foreign subsidiary	-	-	173,561	20,110	63,447	4,815	142,265	-	404,198
<b>As at 31 December 2020</b>	<b>-</b>	<b>167,504,775</b>	<b>352,315,915</b>	<b>95,283,660</b>	<b>159,952,272</b>	<b>206,317,614</b>	<b>185,454,243</b>	<b>-</b>	<b>1,166,828,479</b>
<b><u>Net book value</u></b>									
<b>As at 31 December 2020</b>	<b>482,774,626</b>	<b>393,171,683</b>	<b>192,246,789</b>	<b>25,682,259</b>	<b>51,706,961</b>	<b>92,869,603</b>	<b>128,791,326</b>	<b>40,855,080</b>	<b>1,408,098,327</b>
<b>As at 31 December 2019</b>	<b>457,719,313</b>	<b>397,755,501</b>	<b>202,303,896</b>	<b>27,058,911</b>	<b>62,793,068</b>	<b>99,932,044</b>	<b>155,665,137</b>	<b>30,254,653</b>	<b>1,433,482,523</b>

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*(All amounts are presented in Saudi riyals unless otherwise indicated)***6. RIGHT OF USE LEASED ASSETS**

	<u>Buildings</u>	<u>Lands</u>	<u>Total</u>
<b><u>Cost:</u></b>			
As at 1 January 2020	1,702,314,668	106,659,887	1,808,974,555
Additions	338,524,108	-	338,524,108
Disposals	(33,277,217)	-	(33,277,217)
Foreign currency translation differences	666,814	-	666,814
31 December 2020	<u>2,008,228,373</u>	<u>106,659,887</u>	<u>2,114,888,260</u>
<b><u>Accumulated depreciation:</u></b>			
As at 1 January 2020	577,416,705	73,522,649	650,939,354
Charged to the period	140,067,372	4,730,386	144,797,758
Disposals	(10,646,598)	-	(10,646,598)
Foreign currency translation differences	216,685	-	216,685
31 December 2020	<u>707,054,164</u>	<u>78,253,035</u>	<u>785,307,199</u>
<b>Net book value as at 31 December 2020</b>	<u>1,301,174,209</u>	<u>28,406,852</u>	<u>1,329,581,061</u>
<b>Net book value as at 31 December 2019</b>	<u>1,124,897,963</u>	<u>33,137,238</u>	<u>1,158,035,201</u>

**7. INVESTMENT PROPERTIES, NET**

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

	<u>31 December 2020</u>	<u>31 December 2019</u>
<b><u>Cost</u></b>		
Balance at the beginning of period / year	832,155,450	796,826,323
Additions during the period / year	1,187,117	339,770
Disposals during the period / year	(339,994)	-
Transfers from property, plant and equipment (capital work in progress)	-	34,989,357
<b>Balance at the end of period / year</b>	<u>833,002,573</u>	<u>832,155,450</u>
<b><u>Accumulated depreciation</u></b>		
Balance at the beginning of period / year	216,477,517	190,492,302
Depreciation for the period / year	26,097,432	25,985,215
Disposals during the period / year	(34,028)	-
<b>Balance at the end of period / year</b>	<u>242,540,921</u>	<u>216,477,517</u>
<b>Net Book Value at the end of the Period / year</b>	<u>590,461,652</u>	<u>615,677,933</u>

- The fair value of investment properties as at 31 December 2020 amounted to SAR 979 million SR (31 December 2019: SR 1,037 million), were assessed by a qualified and independent experts.

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The following is the information about the real estate valuers :

Name : Yard For Real Estate Valuation Company  
 Qualifications : Membership of Saudi Authority for Accredited Valuers  
 License number : 1210000176

Name : Olat & Partner For Real Estate Valuation Company  
 Qualifications : Membership of Saudi Authority for Accredited Valuers  
 License number : 1210000397

Name : Tasneef For Real Estate Valuation  
 Qualifications : Membership of Saudi Authority for Accredited Valuers  
 License number : 1210000254

Name : Fahd Sulaiman Al-Mushaiti For Real Estate Valuation  
 Qualifications : Membership of Saudi Authority for Accredited Valuers  
 License number : 1210001184

**8. INTANGIBLE ASSETS, NET**

Intangible assets represent the costs incurred to acquire the utilization rights of properties leased from the original tenant (key money), in addition to computer software. Intangible assets are amortized over their useful lives or contract periods, which is between 5 to 15 Years.

