ABDULLAH AL-OTHAIM MARKETS COMPANY

A Saudi Joint Stock Company

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

ABDULLAH AL-OTHAIM MARKETS COMPANY

A Saudi Joint Stock Company

INDEX OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

الدكتور محمد العمري وشركاه
Dr. Mohamed Al-Amri & Co.

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Independent auditor's report

To the shareholders of
Abdullah Al-Othaim Markets Company
(A Saudi Joint Stock Company)
Riyadh – the Kingdom of Saudi Arabia
Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Abdullah Al-Othaim Markets Company (the "Company") and its subsidiaries (referred collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of income and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia, and other standards and versions as endorsed by Saudi Organization for Certified Public Accountants ("SOCPA").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the professional code of conduct and that is endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with its requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters include:

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Key audit matters (continued)

Application of IFRS No. (15) "Revenue from Contracts with Customers"	
Key audit matter	***How the key audit matter was addressed in our audit***
The Group adopted the IFRS (15) "Revenue from contracts with customers" with effect from 1 January 2018 and this new standard replaces requirements of IAS 18 "Revenue". Management performed a detailed analysis of each type of revenue contract to identify differences between the requirements of the two standards, identify the changes required to be made to existing accounting policies and determine the transition adjustments, and consequential changes to processes and controls required particularly in connection with separation of different performance obligations that may be within a given contract. Management assessed the additional disclosures required to be made by the new standard in the consolidated financial statements. We considered this a key audit matter as revenue is a key financial statement item and performance metric and the application of IFRS (15) can require judgment by management and the use of significant assumptions.	Our performed procedures are as follows: • Reviewed management's detailed analysis of its various revenue streams and how the new accounting standard impacts the Group. • Gained an understanding of management's approach to the implementation of any changes to the accounting policy. • Obtained an understanding of the nature of the revenue contracts used by the Group for each significant revenue stream, tested a sample of representative sales contracts to confirm our understanding and assess whether or not management's application of IFRS (15). • Tested relevant processes and controls established by management to ensure appropriate recognition of revenue. • Reviewed the adequacy of the Group's disclosures included the accompanying consolidated financial statements.
For more details refer to note (2 – 23 - 27)	

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Key audit matters (continued)

Impairment of non current Assets	
Key audit matter	***How the key audit matter was addressed in our audit***
Non current assets include property,plant and equipments. total non current assets as of December 31, 2018 :2,071 Billion Saudi Riyal (December 31, 2017 : 1,94 Billion Saudi Riyal) The Group also examines the impairment, regardless of whether there are any indications of impairment, If there is any indication, the recoverable amount is estimated. The recoverable amount of an asset is its useful value or fair value less costs to sell, whichever is higher. We consider this to be a key audit matter because of the judgments and estimates used by the management in determining the recoverable amount. Assumptions regarding the expected economic conditions, especially growth in the markets in which the Group operates are mainly assumptions about the Group's major competitors on the assumptions of expected income, and gross profit margin, and the discount rate used in the value in use model.	Our procedures included the following: • Consider the appropriateness of the group's policies on the impairment in the value of non-current assets and assess the adherence to the applicable accounting standards. • Evaluation of management procedures in the determination of indicators of impairment in value, the test of impairment, and evaluation of the design and application of the main controls over such procedures. • Assess the reasonableness of key assumptions and methodologies used. In addition to comparing the indicators used by management with the relevant market data as well as the Group data related to its current operations. • We have assessed the adequacy of the relevant disclosures
For more details refer to notes (4 – 5)	

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of management and Those Charged with Governance for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS endorsed in the Kingdom of Saudi Arabia, other standards and versions endorsed by SOCPA and Regulations of Companies requirements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee for the Group is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinion.

Partners: Dr. Mohamed Al-Amri (60), Jamal M. Al-Amri (331), Gihad M. Al-Amri (362)
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We communicate with the management and with Those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For Dr. Mohamed Al-Amri & Co.,

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

Riyadh, on: 28 Jamada 'II 1440(H)
Corresponding to: 5 March 2019(G)

Partners: Dr. Mohamed Al-Amri (60), Jamal M. Al-Amri (331), Gihad M. Al-Amri (362)
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ABDULLAH AL-OTHAIM MARKETS COMPANY

A Saudi Joint Stock Company

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Saudi Riyals)

	Note	As of 31 December 2018	2017
ASSETS			
Non-current assets			
Property, plant and equipment, net	5	**1,459,117,727**	1,428,448,059
Investment properties, net	6	**606,334,021**	505,712,787
Intangible assets, net	7	**5,914,554**	7,712,781
Investments in associates	8	**250,461,747**	228,118,858
Equity instruments at fair value through other comprehensive income	9	**9,833,133**	11,730,906
Total non-current assets		**2,331,661,182**	2,181,723,391
Current assets			
Inventories, net	10	**823,797,653**	736,246,100
Financial assets at amortized cost		**7,705,556**	-
Prepayments and other receivables, net	11	**217,643,555**	151,225,741
Trade receivables, net		**47,706,561**	13,686,774
Cash and cash equivalents	12	**219,226,055**	263,952,447
Total current assets		**1,316,079,380**	1,165,111,062
TOTAL ASSETS		**3,647,740,562**	3,346,834,453
LIABILITIES AND EQUITY			
EQUITY			
Paid-in share capital	1	**900,000,000**	450,000,000
Statutory reserve	14	**30,260,138**	112,518,350
Retained earnings		**738,600,887**	939,269,282
Fair value reserve		**(6,124,005)**	(4,226,232)
Exchange differences on translation of foreign operations		**(3,961,256)**	(4,015,275)
The Company's share in other comprehensive income of associates		**976,226**	1,300,907
Equity attributable to shareholders of the Company		**1,659,751,990**	1,494,847,032
Non-controlling interests		**39,696,754**	32,886,655
Total equity		**1,699,448,744**	1,527,733,687
LIABILITIES			
Non-current liabilities			
Long term loans and murabahas	15	-	73,000,000
Obligation for employees' end-of-service benefits	16	**120,876,329**	103,270,184
Total non-current liabilities		**120,876,329**	176,270,184
Current liabilities			
Trade Payables		**1,410,155,294**	1,219,881,632
Current portion of long-term loans and murabaha		-	62,400,000
Accruals and other payables	18	**398,111,454**	337,468,204
Provision for zakat	19	**19,148,741**	23,080,746
Total current liabilities		**1,827,415,489**	1,642,830,582
TOTAL LIABILITIES		**1,948,291,818**	1,819,100,766
TOTAL LIABILITIES AND EQUITY		**3,647,740,562**	3,346,834,453

The accompanying notes from (1) to (30) form an integral part of and should be read in conjunction with these consolidated financial statements

Vice-president, financial affairs **Chief Executive Officer** **Chairman**

ABDULLAH AL-OTHAIM MARKETS COMPANY

A Saudi Joint Stock Company

CONSOLIDATED STATEMENT OF INCOME

(Saudi Riyals)

	Note	For the year ended 31 December 2018	2017
Net sales	23	**7,515,123,857**	7,231,141,901
Cost of sales	23	**(5,982,776,353)**	(5,791,541,901)
Gross profit		**1,532,347,504**	1,439,600,000
Rental income, net	23	**80,552,155**	74,955,577
Vouchers sales commissions		**2,716,503**	2,268,420
Selling and marketing expenses	20	**(1,172,783,587)**	(1,076,641,139)
General and administrative expenses	21	**(117,502,686)**	(117,683,845)
Operating profit		**325,329,889**	322,499,013
The Company's share in income of associates	8	**36,321,420**	38,673,049
Gains from financial assets at fair value through income		**619,554**	914,399
Impairment losses in property,plant and equipment	5	**(38,711,742)**	-
Financing charges, net		**(4,605,261)**	(14,159,491)
Other gains (losses), net		**(453,254)**	3,979,973
Income from continuing operations before zakat		**318,500,606**	351,906,943
Zakat	19	**(9,161,637)**	(10,846,213)
Net income from continuing operations		**309,338,969**	341,060,730
Discontinued operations			
Income from discontinued operations, net of zakat	13	**-**	111,941,083
Net income		**309,338,969**	453,001,813
Attributable to:			
Shareholders of the Company		**302,601,383**	449,497,142
Non-controlling interests		**6,737,586**	3,504,671
		309,338,969	453,001,813
<u>Earnings per share</u>			
Basic and diluted earnings per share from the net income attributable to the shareholders of the Company	22	**3.36**	4.99
<u>Earnings per share from continuing operations</u>			
Basic and diluted earnings per share from the income from continuing operations attributable to the shareholders of the Company	22	**3.36**	3.75

