ABDULLAH AL-OTHAIM MARKETS COMPANY

A Saudi Joint Stock Company

CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2017

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, 2017

BDO Dr. Mohamed Al-Amri & Co.
Accountants & Consultants

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INDEPENDENT AUDITORS' REPORT

To the shareholders of
Abdullah Al-Othaim Markets Company
(A Saudi Joint Stock Company)
Riyadh - 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 (collectively the "Group"), which comprise of the consolidated statement of financial position as at 31 December 2017, 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 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") endorsed in the Kingdom of Saudi Arabia, and other standards and versions endorsed by Saudi Organization for Certified Public Accountants ("SOCPA").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) 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 Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the professional code of conduct and that are 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 2017. 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)

The application of the International Financial Reporting Standards beginning from 1 January 2017	
Key audit matter	***How the matter was addressed in our audit***
The Saudi Organization for Certified Public Accountants ("SOCPA") has endorsed the International Financial Reporting Standards (IFRSs) to be implemented in the Kingdom of Saudi Arabia as of 1 January 2017 for the listed companies, accordingly, the Group has adopted the International Financial Reporting Standards in accordance with the SOCPA's decision, this application resulted in several amendments, the most important of which are: • Adjustments of certain items to comply with the requirements of IFRSs. • Reclassification of certain items in the financial statements. • Addition of certain accounting policies that comply with international financial reporting standards. • Recognition of actuarial losses or gains from re-measuring the obligation for employees' end of service benefits. This has been identified as a key audit matter for the significant change in the form and content of the financial statements in terms of presentation and accounting treatments than before.	We have obtained an understanding of the Group's plan for transition from the generally accepted accounting principles (SOCPA) to the International Financial Reporting Standards (IFRSs); We also conducted audit procedures for the amendments that resulted from the transition process. The following are the most important procedures that have been performed: • We obtained a report analyzing the differences in application of generally accepted accounting principles (SOCPA) and the International Financial Reporting Standards (IFRSs). • We reviewed the completion of the identification of differences in terms of presentation, disclosure, recognition and measurement. • We reviewed the accuracy of the adjustments made as a result of the application of the International Financial Reporting Standards (IFRSs), as they were recorded in the statement of financial position as at 1 January 2016 and the statement of financial position for the year ended 31 December 2016. • We have reviewed the disclosure in the annual financial statements related to the effects of the application of the International Financial Reporting Standards (IFRSs).
Refer to note (2) the Basis of Preparation of the Consolidated Financial Statements related to the application of the International Financial Reporting Standards (IFRSs) and note (8) for disclosures related to the impacts of application of the International Financial Reporting Standards (IFRSs).	

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Key Audit Matters (continued)

Valuation of Inventories	
Key audit matter	***How the matter was addressed in our audit***
As at 31 December 2017, the inventory balance amounted to SR 736 million (2016: SAR 646 million), net of provision for the deficit and slow moving inventories of SR 40.9 million (2016: SAR 27.7 million). Inventories are stated at the lower of cost and net realizable value and if necessary, the Group makes a provision for slow moving inventories. The Group determines the level of obsolescence of the slow moving inventory items, taking into consideration their nature, age, validity, sales expectations and other qualitative factors. And at each reporting date, the management reviews the inventory valuation and reduces the cost of inventories when the inventory is expected to be sold at a lower cost. We consider this as a key audit matter due to the significant judgment and assumptions applied by the management in determining the allowance for slow moving inventories and the level of inventories write down required based on net realizable value assessment.	• Evaluate the design, implementation and test the efficiency of the key controls related to the Group's procedures for determination and monitoring of the provision for slow moving inventories. • Evaluate the Group's accounting policy for slow moving inventories through performing a retrospective test and compare the previous estimates and their actual results. • Recalculate the provision for slow moving inventories according to the Group's policy based on the inventory aging report. • Test the net realizable value of the ready-made inventories by taking into account the assumptions used by management to determine whether the inventory is valued at the lower of cost and net realizable value.
Refer to note (7) in the consolidated financial statements for accounting policy related to the inventory and note (15) for relevant disclosure.	

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Key Audit Matters (continued)

Revenue recognition

Key audit matter	***How the matter was addressed in our audit***
As at 31 December 2017, the Group's revenues amounted to SAR 8.041 million (31 December 2016: SAR 7.014 million). Most of the Group's sales transactions are carried out directly at the point of sale. Revenue recognition considered as a key audit matter as there is a risk that management may override controls to misstate revenue transactions and to record fictitious revenue transactions.	• Assessed the appropriateness of the Group's revenue recognition accounting policies by considering the requirements of relevant accounting standards. • Assessed the design and implementation, and tested the operational efficiency of the key internal control of management, including the IT environment, on the completeness and occurrence of recorded revenues. • Analytical procedure for revenues based on sales trends and taking into account the profit margin and sales volume.
Refer to note (7) in the consolidated financial statements for accounting policy related to the revenue recognition and note (28) for relevant disclosure.	

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Key Audit Matters (continued)

Related party transactions	
Key audit matter	*How the matter was addressed in our audit*
The Group transacts with related parties in the normal course of its business. We considered related parties transactions as a key audit matter due to materiality of those transactions with related parties.	• We obtained an understanding of the controls that management has put in place to identify, approve, account for and disclose related party transactions. • We tested these controls on a sample basis to ascertain if they are operating effectively. • We traced a sample of related party transactions to supporting documents. • Verified the compatibility of transactions with the requirements of regulation for companies in this regard. • Obtained the related parties balances' confirmations.
Refer to note (7) in the consolidated financial statements for accounting policy related to the related party transactions and note (22) for relevant disclosure.	

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 consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs 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. Those charged with governance, in particular the Audit Committee, are 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.

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- 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 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.

We communicate with the management and 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.

Report on other legal and regulatory requirements
In our opinion these consolidated financial statements, taken as a whole, comply with the Regulations for Companies and the Company's by-laws with respect to the preparation and presentation of consolidated financial statements.

For Dr. Mohamed Al-Amri & Co.

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

د. محمد العمري وشركاه - محاسبون قانونيون
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Riyadh
Certified Public Accountants
Dr. Mohamed Al-Amri & Co.

Riyadh, on: 2 Rajab 1439(H)
Corresponding to: 19 March 2018(G)

ABDULLAH AL-OTHAIM MARKETS COMPANY

A Saudi Joint Stock Company

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Saudi Riyals

	Notes	As of 31 December 2017	As of 31 December 2016	As of 01 January 2016
ASSETS				
Non-current assets				
Property, plant and equipment, net	9	**1,428,448,059**	1,264,590,986	991,713,090
Investment properties, net	10	**505,712,787**	458,144,724	637,508,707
Intangible assets, net	11	**7,712,781**	9,511,008	11,309,235
Biological assets, net	12	**-**	-	796,900
Investments in associates	13	**228,118,858**	205,413,942	212,962,008
Financial assets at fair value through other comprehensive income	14	**11,730,906**	14,991,495	16,645,447
Total non-current assets		**2,181,723,391**	1,952,652,155	1,870,935,387
Current assets				
Inventories, net	15	**736,246,100**	646,565,658	568,657,150
Prepayments and other receivables, net	16	**155,832,478**	172,822,363	175,416,057
Trade receivables, net		**8,813,594**	9,479,278	9,718,549
Financial assets at fair value through income		**-**	61,649,646	-
Cash and cash equivalents	17	**263,952,447**	288,285,079	323,856,291
		1,164,844,619	1,178,802,024	1,077,648,047
Non-current assets held for sale	18	**266,443**	219,066,195	-
Total current assets		**1,165,111,062**	1,397,868,219	1,077,648,047
TOTAL ASSETS		**3,346,834,453**	3,350,520,374	2,948,583,434
LIABILITIES AND EQUITY				
EQUITY				
Paid-in share capital	1	**450,000,000**	450,000,000	450,000,000
Statutory reserve	19	**112,518,350**	67,568,635	44,565,425
Retained earnings		**939,269,282**	719,704,596	605,948,981
Other reserves		**-**	-	717,505
Fair value reserve		**(4,226,232)**	(2,514,591)	(860,639)
Exchange differences from translation of foreign operations		**(4,015,275)**	(4,002,834)	-
The company's share of associates' other comprehensive income		**1,300,907**	1,281,853	-
Equity attributable to shareholders' of the parent		**1,494,847,032**	1,232,037,659	1,100,371,272
Non – controlling interests		**32,886,655**	31,090,624	32,674,549
Total equity		**1,527,733,687**	1,263,128,283	1,133,045,821
LIABILITIES				
Non-current liabilities				
Long term loans and Murabaha	20	**73,000,000**	412,286,670	399,500,000
Obligation for employees' end-of-service benefits	21	**103,270,184**	83,352,617	69,457,661
Total non-current liabilities		**176,270,184**	495,639,287	468,957,661
Current liabilities				
Trade payables		**1,142,848,945**	1,061,791,380	885,109,282
Short term Murabaha	20	**-**	-	20,061,386
Current portion of long-term loans and Mueabaha	20	**62,400,000**	187,213,333	192,213,333
Accruals and other payables	23	**414,500,891**	328,759,883	240,221,066
Provision for zakat and taxes	24	**23,080,746**	13,988,208	8,974,885
Total current liabilities		**1,642,830,582**	1,591,752,804	1,346,579,952
TOTAL LIABILITIES		**1,819,100,766**	2,087,392,091	1,815,537,613
TOTAL LIABILITIES AND EQUITY		**3,346,834,453**	3,350,520,374	2,948,583,434