The movement in intangible assets was as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
<b><u>Cost</u></b>		
Balance at the beginning of period / year	20,123,540	19,597,230
Additions	318,299	526,310
Disposal	(10,155,000)	-
<b>Balance at the end of period / year</b>	<b>10,286,839</b>	<b>20,123,540</b>
<b><u>Accumulated amortization</u></b>		
Balance at the beginning of period / year	15,480,899	13,682,676
Amortization charged during the period / year	1,487,876	1,798,223
Disposal	(10,155,000)	-
<b>Balance at the end of period / year</b>	<b>6,813,775</b>	<b>15,480,899</b>
<b>Net book value for the period / year</b>	<b>3,473,064</b>	<b>4,642,641</b>

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*(All amounts are presented in Saudi riyals unless otherwise indicated)***9. INVESTMENTS IN ASSOCIATES**

Details of the significant data of the Company's associates in the interim condensed consolidated financial statements which are accounted for by using equity method as follows:

Associate company	Country of Incorporation	Ownership	
		31 December 2020	31 December 2019
Abdullah Al-Othaim for Investment Company <sup>(1)</sup>	Kingdom of Saudi Arabia	13.653%	13.653%
AlWousta Food Services Company	Kingdom of Saudi Arabia	25%	25%
Riyadh Food Industries Company <sup>(2)</sup>	Kingdom of Saudi Arabia	55%	55%

(1) The main activities of the Company and its subsidiaries are the purchase of lands to construct buildings thereon for the purpose of selling or renting for its own interest, in addition to management, maintenance, and development of real estate properties, operating shopping malls, entertainment centers, creating and operating games cities and areas, issuing any type of negotiable debt instrument including Sukuk. The investment has been classified as an investment in associate company since there is a significant influence on the company evidenced by the representation in the board of directors and the existence of material transactions with the investee.

(2) The main activities of the company are the purchase of lands to construct manufacturing buildings thereon for the purpose of investment for its own interest, in addition to management, maintenance, and development of manufacturing plants for others, marketing food and consumable goods, and whatever necessary to establish or participate in shops and markets, import and export of food and consumable goods. The investment has been classified as an associate since there is a significant influence on the company (no control exists on the company's decisions).

**A. Summary of movements in investment during the period:**

	31 December 2020	31 December 2019
Opening balance	262,397,200	250,461,747
Share in associate's net profit	19,561,729	32,445,184
Cash dividends	(13,653,850)	(13,653,850)
Share of other comprehensive income of the associate	(1,166,878)	(142,788)
Impact of applying IFRS 16 on retained earnings	-	(6,713,093)
	<b>267,138,201</b>	<b>262,397,200</b>

**B. Investments in associates are as follows:**

Associate Company	31 December 2020	31 December 2019
Abdullah Al-Othaim for Investment Company	200,077,127	200,432,656
AlWousta Food Services Company	24,426,703	23,238,969
Riyadh Food Industries Company	42,634,371	38,725,575
	<b>267,138,201</b>	<b>262,397,200</b>

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	<u>31 December 2020</u>	<u>31 December 2019</u>
Cash in hand	30,675,006	60,667,211
Cash at banks	247,089,770	201,763,127
	<u>277,764,776</u>	<u>262,430,338</u>

**11. STATUTORY RESERVE**

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

**12. LOANS AND MURABAHAT****SHORT TERM MURABAHAT**

Islamic bank facilities (Murabahat) are guaranteed by promissory notes issued on behalf of Abdullah Al Othaim Markets Company, the Murabahat facilities are due during a period of less than one year and used in financing the working capital. Islamic bank facilities (Murabahat) that are available for use but not yet used as at 31 December 2020 amounted to SR 1,625 million, (31 December 2019: SR 1,164 million).

**13. OBLIGATION FOR EMPLOYEES' END-OF-SERVICE BENEFITS**

	<u>31 December 2020</u>	<u>31 December 2019</u>
Balance at the beginning of period / year	139,689,218	120,876,329
Cost of service and cost of discount factor for the period / year	31,498,996	24,688,258
Payments during the period / year	(7,100,720)	(4,708,817)
Actuarial (gains)/losses from remeasurement of end of service benefits	7,353,065	(843,361)
Transferred to obligations related to assets held for sale	-	(323,191)
	<u>171,440,559</u>	<u>139,689,218</u>

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*(All amounts are presented in Saudi riyals unless otherwise indicated)***14. RELATED PARTIES**

Transactions with related parties represent transactions entered between the Company and its associates, subsidiaries, major shareholders and senior executives of the Company. Management of the Company approved a policy for prices and conditions for transactions with related parties. Transactions with related parties represent mainly rent revenue, rent expenses, purchases of goods and manpower services.