The accompanying notes from (1) to (30) form an integral part of and should be read in conjunction with these consolidated financial statements

Vice-president, financial affairs **Chief Executive Officer** **Chairman**

ABDULLAH AL-OTHAIM MARKETS COMPANY

(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Saudi Riyals)

	Note	For the year ended 31 December	
		2018	2017
Net income		**309,338,969**	453,001,813
Other comprehensive income			
Items not to be reclassified to income:			
Actuarial losses for employees' end of service benefits	16	**(455,477)**	(5,097,678)
Net changes in fair value of equity instruments measured at fair value through other comprehensive income	9	**(1,897,773)**	(1,711,641)
Items to be reclassified to income:			
Exchange differences on translation of foreign operations		**54,019**	(12,441)
The Company's share in other comprehensive income of associates		**(324,681)**	19,054
Other comprehensive income		**(2,623,912)**	(6,802,706)
Total comprehensive income		**306,715,057**	446,199,107
Attributable to:			
Shareholders of the company		**299,904,958**	442,809,373
Non-controlling interests		**6,810,099**	3,389,734
		306,715,057	446,199,107

The accompanying notes from (1) to (30) form an integral part and should be read in conjunction with these consolidated financial statements consolidated

Vice-president, financial affairs **Chief Executive Officer** **Chairman**

ABDULLAH AL-OTHAIM MARKETS COMPANY

A Saudi Joint Stock Company

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Saudi Riyals)

	Paid-in share capital	Statuary reserve	Retained earnings	Fair value reserve	Exchange differences on translation of foreign operations	Company's share in other comprehensive income of associates	Equity attributable to shareholders of the Company	Non-controlling interests	Total equity
For the year ended 31 December 2018									
Balance as at 1 January 2018	**450,000,000**	**112,518,350**	**939,269,282**	**(4,226,232)**	**(4,015,275)**	**1,300,907**	**1,494,847,032**	**32,886,655**	**1,527,733,687**
Net income	-	-	**302,601,383**	-	-	-	**302,601,383**	**6,737,586**	**309,338,969**
Items of other comprehensive income	-	-	**(527,990)**	**(1,897,773)**	**54,019**	**(324,681)**	**(2,696,425)**	**72,513**	**(2,623,912)**
Total comprehensive income	-	-	**302,073,393**	**(1,897,773)**	**54,019**	**(324,681)**	**299,904,958**	**6,810,099**	**306,715,057**
Transfer to capital	**450,000,000**	**(112,518,350)**	**(337,481,650)**	-	-	-	-	-	-
Transferred to statutory reserve	-	**30,260,138**	**(30,260,138)**	-	-	-	-	-	-
Cash dividends (Note 28)	-	-	**(135,000,000)**	-	-	-	**(135,000,000)**	-	**(135,000,000)**
Balance as at 31 December 2018	**900,000,000**	**30,260,138**	**738,600,887**	**(6,124,005)**	**(3,961,256)**	**976,226**	**1,659,751,990**	**39,696,754**	**1,699,448,744**
For the year ended 31 December 2017									
Balance at 1 January 2017	450,000,000	67,568,635	719,704,596	(2,514,591)	(4,002,834)	1,281,853	1,232,037,659	31,090,624	1,263,128,283
Net income	-	-	449,497,142	-	-	-	449,497,142	3,504,671	453,001,813
Items of other comprehensive income	-	-	(4,982,741)	(1,711,641)	(12,441)	19,054	(6,687,769)	(114,937)	(6,802,706)
Total comprehensive income	-	-	444,514,401	(1,711,641)	(12,441)	19,054	442,809,373	3,389,734	446,199,107
Transferred to statutory reserve	-	44,949,715	(44,949,715)	-	-	-	-	-	-
Cash dividends	-	-	(180,000,000)	-	-	-	(180,000,000)	-	(180,000,000)
Non-controlling interests – disposal	-	-	-	-	-	-	-	(1,593,703)	(1,593,703)
Balance as at 31 December 2017	450,000,000	112,518,350	939,269,282	(4,226,232)	(4,015,275)	1,300,907	1,494,847,032	32,886,655	1,527,733,687

The accompanying notes from (1) to (30) form an integral part of and should be read in conjunction with these consolidated financial statements

Vice-president, financial affairs **Chief Executive Officer** **Chairman**

ABDULLAH AL-OTHAIM MARKETS COMPANY

A Saudi Joint Stock Company

CONSOLIDATED STATEMENT OF CASH FLOWS

(Saudi Riyals)

	For the year ended 31 December	
	2018	2017
OPERATING ACTIVITIES		
Income before Zakat from continuing operations	**318,500,606**	351,906,943
Income before zakat from discontinued operations	**-**	115,206,183
Income before zakat	**318,500,606**	467,113,126
Adjustments		
Financing charges	**4,605,261**	14,159,491
Depreciation & amortization	**186,324,639**	166,076,185
Impairment losses	**38,711,742**	-
Provision for obsolete and slow moving inventories	**1,921,646**	13,197,431
Provision for doubtful debts	**2,211,684**	2,951,267
Loss on sale of property, plant and equipment	**2,998,594**	309,347
Gain from sale of investment property available for sale	**-**	(100,266,540)
Foreign currency translation differences	**176,887**	(154,463)
The Company's share in income of associates	**(36,321,420)**	(38,673,049)
Gains from financial assets at fair value through income	**-**	(914,399)
Changes in:		
Inventories	**(89,473,199)**	(102,877,873)
Trade receivables	**(35,750,666)**	665,684
Prepayments and other receivables	**(53,244,769)**	14,038,618
Trade payables	**190,273,662**	81,057,565
Accruals and other payables	**60,643,250**	89,285,053
Paid end of service benefits	**17,150,668**	14,819,889
	608,728,585	620,787,332
Paid zakat	**(13,093,642)**	(5,018,775)
Net cash from operating activities	**595,634,943**	615,768,557
INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(232,861,096)**	(329,644,269)
Additions to investment properties	**(125,700,455)**	(78,757,811)
Disposal of investment in associate	**-**	589,364
Proceeds from investment available for sale	**-**	361,265,067
Proceeds from selling property, plant and equipment	**911,033**	4,696,111
Proceeds from financial assets at fair value through other comprehensive income	**-**	1,548,948
Net proceeds/payment from financial assets at fair value through income	**-**	62,564,045
Purchase of financial assets at amortized cost	**(7,705,556)**	-
Net cash (used in) from investing activities	**(365,356,074)**	22,261,455
FINANCING ACTIVITIES		
Proceeds from loans and murabahas	**805,025,884**	709,599,806
Repayments of loans and murabahas	**(940,425,884)**	(1,178,241,865)
Non-controlling interests	**-**	(1,593,703)
Financing charges paid	**(4,605,261)**	(12,126,882)
Cash dividends paid	**(135,000,000)**	(180,000,000)
Net cash used in financing activities	**(275,005,261)**	(662,362,644)
Net change in cash and cash equivalents	**(44,726,392)**	(24,332,632)
Cash and cash equivalents at the beginning of the year	**263,952,447**	288,285,079
Cash and cash equivalents at the ending of the year	**219,226,055**	263,952,447
Non-cash transaction		
Transferred from property, plant and equipment to investment properties	**-**	23,097,175

The accompanying notes from (1) to (30) form an integral part of and should be read in conjunction with these consolidated financial statements.

Vice-president, financial affairs | **Chief Executive Officer** | **Chairman**

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

1- INFORMATION ABOUT THE COMPANY, ITS ACTIVITIES AND SUBSIDIARIES

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, the company operates through the main commercial register and sub-registry as detailed in (Note 24).

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 January 1 and ends on December 31 of each Gregorian year.

The consolidated financial statements include the financial statements of Abdullah Al-Othaim Markets Company and its following subsidiaries (referred to them together as the "Group"):

Name of Subsidiary	Country of incorporation	Effective ownership percentage 2018	2017	Main activity
Haley Holding Company	Saudi Arabia	100	100	Wholesale and retail trade
Universal Marketing Centre Company	Saudi Arabia	100	100	Wholesale and retail trade
Seven Services Company	Saudi Arabia	100	100	Import, export and wholesale and retail trade
Bayt Al Watan Company	Saudi Arabia	100	100	Import, export and wholesale and retail trade
Marafeq Al Tashgheel Company	Saudi Arabia	100	100	General contracting for building
Abdullah Al Othaim Markets - Egypt	Egypt	100	100	Wholesale and retail
Thamarat Al Qassim Company	Saudi Arabia	100	100	Cultivation of vegetables and fodder
Shurofat Al Jazeerah Company	Saudi Arabia	100	100	General contracting and operation of commercial complexes
Mueen For Human Resources Company	Saudi Arabia	68	68	Providing labor services

The following is a summary of the subsidiaries that are consolidated in these 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.