The accompanying selected notes from (1) to (34) 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

Share in other comprehensive income from associates	Note	For the year ended 31 December 2017	2016
Net sales	28	**8,041,557,339**	7,014,537,313
Cost of sales	28	**(6,599,688,919)**	(5,803,241,237)
Gross profit		**1,441,868,420**	1,211,296,076
Rental income, net	28	**74,955,577**	66,408,638
Selling and marketing expenses	25	**(1,076,641,139)**	(941,552,013)
General and administrative expenses	26	**(117,683,845)**	(99,644,986)
Operating profit		**322,499,013**	236,507,715
Share in net income of associates	13	**38,673,049**	14,928,100
Dividends from financial assets at fair value through other comprehensive income		**-**	345,928
Gains from financial assets at fair value through income		**914,399**	649,646
Financing charges	20	**(14,159,491)**	(15,012,203)
Other gains (losses), net		**3,979,973**	4,177,169
Income from continuing operations before zakat		**351,906,943**	241,596,355
Zakat		**(10,846,213)**	(8,106,581)
Income for the year from continuing operations		**341,060,730**	233,489,774
Discontinued operations			
Income for the year from discontinued operations net of zakat	18	**111,941,083**	(9,249,964)
Net income for the year		**453,001,813**	224,239,810
Attributable to:			
Shareholders of the parent		**449,497,142**	228,073,735
Non-controlling interests		**3,504,671**	(3,833,925)
		453,001,813	224,239,810
Earnings per share			
Basic and diluted earnings per share from the net income for the year attributable to the shareholders of the parent	27-a	**9.99**	5.07
Earnings per share for continuing operations			
Basic and diluted earnings per share from income from continuing operations attributable to the shareholders of the parent	27-b	**7.50**	5.25

The accompanying selected notes from (1) to (34) 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

	Notes	For the year ended 31 December 2017	2016
Net income for the year		**453,001,813**	224,239,810
Other comprehensive income:			
Items not to be reclassified to income statement:			
Actuarial losses for employees' end of service benefits	21	**(5,097,678)**	(1,314,910)
Net changes in fair value of financial assets at fair value through other comprehensive income	14	**(1,711,641)** `	(1,653,952)
Items to be reclassified to income statement:			
Exchange differences on translation of foreign operations		**(12,441)**	(4,002,834)
The Company's share of associates' other comprehensive income		**19,054**	1,281,853
Changes in fair value of hedging contracts		**-**	(717,505)
Other comprehensive income for the year		**(6,802,706)**	(6,407,348)
Total comprehensive income for the year		**446,199,107**	217,832,462
Attributable to:			
Shareholders of the parent		**442,809,373**	221,666,387
Non-controlling interests		**3,389,734**	(3,833,925)
		446,199,107	217,832,462

The accompanying selected notes from (1) to (34) form an integral part and should be read in conjunction with these condensed interim consolidated financial statements,

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	Other reserves	Fair value reserve	-Exchange differences from translation of foreign operations	The company's share of associates' other comprehensive income	Equity attributable to shareholders of the parent	Non-controlling interests	Total equity
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 (note 32)	**-**	**-**	**(180,000,000)**	**-**	**-**	**-**	**-**	**(180,000,000)**	**-**	**(180,000,000)**
Non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(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**
For the year ended 31 December 2016										
Balance at 1 January 2016	450,000,000	44,565,425	605,948,981	717,505	(860,639)	-	-	1,100,371,272	32,674,549	1,133,045,821
Net income	-	-	228,073,735	-	-	-	-	228,073,735	(3,833,925)	224,239,810
Items of other comprehensive income	-	-	(1,314,910)	(717,505)	(1,653,952)	(4,002,834)	1,281,853	(6,407,348)	-	(6,407,348)
Total comprehensive income	-	-	226,758,825	(717,505)	(1,653,952)	(4,002,834)	1,281,853	221,666,387	(3,833,925)	217,832,462
Transferred to statutory reserve	-	23,003,210	(23,003,210)	-	-	-	-	-	-	-
Cash dividends (note 32)	-	-	(90,000,000)	-	-	-	-	(90,000,000)	-	(90,000,000)
Non-controlling interests	-	-	-	-	-	-	-	-	2,250,000	2,250,000
Balance as at 31 December 2016	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

The accompanying selected notes from (1) to (34) 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

	The year ended	
	31 December 2017	**31 December 2016**
OPERATING ACTIVITIES		
Income before zakat and tax from continuing operations	**351,906,943**	241,596,355
(Loss) Income before zakat from discontinued operations	**115,206,183**	(9,249,964)
Income before zakat and tax	**467,113,126**	232,346,391
Adjustments		
Financing charges	**14,159,491**	15,012,203
Depreciation & amortization	**166,076,185**	144,723,049
Provision for obsolete and slow moving inventories	**13,197,431**	2,223,565
Provision for doubtful debts	**2,951,267**	175,604
loss on sale of property, plant ,and equipment	**309,347**	1,718,410
Loss on sale of biological assets	**-**	294,292
Gain on sale of Investment properties held for sale	**(100,266,540)**	-
Exchange differences from translation of foreign operations	**(154,463)**	5,402,223
Share in net income of associates	**(38,673,049)**	(14,928,100)
Dividends from financial assets at fair value through other comprehensive income	**-**	(345,928)
Gains from financial assets at fair value through income	**(914,399)**	-
Changes in:		
Inventories	**(102,877,873)**	(79,525,893)
Trade receivables	**665,684**	239,270
Prepayments and other receivables	**14,038,618**	(1,214,480)
Trade payables	**81,057,565**	176,682,098
Accruals and other payables	**89,285,053**	91,748,059
Obligation for employees' end-of-service benefits, net	**14,819,889**	13,894,956
	620,787,332	588,445,719
Paid zakat	**(5,018,775)**	(3,191,923)
Net cash from operating activities	**615,768,557**	585,253,796
INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(329,644,269)**	(405,921,279)
Additions to investment properties	**(78,757,811)**	(59,892,015)
Additions to biological assets	**-**	(979,686)
Disposals of investments in associates	**589,364**	-
Dividends from investments in associates	**-**	28,673,086
Dividends from financial assets at fair value through other comprehensive income	**-**	345,928
Proceeds from the sale of investment properties held for sale	**361,265,067**	-
Proceeds from the sale of property, plant ,and equipment	**4,696,111**	2,127,170
Proceeds from financial assets at fair value through other comprehensive income	**1,548,948**	-
Proceeds from the sale of biological assets	**-**	1,151,822
Net proceeds/payment from financial assets at fair value through income	**62,564,045**	(61,649,646)
Net cash from (used in) investing activities	**22,261,455**	(496,144,620)

The accompanying selected notes from (1) to (34) 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 (*Continued*)
Saudi Riyals

	The year ended 31 December 2017	31 December 2016
FINANCING ACTIVITIES		
Proceeds from loans and murabaha	**709,599,806**	1,117,406,711
Repayments of loans and murabaha	**(1,178,241,865)**	(1,129,681,427)
Non-controlling interests	**(1,593,703)**	250,000
Finance charges paid	**(12,126,882)**	(22,655,672)
Cash dividends paid	**(180,000,000)**	(90,000,000)
Net cash used in financing activities	**(662,362,644)**	(124,680,388)
Net change in cash and cash equivalent	**(24,332,632)**	(35,571,212)
Cash and cash equivalent at the beginning of the year	**288,285,079**	323,856,291
Cash and cash equivalent at the ending of the year	**263,952,447**	288,285,079
Non-cash transaction		
Transferred from property, plant ,and equipment to investment properties	**23,097,175**	-

The accompanying selected notes from (1) to (34) 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- ORGANIZATION AND ACTIVITY

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, 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 share capital of the Company amounts to SAR 450,000,000 divided into 45,000,000 shares with a nominal value of SAR 10 each.