<b>Related party</b>	<b>Nature of relationship</b>
Al-Othaim Holding Company	Founding Shareholder
Abdullah Al-Othaim for Investment Company	Associate
AlWousta Food Services Company	Associate
Riyadh Food Industries Company	Associate
General Organization of Social Insurance	Related party - Board member
Abdullah Al-Othaim for Fashion Company	Subsidiary of an associate
Abdullah Al-Othaim for Entertainment Company	Subsidiary of an associate
Emtiyaz Al Riyadh	Subsidiary of an associate
Members of the board of directors and senior executives	Company Management
Musanada for recruitment and employment inside Co.- Egypt	Related party to an executive
Dani Trading Company	Related to the Chairman of the Board
Rimal Alsawahil for Contracting and Maintenance	Related party - Board member of subsidiary company
Tazej Food Trading Company	Related party - Board member of subsidiary company

Transactions with related parties for the period ended 31 December 2020 are as follows:

<b>Related party</b>	<b>Rent expense</b>	<b>Rent revenue</b>	<b>Merchandise purchases</b>	<b>Manpower service and other revenues</b>	<b>Manpower service and other costs</b>
Al-Othaim Holding Company	10,000	710,050	-	373,755	-
Abdullah Al-Othaim for Investment Company	13,939,620	35,674,500	-	7,233,956	14,038,210
AlWousta Food Services Company	-	600,000	-	-	-
Riyadh Foods Industries Company	-	-	130,408,485	1,302,422	-
General Organization of Social Insurance	5,735,346	-	-	-	-
Abdullah Al-Othaim for Fashion Company	-	175,525	-	1,673,370	-
Musanada for recruitment and employment inside Co. – Egypt	-	-	-	-	106,058
Rimal Alsawahil for Contracting and Maintenance	-	-	-	16,938,079	-
Dani Trading Company	-	673,000	-	-	-
Abdullah Al-Othaim for Entertainment Company	-	1,524,911	-	347,308	-
Emtiyaz Al Riyadh	-	-	-	354,757	-
Tazej Food Trading Company	-	-	-	207,402	-

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Transactions with related parties for the period ended 31 December 2019 are as follows

Related party	Rent expense	Rent revenue	Merchandise purchases	Manpower service and other revenues	Manpower service and other costs
Al-Othaim Holding Company	110,000	710,050	-	260,309	
Abdullah Al-Othaim for Investment Company	14,087,570	37,244,948	-	8,226,240	14,038,210
AlWousta Food Services Company	-	600,000	-	-	-
Riyadh Foods Industries Company	-		126,291,819	1,865,063	-
General Organization of Social Insurance	5,735,346		-		-
Abdullah Al-Othaim for Fashion Company (Nahj Alkhayal Co.)	-	175,525	-	1,659,793	-
Musanada for recruitment and employment inside Co. – Egypt	-		-	-	6,087,433
Dani Trading Company	-	373,000	-	-	-

**Board members and senior executives' benefits during the period**

	Charged to comprehensive income	
	31 December 2020	31 December 2019
Short term benefits	18,517,587	15,706,336
Post-employment benefits	289,496	206,201
	18,807,083	15,912,537

**Below are the balances due from/to related parties****Due from related parties:**

	31 December 2020	31 December 2019
Rimal Alsawahil for Contracting and Maintenance	5,482,561	5,423,353
Riyadh Foods Industries Company	102,706	2,025,953
Abdullah Al-Othaim for Fashion Company	939,615	-
Abdullah Al-Othaim for Investment Company	61,222	133,398
Al-Othaim Holding Company	222,977	195,182
	6,809,081	7,777,886



**ABDULLAH AL-OTHAIM MARKETS COMPANY***(A Saudi Joint Stock Company)***NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

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*(All amounts are presented in Saudi riyals unless otherwise indicated)***Due to related parties:**

	<u>31 December 2020</u>	<u>31 December 2019</u>
Riyadh Foods Industries Company	29,522,203	26,277,489
Abdullah Al-Othaim for Investment Company	2,596,500	7,785,664
Musanada for recruitment and employment inside Co.- Egypt	0	103,808
Al-Othaim Holding Company	528	9,570
Tazej Food Trading Company	16,863	-
	<u>32,136,094</u>	<u>34,176,531</u>

**15. ZAKAT PROVISION**

Zakat expenses are calculated on the basis of adjusted net income or Zakat base whichever is higher according to the regulations of the General Authority for Zakat and Tax in Saudi Arabia. Zakat is calculated in the current period on the basis of the adjusted net income method.