Shurofat Al Jazeerah 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 house 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 companying consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) and wherever appeared in these notes, that refers to the (IFRSs) adopted in Saudi Arabia and other standards and issuances and adopted by SOCPA.

As instructed by the Capital Market Authority ("CMA") through its circulation dated 16th October 2016, the group needs to apply the cost model to measure the property, plant and equipment, investment property and intangible assets upon adopting the IFRS for three years period starting from the IFRS adoption date.

2-2 Basis of measurement

The consolidated financial statements have been prepared at historical cost, except for the following significant at balance sheet as follows :

- 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 projected unit credit method .

2-3 Functional and presentation currency

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

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, or
- 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 value, 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 book value approximates fair value significantly.

Standards, amendments and interpretations issued effective from 1 January 2018

The group has applied the international standard for Financial reporting No. 15 Revenue from contracts with customers for all reporting periods starting on or after 01 January 2018, the effect of applying this standard has been clarified below.

IFRS (15)" Revenues from Contracts with Customers"

IFRS (15) provides a comprehensive conceptual framework for determining the amount and timing of revenue recognition. This Standard supersedes IAS (18) "Revenue" and IAS (11) "Construction Contracts" and related interpretations.

The Group recognizes revenue when the customer obtains control of the goods or services in the time period when the goods or services are transferred to the customer and recognizes their receipt and use - as detailed further below - in line with the requirements of the IFRS (15). Accordingly, there is no significant impact of the application of IFRS (15)"Revenue from Contracts with Customers" on the Group's consolidated financial statements as of December 31, 2018 and 2017. There is no significant impact of the application of the standard on the net profit for the current year or the comparative year, and the impact of the application was limited to the presentation of sales and the cost of sales components in the group's consolidated statement of income for the current year and the comparative year as stated in note 26 of the accompanying notes to the financial statements.

Under IFRS (15), the term "contract assets with customers" and "contract liabilities with customers" are used to describe what was previously recognized as accrued income and volume discounts.

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,

- 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

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.

Others

- IFRIC (22) Foreign Currency Transactions and Advance Consideration.

- Amendments to IFRS (2) Classification and measurement of share-based payment transactions.
- Amendments to IFRS (40) Transfers to and from investment property.
- Annual Improvements to IFRSs 2014–2016 Cycle - IFRS (1) First-time Adoption of International Financial Reporting Standards and IAS (28), Investment in associates and joint ventures.

New issued standards, amendments, improvements, interpretations but not yet effective

As at the date of approval of these consolidated financial statements, the following new and amended IFRSs that are applicable to the Group have been issued by the IASB but not yet effective. The Group is currently assessing the possible impact of these accounting standards and new amendments and interpretations to the consolidated financial statements.

IFRS (16) "Lease contracts"

Introduction to the standard

Effective for the accounting periods beginning on or after 1 January 2019

IFRS (16)"Current Leases", including IAS (17)"Leases" and IFRIC(4)"Determining whether an arrangement involves a lease", Interpretations of Standards Interpretations Committee (15) "Operating Leases - Incentives", and Interpretation of Standards Interpretations Committee (27)"Valuation of the substance of transactions taking the legal form of a lease".

The IFRS (16) provides tenants with a single model for accounting for lease contracts. The lessee recognizes the asset relating to the right of use which represents his right to use the relevant asset in addition to the lease obligation that represents its obligation to pay the lease payments. There are optional exemptions for short-term leases and leases for assets of low value. The accounting method adopted by the lessor remains similar to the current standard, i.e., the lessors continue to classify the leases into finance or operating leases.

The lessee elects not to apply the requirements of the standard to:
(A) Short-term leases.
(B) Leases for which the underlying asset of the contract is of low value.

In such case, the lessee must will continue to treat the rent payments associated with such rents as being expensed either on a straight line basis over the lease term or any other systematic basis. The lessee must apply another systematic basis if that basis is more representative of the pattern of the leasses benefit.
At inception of a contract, it is necessary to assess whether the contract is a lease, or contains a lease. A contract is a lease, or contains lease, if the contract transfers the right to control the use of an identified asset for a period of time in exchange for consideration, and should assess whether the lease transfers the right to control the use of an identified asset for a period of time by:
(A) The right to obtain substantially all the economic benefits from the use of the identified asset.
(B) The right to direct the use of the identified asset.
The standard had indicated that the term of the contract is the non - cancellable period during which the lessee is entitled to use the underlying asset together with both :
(A) Periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option.
(B) Periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

A lease is not enforceable when both the lessee and the lessor each have the right to terminate the lease without permission from the other party with no significant penalty.

Expected financial impact of the adoption

When it became effective on 1 January 2019, IFRS 16 allowed the Group to use any of the following options for initial application:

1- Option to apply retrospectively
2. The retrospective application option is modified by measuring the liability for operating leases at the present value of the remaining lease payments discounted using the additional borrowing rate of the lessee on the initial application date and measuring the asset in either of the following ways:

(A) the asset is measured at its book value as if the standard had been applied since the inception date of the lease but discounted using the additional borrowing rate of the lessee at the initial application date; or

(B) the asset is recognized at the initial application date at an amount equal to the lease obligation and is adjusted to the amount of any advance or due lease payments related to that lease and therefore no impact on the retained earnings.

The Group will apply IFRS 16 as of January 1, 2019. Therefore, the Group has appointed an independent consultant to conduct the study required to measure the effect of applying IFRS 16 as of January 1, 2019 according to the initial application options allowed by the Standard. Accordingly, the group will select the appropriate method of initial application after the completion of the study of all unexpired contracts at the date of initial application.

Below are the preliminary results of the study. If the management of the Group selected to adopt the option to apply retrospectively, the estimated impact on 01 January 2019 is as follows:
- The case of selecting a method (A) of measuring assets, the estimated impact would be an increase in the assets (the right to use the asset) and the lease liability, in addition to a significant impact on the retained earnings, a decrease in the operating expenses and an increase in financing expenses in 2019 as compared with the previous method of recognizing lease expense according to IAS17.

- The case of selecting method (B) of measuring assets, the estimated impact would be an increase in the assets (right to use the asset), and lease liability by SR1,157 Million , a decrease in operating expenses by SR19.2 Million and an estimated increase in financing expenses by SR 48.8 Million In 2019 as compared with the previous method of recognizing lease expenses in accordance with IAS 17, and without any impact on retained earnings.

These figures are subject to change after the completion of the study and approving the option of initial application of the standard by the management.

<u>Others</u>

The management believes that the adoption of the following standards will not have a significant impact on the consolidated financial statements of the Group in future periods.

- Amendments to IFRS (9) "Financial Instruments" related to Prepayment Features with Negative Compensation) Effective date 1 January 2019).
- Amendments to IAS (28) "Investments in Associates and Joint Ventures" related to Long-term Investments in Associates and Joint Ventures (Effective date 1 January 2019).
- Amendments to IAS (19) "Employee Benefits "related to Plan Amendment, Curtailment or Settlement (Effective date 1 January 2019).
- Improvement to IFRS (3) "Business Combinations" related to previously held Interests in a joint operation. (Effective date 1 January 2019).
- Improvement to IFRS (11) "Joint Arrangements" related to Previously Held Interests in a joint operation. 1 (Effective date 1 January 2019).
- Improvement to IAS (12) "Income Taxes" related to Income Tax Consequences of Payments on Financial Instruments Classified as Equity (Effective date 1 January 2019).

- Improvement to IAS (23) "Borrowing Costs" related to Borrowing Costs qualified for Capitalization (Effective date 1 January 2019).
- IFRS (17) "Insurance Contracts" (Effective date 1 January 2021)
- IFRIC (23) "Uncertainty over Income Tax Treatments" (Effective date 1 January 2019).

3- SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements in conformity with the accounting policies applied in Kingdom of Saudi Arabia according to IFRS 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 may be affected in the future.

The key assumptions concerning the future and other key sources of uncertainty estimation at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts 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 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.

a. **Summary of Significant Adopted Accounting Estimates and Assumptions**

- **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 differ 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 contract.

- **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 financial statements. The additional incentives were not recognized for the current period according to the management expectations about incentive realization at the end of the year.

- **Recoverability**

  Management estimates the recoverable value of assets to test impairment.

- **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 consolidated financial statements have been prepared on a going concern basis.

4- CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the accounting policies applied in the preparation of the consolidated financial statements. These policies have been applied regularly to all the years presented.