The Company's registered head office is located in Riyadh/ Al-Rabwah, Eastern Ring Road- P,O, Box 41700, Kingdom of 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 Abdulla Al-Othaim Markets Company and its controlled subsidiaries, collectively referred to as "the Group":

Name of Subsidiary	Country of incorporation	Main Activity	Ownership % December 2017	December 2016	January 2016
Haley Holding Company	Kingdom of Saudi Arabia	Wholesale and retail trade	100%	100%	100%
Universal Marketing Centre Company	Kingdom of Saudi Arabia	Wholesale and retail trade	100%	100%	100%
Seven Services Company	Kingdom of Saudi Arabia	Import, Export and Wholesale and Retail trade	100%	100%	100%
Bayt Al Watan Company	Kingdom of Saudi Arabia	Import, Export and Wholesale and Retail trade	100%	100%	100%
Marafeq Al Tashgheel Company	Kingdom of Saudi Arabia	General contracting for buildings	100%	100%	100%
Al Othaim Markets – Egypt	Egypt	Wholesale and Retail	100%	100%	100%
Thamarat Al Qassim Company	Kingdom of Saudi Arabia	Cultivation of vegetables and fodder	100%	90%	90%
Shurofat Al Jazeerah Company	Kingdom of Saudi Arabia	General contracting and operation of commercial complexes	100%	100%	-
Mueen Recruitment Company	Kingdom of Saudi Arabia	Provision of labor services	68%	68%	-
Rafif Travel & Tourism Co,	Kingdom of Saudi Arabia	Tour and Travel	75%	75%	-

Below is a brief description of each of the subsidiaries which were consolidated in the consolidated financial statements as at 31 December 2017:

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 databases), 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 databases), 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.

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 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.

All amounts are presented in Saudi riyals, unless otherwise indicated

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 Recruitment Company
Mueen Recruitment Company is a closed Saudi joint stock company registered on 6 Ramadan 1436H (corresponding to: 23 June 2015) in Riyadh city under Commercial Registration No, 1010435202, The main activities are the provision of labor services in relation to domestic employment and employment in public and private sectors under the license of the Ministry of Labor No, 24 On 23 Dhu al-Hijjah 1436H (corresponding to: 16 October 2015).

The Company operates through the main register and the following sub-registry 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

All amounts are presented in Saudi riyals, unless otherwise indicated

Branch commercial registration number	Date	Location	Branch commercial registration number	Date	Location
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
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

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Branch commercial registration number	Date	Location	Branch commercial registration number	Date	Location
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
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

All amounts are presented in Saudi riyals, unless otherwise indicated

Branch commercial registration number	Date	Location	Branch commercial registration number	Date	Location
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

2- BASIS OF PREPARATION

The Board of Directors of the Saudi Organization for Certified Public Accountants ("the Authority") adopted in 2012 (corresponding to 1433H) a plan for the transition to international financial reporting standards as well as international auditing standards, In accordance with this decision, the implementation of the international financial reporting standards endorsed by the Authority was effective from the beginning of 2017 on the Joint stock companies listed on the stock market, Accordingly, the Company's first annual financial statements prepared in accordance with the International Financial Reporting Standards will be those prepared for 2017, Accordingly, the date 01/01/2016 was considered the date of transition to IFRS as it represents the beginning of the comparative period for the first annual financial statements prepared in accordance with International Financial Reporting Standards.

Wherever the "International Financial Reporting Standards" appear in these notes, they refer to "International Financial Reporting Standards endorsed in Saudi Arabia and other standards and other publications endorsed by the Saudi Organization for Certified Public Accountants", The approved international standards are the international standards issued by the International Accounting Standard Board (IASB), in addition to the requirements and disclosures that have been required by Saudi Organization for Certified Public Accountants to some of these standards in accordance with the approval document for International Financial Reporting Standards, The other standards and publications mean standards and technical opinions that approved by the Saudi Organization for Certified Public Accountants on topics not covered by international standards such as zakat.

Significant changes resulting from the transition to IFRS are as follows (Note 8):
- Discontinue the consolidation of the financial statements of Riyadh Food Industries Company with the Group's financial statements as of the date of applying the International Financial Reporting Standards on 1/1/2016 and to address the investment in IAS 28 "Investments in Associates and Joint Ventures", The balance sheet statement was prepared as of 1 January 2016, excluding the financial statements of Riyadh Food Industries Company from the Company's consolidated financial statements as the Group does not control the Riyadh Food Industries Company in accordance with the requirements of International Financial Reporting Standard No, 10, "Consolidated Financial Statements".

- Amend the general presentation and disclosure to comply with the International Financial Reporting Standards.
- Add the comprehensive income statement.
- Add additional disclosures to the consolidated financial statements.
- Amend and add certain accounting policies to conform to IFRS.
- Capital work in progress related to the investment properties has been classified under investment properties since these properties represent investment properties in progress.
- In accordance with the previous policies for calculating the obligation for employees' end-of-service benefits, the obligation for employees' end-of-service benefits is calculated on the basis of the period in which the employee commits the service in accordance with the requirements of the Saudi Labor Law, In accordance with the International Financial Reporting Standards, the calculation of the obligation includes reliable estimates of the cost to the Group for the end of service benefits expected to be earned by the employee against his expected service period using actuarial assumptions.

These consolidated financial statements have been prepared using the measurement bases specified by the IFRS for each type of assets, liabilities, revenues ,and expenses, The measurement bases are more fully described in the accounting policies used in the preparation of these consolidated financial statements (Note 7), These policies have been consistently applied to the stated years, unless otherwise stated.

The preparation of financial statements in accordance with International Financial Reporting Standards requires the use of certain significant accounting estimates and requires the Group's management to exercise judgment in the application of the accounting policies, Significant judgments and estimates in the preparation of the financial statements will be disclosed in (Note 6).

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 market or most advantageous market should be accessible by the Group.

The fair value of an asset or a liability is measured by using 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 by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.
The Company 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 trade and other receivables and trade and other payables, the carrying amount approximate to their fair value substantially.

The consolidated financial statements were prepared on a historical cost basis, except the following:
- The obligation for employees' end-of-service benefits, was calculated based on the present value of future obligations.
- Financial assets were stated at fair value through other comprehensive income.

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.

3- 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 2017, 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:

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:

- Derecognizes the related assets and liabilities of the controlled subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes accumulated exchange differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any held investment;
- Recognizes 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.

4- IFRS APPLIED BY THE COMPANY

The opening statement of financial position as at 1 January 2016 and the accompanying consolidated financial statements as at 31 December 2016 were prepared in accordance with the accounting policies which applied to the annual consolidated financial statements as at 31 December 2017 "Accounting Policies", Specifically, the Company adopted IFRSs approved by *SOCPA* and effective as of 31/12/2017, In addition to the early adoption of IFRS 9 Financial Instruments.

All amounts are presented in Saudi riyals, unless otherwise indicated

5- STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS NOT YET EFFECTIVE:

Standard number	Title	Effective date
IFRS 15	Revenue from Contracts with Customers - New	January 1, 2018
IFRS 16	Leases	January 1, 2019
Other	Other	-

IFRS 15: Revenue from Contracts with Customers - New (effective for accounting periods beginning on or after 1 January 2018):
IFRS 15 sets out a comprehensive five-step model for companies to use in accounting for revenue from contracts with customers. On the effective date, this standard will replace the following standards and interpretations of revenue:
• IAS 18: Revenue.
• IAS 11: Construction Contracts.
• IFRIC 13: Customer Loyalty Programs.
• IFRIC 15: Agreements for the Construction of Real Estate .
• IFRIC 18: Transfers of Assets from Customers.
• SIC-31: Revenue – Barter Transactions Involving Advertising Services.

It also provides guidance on topics such as the timing of revenue recognition, accounting for variable consideration, costs of completing and obtaining contract requirements, and various related topics, The Standard also provides new revenue disclosures.

IFRS 16 Leases (effective for the accounting periods beginning on or after 1 January 2019):
IFRS 16 Leases specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors will continue to classify lease contracts as operating or finance lease. IFRS 16 approach from lessor accounting perspective is substantially unchanged from its predecessor, IAS 17.