	<u>31 December 2020</u>	<u>31 December 2019</u>
Balance at the beginning of period / year	20,684,424	19,148,741
Charge for the period / year	16,221,417	10,842,953
Charge for the period / year discontinued operations	137,104	-
Payments for the period / year	(10,689,722)	(9,307,270)
<b>Balance at the end of period / year</b>	<u>26,353,223</u>	<u>20,684,424</u>

- The Company had submitted its consolidated Zakat declarations for all years up to 2019 and paid zakat obligations accordingly.
- The Company had requested the Authority to finalize the Zakat position of the Company and issue the final Zakat assessments for the years 2012 and 2013. The Zakat assessments has not yet been issued.
- On 26 August 2020 the Company has received the Zakat assessment from the General Authority for Zakat and Income Tax for the fiscal year 2014. On 6 December 2020, the Company also received the Zakat assessment for the fiscal years from 2015 to 2018. According to the assessment, the Company is requested to pay zakat differences for the aforementioned years, totaling SR 65 million. The Company filed its objection to those claims within the statutory time limits. The Company believes that it has sufficient provisions to meet the contingent liabilities of those claims as per the judgment of the Zakat advisor.

**16. BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY**

Earnings per share for the Company's ordinary shareholders' profits and losses for the twelve months' period ended 31 December 2020, 2019, are calculated based on the weighted average number of shares outstanding during those periods. Diluted earnings per share is the same as the basic earnings per share because the company does not have any issued dilutive instruments.

**ABDULLAH AL-OTHAIM MARKETS COMPANY***(A Saudi Joint Stock Company)***NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

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*(All amounts are presented in Saudi riyals unless otherwise indicated)***17. SEGMENTAL INFORMATION**

The Company is mainly food supplies retail and wholesale. The Company operates in the Kingdom of Saudi Arabia and Egypt, in addition to leasing commercial centers for the purpose of investment for the interest of the Company. The results of the segments are reviewed by the Company' management, Income, profits, assets and liabilities are measured using the same accounting principles used in preparing the interim condensed consolidated financial statements.

**a. The selected information for each business segment for the twelve-months period ended 31 December 2020 are summarized below:**

<b>Item</b>	<b>Retail and wholesale</b>	<b>Real estate and leasing</b>	<b>Other</b>	<b>Total</b>
Property, plant and equipment, net	1,402,143,916	-	5,954,411	1,408,098,327
Right of use of leased assets	1,285,114,399	40,309,046	4,157,616	1,329,581,061
Investment properties, net	-	590,461,652	-	590,461,652
Intangible assets, net	2,656,609	-	816,455	3,473,064
Non-current assets held for sale	-	-	19,083,631	19,083,631
<b>Total assets</b>	<b>3,813,385,428</b>	<b>635,933,867</b>	<b>516,593,832</b>	<b>4,965,913,127</b>
<b>Total liabilities</b>	<b>3,217,268,657</b>	<b>94,765,554</b>	<b>85,118,676</b>	<b>3,397,152,887</b>
Sales outside the Group	8,553,062,933	-	258,434,190	8,811,497,123
Sales and revenues - Inter segments	-	1,844,380	53,297,141	55,141,521
Rental income from outside the Group	-	116,584,182	-	116,584,182
Total revenue, sales commissions and net rental income	1,852,446,314	57,453,945	60,620,572	1,970,520,831
<b>Operating Income</b>	<b>445,984,623</b>	<b>57,453,945</b>	<b>15,320,514</b>	<b>518,759,082</b>

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

For twelve-months period ended 31 December 2020

<b>Geographical area</b>	<b>Retail and wholesale</b>	<b>Percentage %</b>	<b>Rental income</b>	<b>Percentage %</b>	<b>Other</b>	<b>Percentage %</b>
Central region - Saudi Arabia	5,457,817,573	63.8%	62,712,391	53.8%	258,434,189	100%
Eastern region - Saudi Arabia	862,187,407	10.1%	43,753,576	37.5%	-	-
Southern region - Saudi Arabia	1,066,943,063	12.5%	3,645,318	3.1%	-	-
Northern region - Saudi Arabia	602,404,898	7.0%	3,557,965	3.1%	-	-
Western region - Saudi Arabia	360,303,283	4.2%	2,428,312	2.1%	-	-
Egypt	203,406,710	2.4%	486,620	0.4%	-	-
<b>Total</b>	<b>8,553,062,934</b>	<b>100%</b>	<b>116,584,182</b>	<b>100%</b>	<b>258,434,189</b>	<b>100%</b>

## ABDULLAH AL-OTHAIM MARKETS COMPANY

(A Saudi Joint Stock Company)

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

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#### 18. CONTINGENCIES AND COMMITMENTS

The Company has the following contingent liabilities and capital commitments:

<u>Details</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Letters of credit	42,259,778	68,245,273
Letters of guarantee	64,070,014	62,458,280
Commitments on capital work in progress	45,595,372	39,362,594

#### 19. Financial Instruments - Risk Management

Financial assets in the Company's balance sheet are comprised mainly of equity instruments at fair value through other comprehensive income, trade and other receivables, financial assets at amortized cost through income, cash and cash equivalents, loans and murabahat, trade payables, accrued payments and other payables.