A. BASIS OF CONSOLIDATION

The consolidated financial statements are comprised of the financial statements of the Company and its subsidiaries which are under its control as at 31 December 2018. 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:

1) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the Investee.
2) Exposure or rights to variable returns from its involvement with the investee, and
3) 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 year are recognized in the consolidated financial statements from the date the group obtains control until such control ceases to exist.

Gains or losses and each of the other comprehensive income items are attributed to the shareholders of the parent company and the non-controlling interests, even if this results in the non-controlling interests having a deficit balance, Meaning, the losses are recognized on the non-controlling interests balance even if the result is a deficit in the non-controlling interest balance.

When necessary, adjustments are made to the financial statements of the subsidiaries to make their accounting policies consistent with the Company's accounting policies, All assets, liabilities, equity, revenues, expenses and cash flows related to intra-company transactions are entirely eliminated upon the consolidation of the financial statements.

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 acquired subsidiary, it would:

- Derecognize the related assets and liabilities of the controlled 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 profit or loss;
- Reclassify its share of items previously recognized in other comprehensive income to the income statement or retained earnings, if necessary, as required if the Group disposes the related liabilities or assets.

B. <u>Classification of assets and liabilities into current / non-current</u>

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. <u>Financial instruments</u>

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 derecognition is accounted for on trade date basis.

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 debit 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 *IFRS* 9, 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 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
- The Group transfers the contractual rights to receive the cash flows of the financial asset and transfers substantially all the risks and rewards of ownership of the financial asset, or
- The Group transfers the contractual rights to receive the cash flows from the financial asset but neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and the Group surrendered control over the financial asset, or it retained the contractual rights to receive the cash flows from the financial asset but assumed a contractual obligation to pay the cash flows to one or more recipients without transferring substantially all the risks and rewards of ownership of the financial asset, and the Group passed control over the financial asset, or
- The Group retains the contractual rights to receive cash flows from the financial asset but assume a contractual obligation to pay the cash flows to one or more recipients and transfer substantially all the risks and rewards of ownership of 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 Company 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.

Upon settlement of the distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in profit or loss.

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

E. Dividend 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.

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. Property, plant and equipment

H.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.

H.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.

H.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 period are the same for the previous period as follows:

Item	*Useful lives (year)*
Machinery and equipment	10
Buildings	20 -25
Motor vehicles	5-7
Computers	5-7
Furniture and fixtures	7
Leasehold improvements	10

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.

H.4 Capital work in progres:

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.

I. 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 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 consolidated statement of comprehensive income.

J. Impairment testing 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 statement of 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 consolidated statement of income.

K. 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.

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.

Intangible assets consist of the costs incurred to obtain the rights to use from the real estate sites for leased markets from the original lessee and are amortized over the lease term. 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.

L. 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 financial statements of the associate are prepared for the same financial period 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.

M. Revenue

M1. Sales revenue recognition

Sales revenue is recognized upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, expect for amounts collected on behalf of third parties. A contract with the customer is accounted for when meeting all of the following conditions:

- 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.

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.

M2. Other income

- Rental income is recognized on an accrual basis in accordance with the leases 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 *IFRS*s.

M3. 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.

N. Inventory and spare Parts

N.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.

N2. Agricultural stock

The agricultural stock is measured at fair value less any sale costs at the harvest point. Current purchase prices from major suppliers of similar products are used as a guidance for the fair value.

N3. 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.

O. Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts 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.

P. Provisions

Provisions are recognized when the Group has a current obligation (legal or constructive) 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 estimated. they are specified by discounting the estimated future cash flows at a rate that reflects current market assessments of the time value of money and the risks specified to that obligation.

Q. Employees' end-of-service benefits obligation

Obligations for employees' end-of-service benefits are a compensation plan paid for 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.

Obligations recognized in the statement of financial position regarding the end-of-service benefits represent the current value of the defined benefits obligations 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 year 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 obligations 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 obligations. 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.

R. 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 recorded during the period in which they were incurred. As for interest of long-term loans to finance capital works, they are capitalized and considered part of these works cost.

S. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as a part of the asset cost. Qualifying 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.

T. 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.

U. 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.

V. Lease contracts

The determination of whether an arrangement is (or contains a lease) is based on the substance of the arrangement at the inception of the lease. The arrangement is (or contains a lease) if fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers Substantially all the risks and rewards incidental to ownership to the Group is classified as a finance Lease.

V. 1 The Company as lessee

Lease contracts are classified as a finance lease when effectively transfer substantially all the risks and rewards of ownership of properties to the Group at the inception of the lease contract at fair value on the date of acquisition or, if lower, at the present value of minimum lease payments. Lease payments are distributed between the financial charges and reduced lease commitments to achieve a constant commission rate on the remaining balance of the liability. Financial charges are recognized in finance costs in the consolidated statement of comprehensive income.

Leased assets are amortized over the useful life of the asset. However, if there is no reasonable assurance that the Group will obtain ownership at the end of the lease term, the asset is amortized over the estimated useful life of the asset or contract period, whichever is less.

An operating lease is a lease Other than a finance lease. Payments under operating leases are recognized as an operating expense in the consolidated statement of income on a straight-line basis over the lease term.

V. 2 The Company as a lessor

Lease contracts are classified as operating leases when the Group does not transfer substantially all the risks and rewards of ownership of the underlying assets. The initial direct costs incurred in negotiating and preparing the operating lease are added to the carrying amount of the leased asset and recognized on the lease term on the same basis of recognized lease income.

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.

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 is subject to the regulations of the General Authority of Zakat and Income Tax ("GAZIT") 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.

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

5. PROPERTY, PLANT AND EQUIPMENT- NET

	Properties								
	Land	Buildings	Machinery and equipment	Motor Vehicles	Computers	Furniture and fixtures	Leasehold improvements	Capital work in progress	Total
Cost									
As at 1 January 2018	452,628,708	449,797,171	458,900,338	116,665,005	154,956,997	240,798,273	267,728,929	72,862,500	2,214,337,921
Additions	16,483,086	8,327,368	47,806,840	2,892,803	24,222,742	27,872,437	10,090,230	95,165,590	232,861,096
Transferred from capital work in progress	-	55,104,968	2,673,863	-	3,142,096	6,424,309	37,312,604	(104,657,840)	-
Disposals	-	(5,000)	(6,049,694)	(4,107,379)	(3,766,283)	(4,132,077)	(3,950,947)	-	(22,011,380)
Translation reserve for foreign subsidiary	-	-	(68,327)	(6,062)	(16,993)	(1,667)	(61,070)	(1,272)	(155,391)
As at 31 December 2018	469,111,794	513,224,507	503,263,020	115,444,367	178,538,559	270,961,275	311,119,746	63,368,978	2,425,032,246
Accumulated depreciation									
As at 1 January 2018	-	107,497,975	238,287,243	74,664,103	91,902,233	139,353,374	134,184,934	-	785,889,862
Charged during the year	-	23,667,105	49,850,400	11,739,633	24,238,992	25,340,554	24,610,507	-	159,447,191
Impairment losses	8,717,885	8,747,062	5,020,976	492,033	599,370	10,139,323	4,995,093	-	38,711,742
Disposals	-	-	(5,946,013)	(2,946,296)	(3,086,791)	(3,765,686)	(2,356,967)	-	(18,101,753)
Translation reserve for foreign subsidiary	-	-	(13,451)	(1,756)	(7,835)	(419)	(9,062)	-	(32,523)
As at 31 December 2018	8,717,885	139,912,142	287,199,155	83,947,717	113,645,969	171,067,146	161,424,505	-	965,914,519
Net book value									
As at 31 December 2018	**460,393,909**	**373,312,365**	**216,063,865**	**31,496,650**	**64,892,590**	**99,894,129**	**149,695,241**	**63,368,978**	**1,459,117,727**

a - At the end of the fiscal year 2018, the Group's management appointed an independent consultant to test the impairment in the value of the Property, plant and equipment of two of its subsidiaries. The carrying value of these properties, plant and equipment before the impact of the impairment test was SR 71 million as of 31/12/2018. The results of the test showed impairment in the value of the properties of those companies amounting to SR 38.7 million. Accordingly, the Board of Directors has decided to recognize impairment losses of these properties, machinery and equipment by the assessed value, and decrease their carrying amounts to SAR 32.3 million.