Other
The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the group.
The following is a list of other new and amended standards which, had been issued by the IASB but which are effective in future periods. The amount of quantitative and qualitative details to be given to each of the standards will, much like the amount of details to be given about IFRS 9 and IFRS 16, depends on each entity's own circumstances.
- IFRIC 22 Foreign Currency Translations and Advance Consideration (effective 1 January 2018)
- Amendments to IFRS 2 classification and Measurement of Share-based Payment Transactions (effective 1 January 2018) .
- Amendments to IAS 40: Transfers of Investment Property (effective 1 January 2018).
- Annual Improvements to IFRS Standards 2014-2016 cycle dealing with matters in IFRS 1 First-time. Adoption and IAS 28 Investments in Associates and Joint Ventures (effective1 January 2018)
- IFRIC 23 Uncertainty over Income Tax Positions (effective 1 January 2019).
- Amendments to IFRS 9 Prepayment Features with Negative Compensation (effective 1 January 2019).
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (effective 1 January 2019).

Management is currently working to determine the impact of these standards on the Company's financial statements.

6- SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Consolidated financial statements in conformity with the accounting policies applied 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 year are discussed below, In making its assumptions and estimates, the Company relies on standards available when preparing the condensed interim 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.

- **Useful lives of biological assets**
  Biological assets are the sheep and cows used to be owned by the subsidiary, Thamarat Al Qassim Company, Prior to their disposal, biological assets were depreciated on a straight-line basis over their estimated useful lives of 5 years.

- **Impairment of receivables**
  Management makes a provision for impairment of receivables based on the simplified approach to providing for expected credit losses prescribed by IFRS.

- **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 sale 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.

- **Recoverability**
  Management estimates the recoverable value of assets to determine, if they are impaired.

- **The 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 Company has no doubts regarding its ability to continue its operations, Accordingly, these Consolidated financial statements have been prepared on a going concern basis.

7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies used in the preparation of these consolidated financial statements as at 31 December 2017 are the same accounting policies used in preparing the opening statement of financial position as at 1 January 2016 and the consolidated financial statements for the year ended 31 December 2016. Following are the key accounting policies used by the Group in preparing these consolidated financial statements:

A. Classification of assets and liabilities into current / non-current

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

An asset is current when it is:

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

The Group classifies all other assets as non-current.

A liability is current when:

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

All other liabilities are classified as non-current.

B. Financial instruments

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

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

B.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.

B.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.

B.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.

C. Equity, reserves and dividend payments

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

Retained earnings include all current and prior period 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.

D. Dividend payments

Dividend income is recognized as a liability when the dividend is approved, In accordance with the Companies Regulations in Saudi Arabia, distributions shall be approved by the shareholders or the authorization 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.

E. 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.

F. Cash and cash equivalent:

Cash and cash equivalent 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.

G. Property, plant and equipment:

G.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.

G.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.

G.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 year are the same for the previous year 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 year and adjusts them as necessary.

G.4 Capital work-in- progress:

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

H. 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 income.

I. Biological assets:
Biological assets represent sheep and cows owned by the Company before their disposal in 2016, At their initial recognition, they were measured at cost less any accumulated depreciation or accumulated impairment losses due to the lack of quoted market prices, Once the fair value of biological assets can be reliably measured, they are measured at fair value less sale cost, Biological assets are stated at the financial reporting date at cost of purchase or growing till the first production less accumulated depreciation.
Biological assets were depreciated, prior to their disposal, on a straight-line basis over their estimated useful lives of 5 years.

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. An asset's recoverable amount is exceed an asset's or cash-generating unit's 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 bases its impairment calculation on detailed budgets and forecast calculations, 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 periods, 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 Items 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 Company 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 n 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. Sale revenue recognition:

Revenues are realized when it is likely that economic benefits will flow to the Company, Revenue is measured at the fair value of the consideration received or receivable in the normal course of business.

M2. Incentives and other benefits from suppliers:

- The opening fee income which are agreed with the suppliers are recognized upon the branch opening and are deducted from the sold goods cost.
- Incentives and earned benefits from suppliers are recognized on accrual basis as per the contracts signed with the suppliers, For the purposes of presentation, the incentives and earned benefits are deducted from the sold goods cost.

M3. 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 part:

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. When the group expects to recover part or all of the provision, for example in insurance contract, the recoveries are recognized as a separate asset but only when the recoveries are already confirmed**.** The expense for any provision is presented in the consolidated statement of income net recoverable amount. If the time value of money is material, provisions are deducted by discount rate that reflects the risks associated with the obligation, where appropriate. When using and applying the discount, the increase in provision is recorded as a result of the passage of time as financing cost.

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 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 other 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 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. contingent rents are recognized as income in the period in which they are realized.

W. Segments 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 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.

Z. **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 the time.

8.THE FINANCIAL EFFECT OF THE FIRST-TIME ADOPTION OF *IFRS*s

IFRS 1 ***First-time Adoption of International Financial Reporting Standards*** applicable in Saudi Arabia, requires the Company to prepare an opening financial position as at 1 January 2016, after making the necessary adjustments to convert from Saudi generally accepted accounting standards to *IFRSs*.

IFRS 1 requires disclosing the effect of the adjustments, including re-measurement or reclassification adjustments, made to the statements of financial position, income and other comprehensive income due to the changeover from generally accepted accounting standards in Saudi Arabia to *IFRSs*. These adjustments include reconciliations of equity as at 1 January 2016 and 31 December 2016 as well as adjustments to the comprehensive income for the three-month period and year ended 31 December 2016, as shown below:

All amounts are presented in Saudi riyals, unless otherwise indicated

8) The financial effect of the first-time adoption of *IFRSs* (*Continued*):

8a-1 Reconciliation of consolidated equity as at 01 January 2016 (date of transition to *IFRSs*)

	Notes	*SOCPA*	Effect of transition to *IFRSs*	*IFRSs*
ASSETS				
Non-current assets				
Property, plant and equipment, net	8 b-1	1,226,961,725	(235,248,635)	991,713,090
Investment properties, net	8 b-1	467,994,270	169,514,437	637,508,707
Intangible assets, net	8 b-1	11,359,330	(50,095)	11,309,235
Biological assets, net		796,900	-	796,900
Investments in associates	8 b-1	169,644,532	43,317,476	212,962,008
Financial assets at fair value through other comprehensive income		16,645,447	-	16,645,447
Total non-current assets		**1,893,402,204**	**(22,466,817)**	**1,870,935,387**
Current assets				
Inventories, net	8 b-2	603,995,906	(35,338,756)	568,657,150
Prepayments and other receivables, net	8 b-2	239,154,945	(63,738,888)	175,416,057
Trade receivables, net	8 b-2	28,194,856	(18,476,307)	9,718,549
Cash and cash equivalents	8 b-2	329,426,125	(5,569,834)	323,856,291
Total current assets		**1,200,771,832**	(123,123,785)	1,077,648,047
TOTAL ASSETS		**3,094,174,036**	(145,590,602)	2,948,583,434
LIABILITIES AND EQUITY				
Equity				
Share capital		450,000,000	-	450,000,000
Statutory reserve		44,565,425	-	44,565,425
Retained earnings	8 b-3	610,213,817	(4,264,836)	605,948,981
Other reserves		717,505	(860,639)	(143,134)
Fair value reserve		(860,639)	860,639	-
Equity attributable to shareholders of the parent		**1,104,636,108**	**(4,264,836)**	**1,100,371,272**
Non-controlling interests	8 b-4	**68,116,120**	**(35,441,571)**	**32,674,549**
Total equity		**1,172,752,228**	**(39,706,407)**	**1,133,045,821**
Non-current liabilities				
Long-term loans and Murabaha		399,500,000	-	399,500,000
Obligation for employees' end-of-service benefits	8 b-5	69,944,667	(487,006)	69,457,661
Total non-current liabilities		**469,444,667**	**(487,006)**	**468,957,661**
Current liabilities				
Trade payables	8 b-6	927,325,129	(42,215,847)	885,109,282
Short term Murabaha		20,061,386	-	20,061,386
Current portion of long-term loans and Murabaha		192,213,333	-	192,213,333
Notes payable	8 b-6	31,240,285	(31,240,285)	-
Accruals and other payables	8 b-6	271,338,511	(31,117,445)	240,221,066
Zakat and Tax provisions	8 b-6	9,798,497	(823,612)	8,974,885
Total current liabilities		**1,451,977,141**	(105,397,189)	1,346,579,952
TOTAL LIABILITIES		**1,921,421,808**	(105,884,195)	1,815,537,613
TOTAL LIABILITIES AND EQUITY		**3,094,174,036**	(145,590,602)	2,948,583,434

All amounts are presented in Saudi riyals, unless otherwise indicated

8) The financial effect of the first-time adoption of *IFRS*s (*Continued*):

8a-2 Reconciliation of consolidated equity as at 31 December 2016:

	Notes	*SOCPA*	Effect of transition to *IFRS*s	*IFRS*s
ASSETS				
Non-current assets				
Property, plant and equipment, net	8 b-1	1,338,430,712	(73,839,726)	1,264,590,986
Investment properties, net	8 b-1	674,374,417	(216,229,693)	458,144,724
Intangible assets, net		9,511,008	-	9,511,008
Investments in associates	8 b-1	172,533,520	32,880,422	205,413,942
Financial assets at fair value through other comprehensive income		14,991,495	-	14,991,495
Total non-current assets		**2,209,841,152**	**(257,188,997)**	**1,952,652,155**
Current assets				
Inventories, net	8 b-2	680,512,374	(33,946,716)	646,565,658
Prepayments and other receivables, net	8 b-2	176,040,645	(3,218,282)	172,822,363
Trade receivables, net	8 b-2	36,423,363	(26,944,085)	9,479,278
Held-for-trading financial assets at fair value through income		61,649,646	-	61,649,646
Cash and cash equivalents	8 b-2	313,915,486	(25,630,407)	288,285,079
Total current assets		**1,268,541,514**	**(89,739,490)**	**1,178,802,024**
Non-current assets held for sale	8 b-2	-	219,066,195	219,066,195
Total current assets		**1,268,541,514**	**129,326,705**	**1,397,868,219**
TOTAL ASSETS		**3,478,382,666**	**(127,862,292)**	**3,350,520,374**
LIABILITIES AND EQUITY				
Equity				
Share capital		450,000,000	-	450,000,000
Statutory reserve		67,568,635	-	67,568,635
Retained earnings	8 b-3	727,242,713	(7,538,117)	719,704,596
Other reserves		-	(5,235,572)	(5,235,572)
Fair value reserve		(2,514,591)	2,514,591	-
Translation reserve for a foreign subsidiary		(4,002,834)	4,002,834	-
Share in other comprehensive income for associates		1,281,853	(1,281,853)	-
Equity attributable to shareholders of the parent		**1,239,575,776**	**(7,538,117)**	**1,232,037,659**
Non – controlling interests	8b-4	57,992,785	(26,902,161)	31,090,624
Total equity		**1,297,568,561**	**(34,440,278)**	**1,263,128,283**
Non-current liabilities				
Long-term loans and Murabaha		412,286,670	-	412,286,670
Obligation for employees' end-of-service benefits	8b-5	82,677,996	674,621	83,352,617
Total non-current liabilities		**494,964,666**	674,621	**495,639,287**
Current liabilities				
Trade payables	8b-6	1,099,665,073	(37,873,693)	1,061,791,380
Current portion of long-term loans and Murabaha		187,213,333	-	187,213,333
Notes payable	8b-6	29,109,363	(29,109,363)	-
Accruals and other payables		355,304,575	(26,544,692)	328,759,883
Zakat and tax provision	8b-6	14,557,095	(568,887)	13,988,208
Total current liabilities		**1,685,849,439**	(94,096,635)	1,591,752,804
TOTAL LIABILITIES		**2,180,814,105**	(93,422,014)	2,087,392,091
TOTAL LIABILITIES AND EQUITY		**3,478,382,666**	(127,862,292)	3,350,520,374

All amounts are presented in Saudi riyals, unless otherwise indicated

8) The financial effect of the adoption of *IFRSs* (*Continued*):

8a-3 The consolidated income statement for the year ended 31 December 2016:

		for the year ended 31 December 2016		
	Notes	***SOCPA***	**Effect of transition to *IFRSs***	***IFRSs***
Sales	8b-7	7,171,729,236	(157,191,923)	7,014,537,313
Cost of sales	8b-8	(5,900,068,018)	96,826,781	(5,803,241,237)
Gross profit		**1,271,661,218**	**(60,365,142)**	**1,211,296,076**
Rental income, net	8b-9	68,955,069	(2,546,431)	66,408,638
Selling and marketing expenses	8b-10	(980,111,054)	38,559,041	(941,552,013)
General and administrative expenses	8b-11	(125,266,648)	25,621,662	(99,644,986)
Operating profit		**235,238,585**	**1,269,130**	**236,507,715**
Share in income of Associates	8b-12	25,365,154	(10,437,054)	14,928,100
Dividends from financial assets at fair value through comprehensive income		345,928	-	345,928
Income from held-for-trading investments		649,646	-	649,646
Loss on disposal of assets	8b-13	(20,026,315)	20,026,315	-
Finance charges	8b-14	(17,233,432)	2,221,229	(15,012,203)
Other revenues (expenses), net	8b-15	1,685,062	2,492,107	4,177,169
Income before zakat from continuing operations		226,024,628	15,571,727	241,596,355
Zakat	8b-16	(8,365,856)	259,275	(8,106,581)
Net income for the year from continuing operations		**217,658,772**	**15,831,002**	**233,489,774**
Discontinuing operations				
Income for the year from discontinued operations after Zakat	8b-17	**-**	**(9,249,964)**	**(9,249,964)**
Net income for the year		217,658,772	6,581,038	224,239,810
<u>Attributable to:</u>				
Shareholders of the parent		230,032,106	(1,958,371)	228,073,735
Non-controlling interests		(12,373,334)	8,539,409	(3,833,925)
		217,658,772	**6,581,038**	**224,239,810**

All amounts are presented in Saudi riyals, unless otherwise indicated

8) The financial effect of the adoption of *IFRS*s (*Continued*):

8a-4 Reconciliation of consolidated comprehensive income for the year ended 31 December 2016

	for the year ended 31 December 2016		
	SOCPA	**Effect of transition to *IFRS*s**	***IFRS*s**
Net income for the year	**217,658,772**	**6,581,038**	**224,239,810**
Other comprehensive income			
Items not to be reclassified to income in subsequent periods			
Actuarial losses for the end of service benefits	-	(1,314,910)	(1,314,910)
Net changes in fair value of financial assets at fair value through other comprehensive income	-	(1,653,952)	(1,653,952)
Items to be reclassified to income in subsequent periods			
Changes in fair value of hedging contracts	-	(717,505)	(717,505)
Share in other comprehensive income of associates	-	(4,002,834)	(4,002,834)
Translation reserve for a foreign subsidiary	-	1,281,853	1,281,853
Other comprehensive income for the year	**-**	**(6,407,348)**	**(6,407,348)**
Total comprehensive income for the year	**217,658,772**	**173,690**	**217,832,462**

All amounts are presented in Saudi riyals, unless otherwise indicated

8) The financial effect of the adoption of *IFRS*s (*Continued*):

8-b The following is a summary of the nature of the adjustments made to the financial statements as of 01/01/2016 (the date of transition) and as of 31/12/2016, The amounts for these adjustments show the cumulative effect of the differences between *IFRS* and the accounting standards generally accepted in Saudi Arabia on those dates:

8b-1 Adjustments to non-current Assets

	1 January 2016	31 December 2016
- Increase in balances of investments in associates as a result of the exclusion of Riyadh Food Industries Company from the consolidation process due to lack control,	43,317,476	32,880,422
- (Decrease) in balances of properties, plant ,and equipment as a result of the exclusion of Riyadh Food Industries Company from the consolidation process due to lack of control and recognize it as an investment in associate,	(65,734,198)	(66,577,737)
- Reclassification of properties, plant ,and equipment acquired by the group for investment or leasing to others under investment properties,	(169,514,437)	(1,641,463)
- Reclassification of properties, plant ,and equipment acquired by the group for investment or leasing to others under investment property and disposed of properties, plant and equipment,	169,514,437	1,641,463
-(Decrease) in balances of intangible assets as a result of excluding Riyadh Food Industries Company from consolidation due to lack of control and recognize it as an investment in associate	(50,095)	-
-Reclassification of properties, plant ,and equipment related to discontinuing operation to assets held for sale in current assets	-	(5,640,045)
-Reclassification of investment properties related to the commercial complex located in Hail to assets held for sale in current assets	-	(217,851,637)
Net adjustments to non-current assets	**(22,466,817)**	**(257,188,997)**

8b-2 Adjustments to current assets

	1 January 2016	31 December 2016
- (Decrease) in balances of cash and cash equivalent as a result of the exclusion of Riyadh Food Industries Company from the consolidation process due to lack of control and recognize it as an investment in an associate.	(5,569,834)	(1,471,647)
- (Decrease) in inventory balances as a result of the exclusion of Riyadh Food Industries Company from consolidation due to lack of control and recognize it as an investment in an associate.	(35,338,756)	(33,946,716)
- (Decrease) in balances of trade receivables due to exclusion of Riyadh Food Industries Company from consolidation due to lack of control and recognize it as an investment in associate.	(18,476,307)	(26,944,085)
- (Decrease) in balances of prepayments and other receivables due to exclusion of Riyadh Food Industries Company from consolidation due to lack of control and recognize it as an investment in associate.	(23,967,320)	(3,218,282)
-Reclassification of investment properties related to the commercial complex located in Hail to assets held for sale in current assets.	-	217,851,637
-Offsetting between current assets and current liabilities	(39,771,568)	(24,158,760)
-Reclassification of properties, plant ,and equipment related to discontinuing operation to assets held for sale in current assets.	-	5,640,045
-Reclassification of impairment provision in accruals and other payable balances to assets held for sale in current assets.	-	(4,425,487)
Net adjustments to current assets	**(123,123,785)**	**129,326,705**