##### **Foreign currencies exchange risk**

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

##### **Credit risk**

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

##### **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting commitments associated with financial commitments. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient funds are available to meet any commitments as they arise. The Company's financial liabilities consist of trade payables, accruals and other payables. The Company mitigates liquidity risk by ensuring the availability of bank facilities, in addition to matching the collection period from customers and the settlement periods to suppliers and other creditors.

##### **Fair value**

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

- The Company management considers that the fair value of short-term financial assets and liabilities approximates their carrying amount due to their short-term maturities.

## **ABDULLAH AL-OTHAIM MARKETS COMPANY**

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### **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

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

#### **20. NEW CORONA VIRUS AND FINANCIAL IMPACT**

Earlier in the year 2020, the outbreak of the Corona virus (Covid-19) was confirmed. Since then, the virus has spread throughout the world, including Saudi Arabia, and has had a major impact on businesses and commercial activities. The government imposed some precautionary measures during the first half of the year which include -amongst other measures - the suspension of non-vital activities, in addition to restrictions on the movement of individuals. The food supply sector was classified by the government as a vital sector. Accordingly, the government did not impose restrictions on the company's operations or its supply chain. As a result, the company has achieved growth in retail and wholesale operations during the first half of 2020. The company has also benefited from some government initiatives to mitigate the effects of the pandemic, which had a positive financial impact on the company results during the first half of the year.

The government lifted restrictions on many commercial activities, while others continued. From time to time, the government takes decisions to impose or reduce restrictions and precautionary measures, depending on the developments in the epidemiological situation.

Although the core business of the group (Retail and Wholesale) was positively affected by the preventive measures, but the other secondary activities, such as real estate investment activity and subsidiary and associate companies' activities related to real estate investment, entertainment, fashion, food services, and manpower services have been negatively affected by those measures. Since the extent and duration of these impacts are not well defined yet, and depend on future developments of the pandemic that are unpredictable for the time being due to the high level of uncertainty. Hence, it is difficult to estimate the financial impacts of this event and its consequences during the next twelve months.

The management will continue to monitor the situation. Once there is more clarity about the final impact, the company will update all stakeholders, if necessary, in accordance with regulatory requirements.

#### **21. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with the current period classification.

#### **22. DIVIDENDS**

Shareholders' General Assembly in its meeting held on 18 April 2019 has approved the Board of Directors' recommendation to distribute cash dividends to the shareholders for the fiscal year ended 31 December 2018 at the rate of SR (3) per share with a total amount of SR (270) Million. The dividends were paid during the second quarter of 2019 (2018: SR 135 Million).

## **ABDULLAH AL-OTHAIM MARKETS COMPANY**

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### **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

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The board of directors has decided in its meeting held on 17 March 2020 to distribute an interim cash dividends to the shareholders for the fourth quarter of the fiscal year ended 31 December 2019 at a rate of SR (1.5) per share with a total amount of SR (135) million. The dividends were paid during the second quarter of 2020.

The board of directors has decided in its meeting held on 15 September 2020 to approve its decision dated 20 August 2020 by circulation to distribute an interim cash dividends to the shareholders for the first half of the fiscal year 2020 at a rate of SR (3) per share with a total amount of SR (270) million. The dividends were paid during the third quarter of 2020.

#### **23. Subsequent Events**

During the subsequent period, the Company signed a contract to sell assets available for sale with a book value of SR 17.45 million related to the agricultural activity of one of its subsidiaries, which were held for sale and classified in the financial statements for the years 2019 and 2020 within non-current assets. The value of the deal amounted to SAR 20 million. The legal procedures to transfer title to the buyer is expected to be completed during the first quarter 2021. The accounting entries for this transaction were recorded in the first quarter of 2021.

#### **24. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The interim condensed consolidated financial statements were approved by the Audit Committee on 10 February 2021G corresponding to 28 Jumada Al-Thani 1442 H.

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