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

PROPERTY, PLANT AND EQUIPMENT- NET (Continued)

	Properties								
	Lands	Buildings	Machinery and equipment	Motor Vehicles	Computers	Furniture and fixtures	Leasehold improvements	Capital work in progress	Total
Cost									
As at 1 January 2017	425,165,608	363,032,125	388,084,629	105,936,001	132,156,699	208,006,222	206,899,687	91,037,931	1,920,318,902
Additions	27,463,100	14,740,801	71,154,776	16,649,498	23,857,443	24,644,699	22,040,631	131,602,768	332,153,716
Transferred from capital work in progress	-	95,139,467	3,580,646	13,962	2,174,643	9,661,651	39,213,191	(149,783,560)	-
Transferred to investment Properties	-	(23,097,175)	-	-	-	-	-	-	(23,097,175)
Disposals	-	(18,047)	(3,986,414)	(5,941,573)	(3,250,245)	(1,516,224)	(478,988)	-	(15,191,491)
Translation reserve for foreign subsidiary	-	-	66,701	7,117	18,457	1,925	54,408	5,361	153,969
As at 31 December 2017	452,628,708	449,797,171	458,900,338	116,665,005	154,956,997	240,798,273	267,728,929	72,862,500	2,214,337,921
Accumulated depreciation									
As at 1 January 2017	-	82,722,053	200,641,098	66,231,347	73,500,684	119,094,021	113,538,713	-	655,727,916
Charged during the year	-	24,776,795	40,746,652	11,492,310	21,101,997	21,498,340	20,719,938	-	140,336,032
Disposals	-	(873)	(3,104,835)	(3,060,313)	(2,704,084)	(1,239,255)	(76,673)	-	(10,186,033)
Translation reserve for foreign subsidiary	-	-	4,328	759	3,636	268	2,956	-	11,947
As at 31 December 2017	-	107,497,975	238,287,243	74,664,103	91,902,233	139,353,374	134,184,934	-	785,889,862
Net book value									
As at 31 December 2017	452,628,708	342,299,196	220,613,095	42,000,902	63,054,764	101,444,899	133,543,995	72,862,500	1,428,448,059

a - The Group has capitalized finance costs on capital work in progress amounted to SR 454,000 for the period ended 31 December 2018 (31 December 2017 - SR 2 million).

b - Property, plant and equipment, as of December 31, 2018, do not include any pledged land, where all the pledged lands have been released after repayment of all related loans (31 December 2017: SR 217.1 million is the value of land on which buildings were built at a cost of SR 66.4 million pledged to some banks against bank facilities).

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

6. INVESTMENT PROPERTIES, NET

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

	31 December 2018	31 December 2017
Cost		
Opening Balance	671,125,868	599,615,879
Additions	125,700,455	48,412,814
Transfers from property, plant and equipment	-	23,097,175
Ending Balance	**796,826,323**	671,125,868
Accumulated depreciation		
Opening Balance	165,413,081	141,471,155
Additions	25,079,221	23,941,926
Ending Balance	**190,492,302**	165,413,081
Net Book Value	**606,334,021**	505,712,787

- The fair value of investment properties at 31 December 2018 amounted to SAR 895.8 million (31 December 2017: SR 813 million), of which investment property amounting to SAR 703.7 million is assessed by a qualified and independent expert as at the date of the current financial statements and other of which amount of SAR 192.1 million had acquired over a period of one year approximately. Management believes that there is no material difference between its cost and fair value. Therefore, the management considered its fair value equal to its cost.

- As of 31 December 2018, Investment properties didn't include any pledge land. All pledged lands have been released after the payment of all related loans. (31 December 2017: SR 3.2 Million had buildings constructed at cost of SR 2.6 Million).

The following is the information about the real estate valuer :

Name	Olat Real Estate Assessment Company
Qualifications	Membership of Saudi Authority for Accrediated Valuers
License number	121000397

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

7. INTANGIBLE ASSETS, NET

Intangible assets comprise the costs incurred to acquire the utilization rights of property site of markets leased from the original tenant (key money) which are amortized over the leases period which is 10 to 15 years. The movement in intangible assets was as follows:

	31 December 2018	31 December 2017
Cost		
Opening Balance	**19,597,230**	19,597,230
Ending Balance	**19,597,230**	19,597,230
Accumulated amortization		
Opening Balance	**11,884,449**	10,086,222
Amortization charged during the year	**1,798,227**	1,798,227
Ending Balance	**13,682,676**	11,884,449
Net Book Value	**5,914,554**	7,712,781

8. INVESTMENTS IN ASSOCIATES

Details of the significant data of the Company's associates are as follows:

		Ownership	
Company	**Country of Incorporation**	**31 December 2018**	31 December 2017
Abdullah Al-Othaim for Investment Company [1]	Kingdom of Saudi Arabia	%13.653	13.653%
AlWousta Food Services Company	Kingdom of Saudi Arabia	%25	25%
Riyadh Food Industries Company [2]	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).

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

A. Summary of movements in investment in associates:

	31 December 2018	31 December 2017
Opening Balance	**228,118,858**	205,413,942
Share in associate's net profit	**36,321,420**	38,673,049
Eliminations	**(13,653,850)**	(589,364)
Eliminations arising from reciprocal transactions	**-**	(15,397,823)
Share in foreign currency translation differences	**(324,681)**	19,054
	250,461,747	228,118,858

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

<u>**Associate Company**</u>	31 December 2018	31 December 2017
Abdullah Al-Othaim for Investment Company	**191,633,276**	169,292,337
AlWousta Food Services Company	**22,480,119**	22,973,448
Riyadh Food Industries Company	**36,348,352**	35,853,073
Total	**250,461,747**	228,118,858

C. The financial data of significant associates are as follows:

Abdullah Al-Othaim for Investment Company	**As of December 31,**	
As at 31 December	**2018**	2017
Current assets	**499,620,867**	392,328,670
Non-current assets	**3,083,727,103**	2,816,843,911
Current liabilities	**757,980,713**	451,010,725
Non-current liabilities	**1,281,717,041**	1,375,127,457

	For the year ended December 31,	
	2018	2017
Revenues	**933,767,826**	786,751,778
Net income after Zakat and Tax	**255,663,061**	300,484,494

9. <u>EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME</u>

	31 December 2018	31 December 2017
Equity instruments at fair value – in listed shares	**10,499,997**	10,499,997
Equity instruments at fair value – in unlisted shares	**5,457,141**	5,457,141
	15,957,138	15,957,138
Fair value reserve – in listed shares	**(4,312,292)**	(3,426,232)
Fair value reserve – in unlisted shares	**(1,811,713)**	(800,000)
	(6,124,005)	(4,226,232)
	9,833,133	11,730,906

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

10. INVENTORY, NET

	31 December 2018	31 December 2017
Commercial inventory	**846,668,113**	758,816,155
Others	**20,004,720**	18,383,479
Provision for obsolete and slow-moving inventories	**(42,875,180)**	(40,953,534)
	823,797,653	736,246,100

11. PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2018	31 December 2017
Prepaid expenses	**171,968,538**	113,352,680
Refundable Deposits	**1,136,968**	975,785
Advance payments to suppliers	**7,937,544**	12,914,521
Employees' receivables	**3,187,794**	3,467,786
Margin on letters of credit and letter of guarantees	**13,663,842**	13,308,171
Due from related parties	**16,884,479**	4,781,340
Others	**5,478,010**	4,558,273
	220,257,175	153,358,556
Provision for doubtful debts	**(2,613,620)**	(2,132,815)
	217,643,555	151,225,741

12. CASH AND CASH EQUIVALENTS

	31December 2018	31 December 2017
Cash in hand	**36,305,362**	44,281,748
Cash at banks – current accounts	**182,920,693**	219,670,699
Total	**219,226,055**	263,952,447

13. DISCONTINUING OPERATIONS

The Shareholders' General Assembly approved in its meeting held on 19 April 2017 (corresponding to: 22 Rajab 1438H) the recommendation of the Board of Directors on 28 December 2016 to sell the shopping mall located in Hail for SR 361,265,067 to a related party. The actual sale and transfer of title were completed during the third quarter of 2017. The Group recognized the profits arising from the sale as discontinuing operations in the income statement after eliminating part of the capital gain equal to the group's ownership percentage in the related party.

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

The income from discontinued operations is as follows:

The result of discontinuing operations	**2018**	**2017**
Revenues	-	387,557,157
Expenses other than Financing charges	-	(256,953,151)
Zakat	-	(3,265,100)
Eliminations	-	(15,397,823)
	-	111,941,083

14. STATUTORY RESERVE

In accordance with the Company bylaws 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.