All amounts are presented in Saudi riyals, unless otherwise indicated

8) The financial effect of first *IFRS* time adoption (*Continued*):

8b-3 Adjustments to equity of shareholders of the parent

	1 January 2016	31 December 2016
- Effect of excluding the difference between the amount paid and the fair value of the acquired interest in Riyadh Food Industries Company.	(950,000)	(950,000)
- (Decrease) in balances of retained earnings as a result of the recognition of the actuarial valuation differences of the obligation for employees' end-of-service benefits, (Note 8B- 5)	(3,314,836)	(5,273,207)
Actuarial adjustments effect for obligation for employees' end-of-service benefits on comprehensive income	-	(1,314,910)
	(4,264,836)	**(7,538,117)**

8b- 4 Adjustments to non-controlling interests

- (Decrease) in non-controlling interests due to the exclusion of Riyadh Food Industries Company from consolidation due to lack of control and recognize it as an investment in an associate.	(35,441,571)	(26,902,161)
Net adjustment to non-controlling interests	**(35,441,571)**	**(26,902,161)**

8b- 5 Adjustments to non-current liabilities

- (Decrease) in the balance of the obligation for employees' end-of-service benefits as a result of the exclusion of Riyadh Food Industries Company from the consolidation process due to lack of control and recognize it as an investment in an associate.	(3,801,842)	(3,892,331)
- Increase in the balance of the obligation for employees end-of-service benefits as a result of the recognition of the actuarial valuation differences of the obligation for employees' end-of-service benefits.	3,314,836	5,273,207
- Reclassification of travel tickets provision to current liabilities.	-	(706,255)
Net adjustments to non-current liabilities	**(487,006)**	**674,621**

8b- 6 Adjustments to current liabilities

- (Decrease) in the balance of trade payables due to the exclusion of Riyadh Food Industries from the consolidation process due to the lack of control and recognize it as an investment in associate.	(17,477,210)	(22,169,677)
- (Decrease) in the balance of accruals and other payables due to exclusion of Riyadh Food Industries Company from consolidation due to lack of control and recognize it as an investment in associate.	(16,084,514)	(14,370,716)
- (Decrease) on balance of notes payable due to the exclusion of Riyadh Food Industries Company from the consolidation process due to lack of control and recognize it as an investment in associate.	(31,240,285)	(29,109,363)
- (Decrease) in Zakat provision due to the exclusion of Riyad Food Industries Company from the consolidation process due to lack of control and recognize it as an investment in associate.	(823,612)	(568,887)
- Reclassification of impairment provision in accruals and other payable balances to assets held for sale in current assets.	-	(4,425,487)
- Offsetting between current assets and current liabilities	(39,771,568)	(24,158,760)
-Reclassification of trade payables to accruals and other payables	(24,738,637)	(15,704,016)
- Reclassification of accruals and other payables to trade payables	24,738,637	15,704,016
- Reclassification of travel tickets provision from non-current liabilities	-	706,255
Net adjustments to current liabilities	**(105,397,189)**	**(94,096,635)**

All amounts are presented in Saudi riyals, unless otherwise indicated

8) The financial effect of the first-time adoption of *IFRSs* (*Continued*):

8b-7 Adjustments to net sales

	***Year ended* 31 December 2016**
- (Decrease) in net sales as a result of the exclusion of Riyadh Food Industries Company from consolidation due to lack of control and recognize it as an investment in associate.	(106,277,208)
- (Decrease) as a result of the reclassification to income from discontinuing operations	(50,914,715)
Net Adjustments to a net of Sales	**(157,191,923)**

8b-8 Adjustments to cost of sales

- (Increase) in the cost of sales resulting from to actuarial valuation adjustments of obligation for employees' end-of-service benefits.	(114,642)
- A decrease in the cost of sales as a result of the exclusion of Riyadh Food Industries Company from the consolidation process due to lack of control and recognize it as an investment in associate.	46,805,856
- (Decrease) as a result of the reclassification to income from discontinuing operations.	50,135,567
Net adjustments to cost of sales	**96,826,781**

8b-9 Adjustments on rental income, net

- (Decrease) in rental income resulting from reclassification from marketing expenses to lease expenses.	245,953
- (Decrease) as a result of the reclassification to income from discontinuing operations.	(1,722,383)
- (Decrease) in rental income arising from actuarial valuation adjustments of obligation for employees' end-of-service benefits.	(1,070,001)
Net adjustments to rental income, net	**(2,546,431)**

8b-10 **Adjustments on selling and marketing expenses**

- (Increase) in selling and marketing expenses resulting from actuarial adjustments to the obligation for employees' end-of-service benefits.	(501,589)
- (Increase) in selling and marketing expenses resulting from the reclassification of administrative and general expenses to selling and marketing expenses.	(6,750,000)
- (Increase) in selling and marketing expenses resulting from the reclassification of marketing expenses to rental income, net	(245,953)
- Decrease as a result of the reclassification to income from discontinuing operations.	1,760,135
- A decrease in selling and marketing expenses as a result of the exclusion of Riyadh Food Industries Company from the consolidation process due to lack of control and recognize it as an investment in associate.	44,296,448
	38,559,041

All amounts are presented in Saudi riyals, unless otherwise indicated

8) The financial effect of the first-time adoption of *IFRSs* (*Continued*):

8b-11 Adjustments to administrative and general expenses

	Year ended **31 December 2016**
- (Increase) in administrative and general expenses resulting from actuarial valuation adjustments to the obligation for employees' end-of-service benefits.	(272,140)
- A decrease in selling and marketing expenses resulting from the reclassification of administrative and general expenses to selling and marketing expenses.	6,750,000
- A decrease in general and administrative expenses due to the exclusion of Riyadh Food Industries Company from the consolidation process due to lack of control and the recognition of the remaining investment as an investment in an associate.	13,802,182
- Decrease as a result of the reclassification to income from discontinuing operations.	5,341,620
	25,621,662

8b-12 The Company's share in the losses of associates

- Increase in the Company's share in the losses of associates as a result of the recognition of the investment in Riyadh Food Industries Company as an investment in associate.	(10,437,054)
	(10,437,054)

8b-13 loss on disposal of assets

- Decrease as a result of the reclassification to income from discontinuing operations.	4,425,489
- Impairment losses on property, plant ,and equipment as a result of the exclusion of Riyadh Food Industries Company from consolidation due to lack of control and recognize it as an investment in associate.	15,600,826
	20,026,315

8b-14 Finance Charges

- (Decrease) in finance charges as a result of excluding Riyadh Food Industries Company from consolidation due to lack of control and recognize it as an investment in associate.	2,221,229
	2,221,229

8b-15 Other revenues (expenses), net

- (Decrease) in other revenues (expenses) as a result of the exclusion of Riyadh Food Industries company from the consolidation process due to lack of control and recognize it as an investment in associate.	2,267,854
- Decrease as a result of the reclassification to income from discontinuing operations.	224,253
	2,492,107

8b-16 Zakat

- (Decrease) in Zakat as a result of the exclusion of Riyadh Food Industries Company from the consolidation process due to lack of control and recognize it as an investment in associate.	259,275
	259,275

All amounts are presented in Saudi riyals, unless otherwise indicated

8) The financial effect of the first-time adoption of *IFRSs* (*Continued*):

8b-17 Discontinued operations

	Year ended **31 December 2016**
- Increase as a result of the reclassification of sales to losses from discontinued operations.	50,914,715
- (Decrease) as a result of the reclassification of cost of sales to losses from discontinued operations.	(50,135,567)
- Increase as a result of reclassification of rental income, net to losses from discontinued operations.	1,722,383
- (Decrease) as a result of the reclassification of selling and marketing expenses to losses from discontinued operations.	(1,760,135)
- (Decrease) as a result of the reclassification of general and administrative expenses to losses from discontinued operations.	(5,341,620)
- (Decrease) as a result of the reclassification of impairment losses in properties, plant ,and equipment to losses from discontinued operations.	(4,425,487)
- (Decrease) as a result of reclassification from other revenues to losses from discontinued operations.	(224,253)
	(9,249,964)

All amounts are presented in Saudi riyals, unless otherwise indicated

9. PROPERTY, PLANT AND EQUIPMENT- NET

	properties								
	Lands	**Buildings**	**Machinery and equipment**	**Motor Vehicles**	**Computers**	**Furniture and fixtures**	**Leasehold improvements**	**Projects under construction**	**Total**
Cost									
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 Projects under construction	-	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 of 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									
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 of 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									
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**

All amounts are presented in Saudi riyals, unless otherwise indicated

9. PROPERTY, PLANT AND EQUIPMENT- NET (*Continued*):

	Properties								
	Lands	**Buildings**	**Machinery and equipment**	**Motor Vehicles**	**Computers**	**Furniture and fixtures**	**Leasehold improvements**	**Projects under construction**	**Total**
Cost									
1 January 2016	324,782,427	272,636,566	327,058,379	96,723,551	106,952,177	169,705,607	180,209,056	71,150,432	1,549,218,195
Additions	100,383,181	16,641,649	63,199,524	10,215,146	24,184,706	31,159,267	14,236,897	147,919,390	407,939,760
Transferred from Projects under construction	-	85,608,635	9,524,157	-	3,947,588	10,238,436	15,623,481	(124,942,297)	-
Transferred to investment Properties	-	(841,973)	(5,521,085)	-	(6,500)	(217,901)	(892,504)	-	(7,479,963)
Disposals	-	(11,012,752)	(2,354,237)	(521,051)	(1,793,490)	(2,058,993)	(33,649)	(1,662,541)	(19,436,713)
Translation reserve for foreign subsidiary	-	-	(3,822,109)	(481,645)	(1,127,782)	(820,194)	(2,243,594)	(1,427,053)	(9,922,377)
As of 31 December 2016	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
Accumulated depreciation									
1 January 2016	-	74,665,713	167,224,203	57,154,522	58,560,634	103,502,116	96,397,917	-	557,505,105
Charged during the year	-	17,366,415	37,102,973	9,357,231	16,516,743	17,740,846	17,480,794	-	115,565,002
Transferred to assets held for sale		(11,211)	(1,450,678)	-	(2,491)	(130,205)	(245,334)	-	(1,839,919)
Disposals	-	(9,298,864)	(2,065,317)	(244,656)	(1,392,819)	(1,976,907)	(6,388)	-	(14,984,951)
Translation reserve for foreign subsidiary	-	-	(170,083)	(35,750)	(181,383)	(41,829)	(88,276)	-	(517,321)
As of 31 December 2016	-	82,722,053	200,641,098	66,231,347	73,500,684	119,094,021	113,538,713	-	655,727,916
Net Book value									
31 December 2016	425,165,608	280,310,072	187,443,531	39,704,654	58,656,015	88,912,201	93,360,974	91,037,931	1,264,590,986

a - The title to most of the lands was transferred to the Company and the transfer of title for the rest of the lands with a value of 37 million Saudi riyals is being completed by Abdullah Al Othaim Real Estate Investment and Development Company.

b - The lands as at 31 December 2017 include lands with a carrying amount of SR 271,1 million and buildings constructed thereon, with a carrying amount of SR 66,4 million (2016- lands: SR 217,1 million, buildings: SR 63,5 million), which are pledged to some banks against bank facilities.

c - The Company has capitalized finance charges on capital works under Construction amounted to SR 2 million for the period ended 31 December 2017 (2016 - SR 2,2 million).

All amounts are presented in Saudi riyals, unless otherwise indicated

10. INVESTMENT PROPERTIES, NET

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

	31 December 2017	31 December 2016	1 January 2016
Cost			
Balance at the beginning of the year	**599,615,879**	754,323,686	694,173,389
Additions	**48,412,814**	65,050,124	62,628,125
Transferred to held for sale investment properties	**-**	(219,757,931)	-
Transferred from property, plant ,and equipment	**23,097,175**	-	-
Transferred to property, plant ,and equipment	**-**	-	(2,477,828)
Balance at the ending of the year	**671,125,868**	**599,615,879**	**754,323,686**
Accumulated depreciation			
Balance at the beginning of the year	**141,471,155**	116,814,979	94,537,982
Additions	**23,941,926**	26,562,470	22,957,715
Transferred to held for sale investment properties	**-**	(1,906,294)	-
Transferred to property, plant ,and equipment	**-**	-	(680,718)
Balance at the ending of the year	**165,413,081**	**141,471,155**	**116,814,979**
Net Book Value	**505,712,787**	**458,144,724**	**637,508,707**

- The fair value of investment properties amounted to SR 813 million (this amount is disclosed merely to fulfill the disclosure requirements per *IFRS*s), The fair value of investment properties was determined by an independent qualified expert during December 2017.
- As at 31 December 2017, investment properties include lands with a carrying amount of SR 3,2 million and buildings constructed thereon with a carrying amount of SR 2,6 million (2016- lands: SR 3,2 million, buildings: SR 2,6 million), which are pledged to some banks against bank facilities.
- During the comparative year 2016, the commercial center owned by the Company in Hail with an area of 61,045 square meters was reclassified to investment properties held for sale under current assets, and the transfer of title was completed during the third quarter of 2017 (note 18).

11. 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 2017	31 December 2016	1 January 2016
Cost			
Balance at the beginning of the year	**19,597,230**	19,597,230	19,597,230
Balance at the ending of the year	**19,597,230**	19,597,230	19,597,230
Accumulated amortization			
Balance at the beginning of the year	**10,086,222**	8,287,995	6,489,768
Amortization charged during the year	**1,798,227**	1,798,227	1,798,227
Balance at the ending of the year	**11,884,449**	**10,086,222**	**8,287,995**
Net Book Value	**7,712,781**	**9,511,008**	**11,309,235**

All amounts are presented in Saudi riyals, unless otherwise indicated

12. BIOLOGICAL ASSETS, NET

Biological assets represent sheep and cows owned by the Thamarat Al Qassim Company (subsidiary) before their disposal in 2016, Biological assets, prior to disposal, were depreciated on a straight-line basis over the estimated useful lives of 5 years, The movement in biological assets was as follows:

	31 December 2017	31 December 2016	1 January 2016
Cost			
Balance at the beginning of the year	-	1,368,520	1,603,667
Additions	-	979,686	2,544
Disposals	-	(2,348,206)	(237,691)
Balance at the ending of the year	**-**	-	**1,368,520**
Accumulated depreciation			
Balance at the beginning of the year	-	571,620	370,401
Additions	-	330,472	299,333
Disposals during the year	-	(902,092)	(98,114)
Balance at the ending of the year	**-**	-	**571,620**
Net Book Value	**-**	-	**796,900**

13. INVESTMENTS IN ASSOCIATES

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

		Ownership as of		
Company	**Country of Incorporation**	**31 December 2017**	**31 December 2016**	**1 January 2016**
(1)Abdullah Al-Othaim for Real Estate Investment and Development company	Kingdom of Saudi Arabia	13,653%	13,653%	13,653%
AlWoustah Food Services Company	Kingdom of Saudi Arabia	25%	25%	25%
(2)OSM, Trading company	United Arab Emirates	50%	50%	50%
(3)Riyadh Foods Industries Company	Kingdom of Saudi Arabia	55%	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- OSM Trading Company was liquidated on 31 Jan. 2018.
3- 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 (not control on company decisions).