15. LOANS AND MURABAHAS

a. short-term loans and murabahas

Islamic bank facilities (Murabaha) are guaranteed by a promissory notes issued on behalf of Al Othaim Markets Company, the Murabaha facilities are due during a period of less than one year and they are renewable and used in financing the working capital. Islamic bank facilities (Murabaha) that are available for use but not yet used as at 31 December 2018 amounted to SR 440 million (SR 2017: SR 340).

b. Long-term loans and murabahas

	31 December 2018	31 December 2017
Total outstanding balance	-	135,400,000
Less: Short-term dues	-	(62,400,000)
Long-term dues	-	73,000,000

16. OBLIGATION FOR EMPLOYEES' END-OF-SERVICE BENEFITS

	31 December 2018	31 December 2017
Opening Balance	**103,270,184**	83,352,617
Cost of service and cost of discount factor	**20,748,992**	18,012,906
Payments during the year	**(3,598,324)**	(3,193,017)
Actuarial losses from remeasurement of end of service benefits	**455,477**	5,097,678
	120,876,329	103,270,184

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

17. RELATED PARTIES

Transactions with related parties are transactions made with the parent company, 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 income, rental expenses and purchases of inventories.

Related party	Nature of relationship
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
Nahj Alkhayal Co.	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

Transactions with related parties for the year ended 31 December 2018 are as follows:

Related party	Rent expense	Rent revenue	Merchandise purchases	Manpower services supply and others	Manpower services expenses and others
Al-Othaim Holding Company	10,000	710,050	-	272,859	-
Abdullah Al-Othaim for Investment Company	14,075,570	37,224,948	-	5,514,381	5,443,973
AlWousta Food Services Company	-	600,000	-	-	-
Riyadh Foods Industries Company	150,848	-	130,430,947	2,708,046	-
General Organization of Social Insurance	5,735,345	-	-	-	-
Nahj Alkhayal Co,	-	175,175	-	-	-
Musanada for recruitment and employment inside Co,- Egypt	-	-	-	-	6,577,966
Dani Trading Company	-	474,349	-	-	-

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

Transactions with related parties for the year ended 31 December 2017 are as follows:

Related party	Rent expense	Rent revenue	Merchandise purchases	Manpower services supply and others	Sale of investment property
Al-Othaim Holding Company	110,000	710,050	-	-	-
Abdullah Al-Othaim for Investment Company	21,855,908	62,487,438	-	-	361,265,067
AlWousta Food Services Company	-	484,247	-	-	-
Riyadh Foods Industries Company	150,000	-	131,778,303	523,374	-
General Organization of Social Insurance	5,735,346	-	-	-	-
Nahj Alkhayal Co,	-	182,000	-	-	-
Musanada for recruitment and employment inside Co,- Egypt	-	-	-	5,128,118	-

Board members and senior executives' benefits during the year:

	Charged to comprehensive income	
	31 December 2018	31 December 2017
Short term benefits	**22,398,108**	17,745,789
Post-employment benefits	**319,589**	614,466
	22,717,697	18,360,255

Below are the balances due from/to related parties

Due from related Parties (Note 11) :

	31 December 2018	31 December 2017
Abdullah Al-Othaim for Investment Company	**13,653,850**	576,615
Riyadh Foods Industries Company	**3,230,629**	4,204,725
	16,884,479	4,781,340

Due to related parties (Note 18):

	31 December 2018	31 December2017
Al Riyadh Foods Industries Company	**28,198,046**	32,676,467
Musanada for recruitment and employment inside Co,- Egypt	**136,575**	100,042
	28,334,621	32,776,509

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

18. ACCRUALS AND OTHER PAYABLES

	31 December 2018	31 December 2017
Payables to employees	**106,844,887**	87,175,750
Deferred revenues	**71,312,220**	69,369,347
Al-Othaim cards received in advance	**37,449,595**	26,304,972
Provisions	**21,359,863**	21,901,837
Refundable for others	**51,796,855**	43,741,557
Accrued utilities	**47,968,072**	24,702,288
advance payments from tenants and others	**22,052,832**	23,858,535
Due to related parties (Note 17)	**28,334,621**	32,776,509
Other	**10,992,509**	7,637,409
	398,111,454	337,468,204

19. ZAKAT PROVISIONS

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 Income tax in Saudi Arabia. Zakat is calculated in the current period on the basis of the adjusted net income method.

	31 December 2018	31 December 2017
Opening Balance	**23,080,746**	13,988,208
Additions	**9,161,637**	14,111,313
Payments	**(13,093,642)**	(5,018,775)
Ending balance	**19,148,741**	23,080,746

- The Company submitted its consolidated Zakat declarations for all years up to 2017, and paid zakat obligations accordingly.
- The Company has 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.

20. SELLING AND MARKETING EXPENSES

	31 December 2018	31 December 2017
Salaries and benefits	**664,101,783**	600,873,290
Rents	**138,828,208**	120,058,451
Depreciation and amortization	**126,381,161**	113,462,815
Utilities	**79,612,284**	73,842,294
Advertising and marketing promotion	**23,516,816**	25,783,207
Packaging and packing materials	**36,295,927**	38,793,815
Maintenance and repairs	**23,874,807**	22,806,070
Fuel, oil and supplies	**24,646,381**	25,588,985
Freight charges for branches	**16,819,613**	14,154,358
Commissions for using payments network	**18,051,512**	11,222,375
Insurance expenses	**6,884,599**	7,265,151
Professional fees and subscriptions fees	**7,709,286**	5,753,610
Others	**6,061,210**	17,036,718
	1,172,783,587	1,076,641,139

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

21. ADMINISTRATIVE AND GENERAL EXPENSES

	31 December 2018	31 December 2017
Salaries and benefits	**78,719,536**	80,583,961
Depreciation and amortization	**14,085,912**	11,395,122
Fees and subscriptions	**6,076,932**	4,677,288
Utilities	**1,538,465**	1,599,017
Rents	**3,980,265**	4,220,703
Maintenance and repairs	**2,573,873**	2,647,294
Fuel, oil and supplies	**1,448,145**	993,943
Professional fees	**1,579,982**	1,782,200
Hospitality	**447,686**	483,948
Others	**7,051,890**	9,300,369
	117,502,686	117,683,845

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

Earnings per share related to profit and loss of the ordinary shareholders of the Company for the year ended 31 December 2018 and 2017 are calculated based on the weighted average number of shares outstanding during such periods. Diluted earnings per share is the same as the basic earnings per share since the Company does not have any issued dilutive instruments.

The earnings per share for the current and comparative years were calculated to reflect the increase in the company's capital from 45 million shares to 90 million shares through capitalization, based on the extraordinary general assembly resolution of shareholders on April 23, 2018.

	From net income		**From continuing operations income**	
	Year ended December 31		**Year ended December 31**	
	2018	2017	**2018**	2017
Net income for the year	**302,601,383**	446,497,142	**302,601,383**	337,556,059
Weighted-average number of shares	**90,000,000**	90,000,000	**90,000,000**	90,000,000
Basic and diluted earnings per share from net income for the year	**3,36**	4,99	**3,36**	3,75

23. SEGMENTAL INFORMATION

The Company is engaged mainly in retail and whole trading of food supplies, in addition to leasing commercial centers for the purpose of investment for the interest of the Company through sale or leasing. The Company operates in the Kingdom of Saudi Arabia and Egypt. The results of the segments are reviewed by the Company's CEO, Income, profits, assets and liabilities are measured using the same accounting principles used in preparing the consolidated financial statements.

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

a. The selected information for each business sector for the year ended 31 December 2018 are summarized below:

Item	Retail and wholesale	Real estate and leasing (Rent)	Other	Total
Property, plant and equipment, net	1,440,922,487	-	18,195,240	1,459,117,727
Investment properties, net	-	606,334,021	-	606,334,021
Intangible assets, net	5,914,554	-	-	5,914,554
Total assets	**2,583,756,380**	**631,381,556**	**432,602,626**	**3,647,740,562**
Total liabilities	**1,834,196,849**	**20,338,181**	**93,756,788**	**1,948,291,818**
Sales outside the Group	7,359,455,273	-	155,668,584	7,515,123,857
Sales inside the Group	-	2,060,000	79,192,834	81,252,834
Rental income from outside the Group	-	136,872,422	-	136,872,422
Impairment in property, plant and equipment	6,967,629	-	31,744,113	38,711,742
Total revenue, sales commissions and net rental income	1,488,201,687	80,552,155	46,862,320	1,615,616,162
Operating Income	**230,758,189**	**80,552,155**	**14,019,545**	**325,329,889**

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

Coverage of areas in the Kingdom and abroad for the year period ended 31 December 2018

Geographical area	Retail and wholesale	Percentage %	Leasing	Percentage %	Other	Percentage %
Central region - Saudi Arabia	4,763,468,635	64.7	71,562,709	52.3	155,668,584	100
Eastern Region - Saudi Arabia	719,538,509	9.8	54,568,901	39.9	-	-
Southern Region - Saudi Arabia	948,754,813	12.9	4,699,859	3.4	-	-
Northern Region - Saudi Arabia	566,083,974	7.6	4,047,503	3	-	-
Western Region - Saudi Arabia	216,955,525	3	1,557,105	1.1	-	-
Egypt	144,653,817	2	436,345	0.3	-	-
Total	7,359,455,273	100	136,872,422	100	155,668,584	100

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

24. COMMERCIAL REGISTER AND SUB-REGISTRY

The Company operates through the main register and the following sub-records:

Branch commercial registration number	Date	Location	Branch commercial registration number	Date	Location
1010177274	1433/03/14	Riyadh	1134000732	1426/05/22	Al Bukayriyah
1010177256	1423/03/14	Riyadh	2511006396	1426/08/13	Hafar Al Batin
1010090534	1412/06/29	Riyadh	1123001472	1425/10/23	Al Zulfi
1010137057	1416/03/09	Riyadh	1135000684	1426/11/05	Riyadh
1010188731	1424/05/25	Riyadh	2511006397	1426/08/13	Hafar Al Batin
1010080676	1411/05/16	Riyadh	3400012968	1431/06/08	Sakakah
1010177251	1423/03/14	Riyadh	3550021581	1426/04/16	Tabuk
1010213252	1426/09/09	Riyadh	3550021582	1426/03/26	Tabuk
1113001040	1428/03/07	Shaqraa	3550021590	1426/03/18	Tabuk
1010138943	1416/06/15	Riyadh	5850026673	1427/01/23	Abha
1010177262	1423/03/14	Riyadh	5855027348	1427/10/14	Khamis Mushait
1131056119	1436/10/18	Buraidah	1010223040	1427/08/16	Riyadh
2515000004	1426/08/14	King Khalid Military City	1129004812	1437/07/07	Al Qassim
1010177264	1423/03/14	Riyadh	5855027353	1427/10/15	Khamis Mushait
1010177259	1423/03/14	Riyadh	1010229962	1428/02/28	Riyadh
1010188730	1424/05/26	Riyadh	2512005596	1428/10/22	Al Qaisumah
1010138824	1416/06/12	Riyadh	3453002583	1429/11/21	Rafha
1131015790	1422/04/02	Buraidah	2252034289	1428/03/05	Al Mubarraz
2515000003	1426/08/14	King Khalid Military City	1018000533	1436/10/14	Huraymila
1010177275	1423/03/14	Riyadh	1010238504	1428/09/13	Riyadh
1010177267	1423/03/14	Riyadh	3450014950	1436/10/14	Arar
1010145630	1418/01/13	Riyadh	1010229967	1428/02/28	Riyadh
1010177253	1423/03/14	Riyadh	5855027504	1427/11/20	Khamis Mushait
1131018424	1424/06/8	Buraidah	5855027502	1427/11/20	Khamis Mushait
1010188356	1424/05/12	Riyadh	4030283859	1436/10/18	Jeddah
2511005548	1424/09/14	Hafar Al Batin	1010229965	1428/02/28	Riyadh
1010188533	1424/05/16	Riyadh	2251039396	1430/10/30	Al Ahsa
1010188526	1424/05/16	Riyadh	1011012754	1429/11/06	Al Kharj
1010188524	1424/05/15	Riyadh	2515000016	1430/11/07	King Khalid Military City
1010188729	1424/05/26	Riyadh	5860033691	1431/02/19	Muhayil Aseer
1122002735	1427/08/23	Al Majmaah	1010270690	1430/07/11	Riyadh
1131020975	1426/08/22	Buraidah	1010257796	1429/11/06	Riyadh
1011009998	1424/05/16	Al Kharj	3350043614	1436/10/14	Hail
1011009997	1424/05/16	Al Kharj	1010416304	1435/08/05	Riyadh
1130001283	1427/09/09	Al Mithnab	1010171174	1422/08/18	Riyadh
1128007104	1428/03/28	Unaizah	1010171171	1422/08/18	2nd Industrial City, Riyadh

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

Branch commercial registration number	Date	Location	Branch commercial registration number	Date	Location
1132002987	1426/05/22	Al Rass	1010188522	1424/05/16	Riyadh
2511006896	1427/09/09	Hafar Al Batin	1010188519	1424/05/16	Riyadh
1010191670	1424/10/08	Riyadh	1010188527	1424/05/16	Riyadh
3550021583	1426/03/16	Tabuk	1010188532	1424/05/16	Riyadh
1010188531	1424/05/16	Riyadh	1010167452	1422/04/06	Riyadh
1010188528	1424/05/16	Riyadh	5855034628	1431/06/23	Al Khalidiyah
1010428392	1436/02/05	Riyadh	1010289509	1431/06/23	Riyadh
1010188529	1424/05/16	Riyadh	2511011206	1431/06/23	Hafar Al Batin
1010188525	1424/05/16	Riyadh	4030204792	1431/10/25	Jeddah
1010380876	1434/08/14	Riyadh	4030204790	1431/10/25	Jeddah
1010188530	1424/05/16	Riyadh	1185005063	1434/08/25	Wadi Al Dawasir
1010191671	1424/10/08	Riyadh	1010257798	1429/11/06	Riyadh
1010443382	1437/07/03	Riyadh	1131035991	1432/08/10	Al Qassim
2511022699	1436/02/05	Hafar Al Batin	5900023717	1434/08/26	Jazan
1010289458	1431/06/23	Riyadh	1128016793	1434/08/13	Unaizah
1010289502	1431/06/23	Riyadh	1010380648	1434/08/13	Riyadh
1011014067	1431/06/24	Al Kharj	4030283764	1436/10/14	Jeddah
1012001917	1431/06/23	Al Sahna	1010380871	1434/08/14	Riyadh
1010312430	1432/08/10	Riyadh	1123004300	1435/11/06	Al Zulfi
3452010000	1436/10/14	Al Qurayyat	5855053489	1434/08/14	Khamis Mushait
3451003467	1437/07/03	Turaif	1135002092	1435/11/06	Riyadh Al Khabra
5900034634	1437/08/10	Jizan	1010380875	1434/08/14	Riyadh
1011023511	1436/10/14	Al Kharj	1010380873	1434/08/14	Riyadh
1010377428	1434/07/23	Riyadh	5950027442	1434/08/25	Najran
1010422721	1435/11/05	Riyadh	5850053412	1434/08/13	Abha
4030275808	1435/11/06	Jeddah	2055020069	1434/08/13	Jubail Industrial City
1126002263	1436/10/14	Raudat Sudair	1010380647	1434/08/13	Riyadh
4603008754	1436/10/17	Al Qunfudhah	2250053175	1434/08/13	Al Ahsa
5851008492	1436/10/18	Bisha	5850059594	1435/04/05	Abha
1010435915	1436/10/13	Riyadh	5951001851	1434/08/13	Sharurah
1010435920	1436/10/13	Riyadh	1010306608	1432/05/06	Riyadh
1013002232	1436/10/17	Hotat Bani Tamim	1010422718	1435/11/05	Riyadh
1010435921	1436/10/13	Riyadh	4030275812	1435/11/06	Jeddah
1010435922	1436/10/13	Riyadh	1010422678	1435/11/05	Riyadh
5901033026	1436/12/04	Sabya	1010422708	1435/11/05	Riyadh
3452010438	1438/01/15	Al Qurayyat	1011024103	1437/10/16	Al Kharj
1111002429	1436/10/13	Riyadh	1011022342	1435/11/05	Al Kharj
5855033231	1430/11/15	Khamis Mushait	1010435914	1436/10/13	Riyadh
1010275699	1430/11/06	Riyadh	1116011064	1436/10/17	Dawadmi
3450014067	1431/06/29	Arar	1010435919	1436/10/13	Riyadh
1010435912	1436/10/13	Riyadh	1115003388	1436/10/18	Sajir
1010275701	1430/11/06	Riyadh	5901032474	1436/08/21	Abu Arish

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

Branch commercial registration number	Date	Location	Branch commercial registration number	Date	Location
2251040248	1431/06/23	Al Hofuf	1136003215	1436/10/14	Asyah
2050071342	1431/07/09	Dammam	1017001964	1436/10/17	As Sulayyil
1124000574	1436/10/14	Al Ghat	1010167451	1422/04/06	Riyadh
1131056989	1437/10/16	Al Shimasiyah	1010167109	1422/03/20	Riyadh
1010610489	1438/11/16	Riyadh	1010191816	1424/10/13	Riyadh
1117004607	1437/07/03	Al-Quwayiyah	1010280812	1431/02/12	Riyadh
2050111410	1438/04/13	Dammam	1010177603	1423/03/24	Riyadh
1010467219	1438/04/13	Riyadh	2511023875	1436/10/14	Hafar Al Batin
5856070255	1438/02/03	Sarat Abidah	1010172886	1422/10/24	Riyadh
1010467222	1438/04/13	Riyadh	1010422705	1435/11/05	Riyadh
5859007149	1438/07/02	Al Namas	1015002801	1436/10/14	Al Aflaj
2251068085	1438/07/20	Al Hofuf	1010462830	1437/10/16	Riyadh
5857069954	1438/10/16	Ahad Rafidah	1010443956	1437/07/24	Riyadh
1011024379	1438/06/14	Al Kharj	3452010295	1437/06/22	Al Qurayyat
5855069953	1437/10/16	Khamis Mushait	1131049220	1434/08/13	Al Qassim
1010469526	1438/07/02	Riyadh	1010191669	1424/10/08	Riyadh
5900036108	1438/07/02	Jizan	2251053231	1434/08/14	Al Hofuf
5950033069	1438/07/02	Najran	1131049202	1434/08/14	Buraidah
1010467220	1438/04/13	Riyadh	4032051196	1438/04/13	Taif
1010462825	1437/10/16	Riyadh	5864070717	1438/07/02	Almajaridah
1131057375	1438/04/13	Al Qassim	4031098593	1438/04/13	Mecca
5860069193	1437/02/17	Muhayil Aseer	2050111411	1438/04/13	Dammam
1010238502	1428/09/12	Riyadh	1010467224	1438/04/13	Riyadh
1010296774	1431/11/24	Riyadh	1131056080	1436/10/13	Al Qassim
1010462796	1437/10/15	Riyadh	3400019472	1436/10/14	Al Jouf
1010177602	1423/03/24	Riyadh	2055026296	1439/03/01	Al Jubail
1010467218	1438/04/13	Riyadh	1010613419	1439/03/12	Riyadh
1118004613	1438/04/13	Afif	5900037551	1439/03/12	Jazan
2051060968	1436/10/17	Al Khobar	1131058228	1439/03/12	Buraidah
2050106284	1436/10/14	Dammam	2051065208	1439/03/12	Al Khobar
5900036359	1438/08/15	Jizan	2250069574	1439/03/12	Al Ahsa
1010306605	1432/05/06	Riyadh	1010613429	1439/03/12	Riyadh
4030297999	1439/03/16	Jeddah	1123004585	1439/03/16	AL Zulfi
2066004575	1439/03/16	Ras tannura	5860610032	1439/03/26	Muhayil Aseer
2050239181	1439/03/26	Dammam	581615657	1439/03/26	Rejal almaa
1123101351	1439/04/24	Al Zulfi	4030603291	1439/04/24	Jeddah
1010931574	1439/04/24	Riyadh	5855338960	1439/04/24	Khamis Mushait
1010931572	1439/04/24	Riyadh	1010938595	1439/06/11	Riyadh
1010948888	1439/07/04	Riyadh	2511108271	1439/07/04	Hafar Al Batin
1163101145	1439/07/04	Dharya	3450171380	1439/07/04	Arar
1010948894	1439/07/04	Riyadh	1010949500	1439/07/10	Riyadh
1010949505	1439/07/10	Riyadh	1010949508	1439/07/10	Al Kharj

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

Branch commercial registration number	Date	Location	Branch commercial registration number	Date	Location
1011138162	1439/07/10	Al Kharj	2050240897	1439/07/10	Dammam
1010949512	1439/07/10	Riyadh	1010949513	1439/07/10	Riyadh
1010949502	1439/07/10	Riyadh	1117101488	1439/08/13	Al-Quwayiyah
1010447630	1439/08/13	Riyadh	1010225160	1427/10/30	Riyadh
1010448661	1439/08/21	Riyadh	1010449640	1439/09/01	Riyadh
4650201342	1439/10/18	Al Madina	5901716779	1439/11/02	Abu Arish
1010453594	1439/11/02	Riyadh	1010453595	1439/11/02	Riyadh
1011138589	1439/11/02	Al Kharj	1010471509	1440/01/28	Riyadh
1010471520	1440/01/28	Riyadh	1010471504	1440/01/28	Riyadh
1010471506	1440/01/28	Riyadh	3402101431	1440/01/28	tabrjal
3401100588	1440/01/28	Riyadh	1010471519	1440/01/28	Riyadh
1010499948	1440/04/13	Riyadh	1131295606	1440/04/13	Riyadh
1010518911	1440/04/25	Buraidah	4700108137	1440/05/18	Yanbou
1010518904	1440/05/22	Riyadh			

25. CONTINGENCIES AND COMMITMENTS

a- The Company has the following contingent liabilities and capital commitments:

	31 December 2018	31 December 2017
Letters of credit	**50,239,361**	60,649,666
Letters of guarantee	**64,070,653**	50,207,365
Commitments on capital work in progress	**71,668,757**	96,277,295

b- The Company has the following outstanding commitments under long-term non-cancellable operating leases for its branches and commercial centers:

	31 December 2018	31 December 2017
Up to one year	**94,920,253**	74,548,834
More than one year and up to five years	**237,311,321**	222,642,541
More than 5 years and up to 27 years	**273,058,178**	297,012,649

26. FINANCIAL INSTRUMENTS - RISK MANAGEMENT

Financial assets in the Company's balance sheet are comprised mainly of financial assets at fair value through other comprehensive income, trade and other receivables, investments for trade at fair value through income, cash and cash equivalents, loans and murabaha, 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, As the Saudi Riyal is pegged to the US Dollar, they are not considered to represent significant currency risk, The Company management monitors foreign currency rates and believes that currency risk is insignificant.

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

Credit risk

Credit risk is the risk that one party to 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 its wide customer base operating in different activities and various sites, The management monitors outstanding trade receivables periodically, in addition to guarantees provided by customers to cover any receivables expected to be irrecoverable.

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 comprise payables, accruals ,and other payable balances, The Company limits liquidity risk by ensuring the availability of bank facilities, in addition to aligning the period of collecting customers' balances and the periods of settling suppliers' balances and other payable balances.

Financial liabilities maturity schedule:

	As of 31 December 2018			
	Less than one year	From 1 to 3 years	From 3 to 5 years	Total
loans and murabaha	-	-	-	-
Trade payables, accruals and other payables	1,808,266,748	-	-	1,808,266,748
	1,808,266,748	-	-	1,808,266,748

	As of 31 December 2017			
	Less than one year	From 1 to 3 years	From 3 to 5 years	Total
loans and murabaha	62,400,000	73,000,000	-	135,400,000
Trade payables, accruals and other payables	1,557,349,836	-	-	1,557,349,836
	1,619,749,836	73,000,000	-	1,692,749,836

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 amounts due to their short-term maturities.
- The management has estimated that the fair value of long-term loans and murabaha is close to their carrying amounts, as the commission rates on these loans are floating and changes with the change in the market commission rate (*SIBOR*).
- Financial assets at fair value through other comprehensive income include investment funds measured at the quoted market price (fair value level 1).
- Financial assets 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).

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

Interest rate risks

The Company's exposure to the risk of changes in market interest rates relates primarily to financial assets and liabilities with floating interest rates,and as of 31 December 2018, the company had no loan balances.

27. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year classification and the statement as follows:

- Comparative figures for the yeat ended 31 December 2017

	Amount before reclassification	Effect(1)	Amount after reclassification on 31 December
Net Sales	8,041,557,339	(810,415,438)	7,231,141,901
Cost of sales	(6,599,688,919)	808,147,018	(5,791,541,901)
Gross Profit	1,441,868,420	(2,268,420)	1,439,600,000
Vouchers sales commissions	-	2,268,420	2,268,420
Gross profit and sales commissions	1,441,868,420	-	1,441,868,420

(1) The re calssificatoin of sales and the cost of sales after deduct net of the value of suppliers' grants to customers at point of sale of the same value together and eleminate of sales and costs of the vouchers; and recognize the difference between them as sale vouchers in a separate item.

28. DIVIDENDS

The Shareholders' General Assembly has approved in its meeting held on 7 Shaban 1439H (23 April 2018) the Board of Directors to distribute cash dividends to the shareholders for the fiscal year 2017G at the rate of SR (3) per share with a total amount of SR (135) Million, dividends paid during the second quarter of year 2018.

29. SUBSEQUENT EVENTS AFTER THE FINANCIAL REPORT

No significant events occurred subsequent to the date of the financial report that requires adjustments or additional disclosures in the consolidated financial statements.

30. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 28 Jamada 'II 1440H (corresponding to: 5 March 2019G).