All amounts are presented in Saudi riyals, unless otherwise indicated

A. Summary of movements in investment during the year:

	31 December 2017	31 December 2016	1 January 2016
Opening Balance	**205,413,942**	212,962,008	178,831,391
Share in income of associates	**38,673,049**	14,928,100	25,965,004
Additions/(Disposals)	**(589,364)**	5,632,572	35,073,105
Disposals arising from reciprocal transactions	**(15,397,823)**	-	-
Share in comprehensive income of associates	**-**	(717,505)	717,508
Translation reserve for a foreign subsidiary	**19,054**	1,281,853	-
Cash dividends received	**-**	(28,673,086)	(27,625,000)
	228,118,858	**205,413,942**	**212,962,008**

B. The balances of investments in associates are as follows:

	31 December 2017	31 December 2016	1 January 2016
Abdullah Al-Othaim for Real Estate Investment and Development Company	**169,292,337**	146,145,287	143,765,088
AlWoustah Food Services Company	**22,973,448**	24,419,906	24,348,858
OSM, Trading company	**-**	1,968,326	1,530,586
Riyadh Foods Industries Company	**35,853,073**	32,880,423	43,317,476
	228,118,858	205,413,942	212,962,008

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

Abdullah Al-Othaim for Real Estate Investment and Development Company

As at 31 December	2017	2016
Current assets	**392,328,670**	253,172,132
Non-current assets	**2,816,843,911**	2,351,800,078
Current liabilities	**451,010,725**	525,559,615
Non-current liabilities	**1,375,127,457**	1,000,574,517
For the year ended 31 December		
Revenues	**786,751,778**	672,939,932
Net income after Zakat and Tax	**300,484,494**	193,548,001
Dividends	**-**	28,673,086

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2017	31 December 2016	1 January 2016
Financial assets at fair value - in listed shares	**10,499,997**	10,499,997	10,499,997
Financial assets at fair value - in unlisted shares	**5,457,141**	7,006,089	7,006,089
	15,957,138	17,506,086	17,506,086
Fair value reserve - in listed shares	**(3,426,232)**	(2,514,591)	(860,639)
Fair value reserve - in unlisted shares	**(800,000)**	-	-
	11,730,906	14,991,495	16,645,447

All amounts are presented in Saudi riyals, unless otherwise indicated

15. INVENTORY, NET

	31 December 2017	31 December 2016	1 January 2016
Commercial inventory	**758,816,155**	656,045,126	578,628,175
Others	**18,383,479**	18,276,635	15,561,512
Provision for obsolete and slow-moving inventories	**(40,953,534)**	(27,756,103)	(25,532,537)
	736,246,100	646,565,658	568,657,150

16. PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2017	31 December 2016	1 January 2016
Prepaid expenses	**113,352,680**	98,435,035	84,210,985
Refundable Deposits	**975,785**	7,396,319	15,468,051
Advanced payments to suppliers	**12,914,521**	33,898,148	36,467,271
Due from tenants	**17,294,758**	13,488,368	17,714,250
Employees' receivables	**3,467,786**	3,144,100	2,716,049
Margin on letters of credit and letter of guarantees	**13,308,171**	14,608,656	13,675,289
Due from related parties	**4,781,340**	5,948,083	7,389,861
Others	**3,118,050**	6,333,000	7,629,059
	169,213,091	183,251,709	185,270,815
Provision for doubtful debts	**(13,380,613)**	(10,429,346)	(9,854,758)
	155,832,478	172,822,363	175,416,057

17. CASH AND CASH EQUIVALENTS

	31 December 2017	31 December 2016	1 January 2016
Cash on hand	**44,281,748**	52,959,302	71,222,089
Cash at banks – current accounts	**219,670,699**	235,325,777	252,634,202
Total	**263,952,447**	288,285,079	323,856,291

18. NON-CURRENT ASSETS HELD FOR SALE

- The balance at 31 December 2017 represents the net carrying amount of the remaining non-current assets held for sale relating to the discontinued activities at Thamarat Al Qassim Company based on the Board of Directors resolution. These activities are cultivation of forage, livestock and livestock production.

- The balance at 31 December 2016 represents the net carrying amount of the following:
  - The non-current assets relating to the discontinued activities at Thamarat Al Qassim Company based on the Board of Directors resolution. These activities are cultivation of forage, livestock and livestock production.

All amounts are presented in Saudi riyals, unless otherwise indicated

- The Shopping mall located in Hail. 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 mall 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.

The income from discontinued operations is as follows:

The result of discontinuing operations	**2017**	**2016**
Revenues	**387,557,157**	58,965,938
Expenses other than Financing charges	**(256,953,151)**	(68,215,902)
Zakat	**(3,265,100)**	-
Eliminations	**(15,397,823)**	-
	111,941,083	(9,249,964)

19. STATUTORY RESERVE

In accordance with the Company bylaws and the Companies Law in the Kingdom of Saudi Arabia, the Company transfers 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**.**

20. LOANS AND MURABAHAS

a. Short-term loans and Murabaha

	31 December 2017	**31 December 2016**	**1 January 2016**
Islamic Murabaha facilities	**-**	-	20,061,386
	-	-	20,061,386

The Islamic bank facilities (Murabaha) are secured by a promissory note in the name of Abdullah Al-Othaim Markets Company, with maturities of less than one year, renewable in nature and are used to finance the working capital, The Islamic bank facilities (Murabaha) are available for use but were not used as at 31 December 2017 amounted to SAR 340 Million (2016: SAR 340 Million).

b. Long-term loans, and Murabaha

	31 December 2017	**31 December 2016**	**1 January 2016**
Opening Balance	**135,400,000**	599,500,003	591,713,333
Less: Short-term dues	**(62,400,000)**	(187,213,333)	(192,213,333)
Long-term dues	**73,000,000**	412,286,670	399,500,000

All amounts are presented in Saudi riyals, unless otherwise indicated

The profiles of long-term loans and Murabaha which are outstanding at the date of the consolidated interim condensed financial statements are as follows:

Loan	Purpose	Guarantee	The outstanding balance as of 31 December 2017	Tenure	Repayment Method
- Islamic Murabaha amounting to SR 112 million	Finance new branches	Transfer title deeds of lands with a total carrying value of SR 119 million	50,400,000	Five years	Quarterly
- Islamic Murabaha amounting to SR 200 million	Finance new branches	Transfer title deeds of lands with a total carrying value of SR 101,3 million	85,000,000	Five years	Quarterly

21. OBLIGATION FOR END-OF-SERVICE BENEFITS

	31 December 2017	31 December 2016
Beginning Balance	**83,352,617**	69,457,661
Cost of service and cost of discount factor	**18,012,906**	15,220,312
Paid during the year	**(3,193,017)**	(2,640,266)
Actuarial losses from re-measurement of the end of service benefits	**5,097,678**	1,314,910
	103,270,184	83,352,617

22. RELATED PARTIES

Transactions with related parties are transactions made with the parent company, associates, subsidiaries, major shareholders and key management 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 Real Estate Investment and Development Company	Associate
AlWoustah Food Services Company	Associate
Riyadh Foods Industries Company	Associate
General Organization of Social Insurance	Board member
OSM Trading Company	Associate
Nahj Alkhayal Co,	Subsidiary of an associate
Members of the board of directors	Managememt
Musanada for recruitment and employment inside Co,- EGYPT	Related party to executive

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	Sale of investment properties
Al-Othaim Holding Company	110,000	710,050	-	-	-
Abdullah Al-Othaim for Real Estate Investment and Development Company	21,855,908	62,487,438	-	-	361,265,067
AlWoustah 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	-

Transactions with related parties for the year ended 31 December 2016 are as follows:

Related party	Rent expense	Rent revenue	Ticket sales	Merchandise purchases	Manpower services
Al-Othaim Holding Company	110,000	710,050	2,941,456	-	-
Abdullah Al-Othaim for Real Estate Investment and Development Company	15,563,859	45,276,171	409,965	-	-
AlWoustah Food Services Company	-	350,000	-		-
Riyadh Foods Industries Company	150,000	-	-	106,532,335	537,808
General Organization of Social Insurance	5,751,059	-	-	-	-
OSM Trading Company	-	-	-	54,743,927	-
Nahj Alkhayal Co,	-	182,000	-	-	-
Musanada for recruitment and employment inside Co,- Egypt	-	-	-	-	983,831

Board members and senior executives' benefits during the year:

	Charged with comprehensive income	
	31 December 2017	**31 December 2016**
Short term benefits	**17,745,789**	13,920,579
Post-employment benefits	**614,466**	849,001
	18,360,255	14,769,580

All amounts are presented in Saudi riyals, unless otherwise indicated

Below are the balances due from/to related parties

Due from related Parties (Note 16) :

	31 December 2017	31 December 2016	1 January 2016
Abdullah Al-Othaim for Real Estate Investment and Development Company	**576,615**	2,501,884	-
Riyadh Foods Industries Company	**4,204,725**	3,018,037	-
Nahj Alkhayal Company	**-**	62,960	-
OSM Trading Company	**-**	-	7,389,861
Al-Othaim Holding Company	**-**	73,830	-
Musanada for recruitment and employment inside Co,- Egypt	**-**	291,372	-
	4,781,340	**5,948,083**	**7,389,861**

Due to related parties (Note 23):

	31 December 2017	31 December 2016	1 January 2016
Al Riyadh Foods Industries Company	**32,676,467**	3,978,566	591,866
OSM Trading Company	**-**	12,337,120	23,728,934
Musanada for recruitment and employment inside Co,- Egypt	**100,042**	-	-
	32,776,509	16,315,686	24,320,800

23. ACCRUALS AND OTHER PAYABLES

	31 December 2017	31 December 2016	1 January 2016
Payables to employees	**87,175,750**	86,699,013	46,864,462
Deferred revenues Iktissab loyalty program	**69,369,347**	39,368,632	49,383,213
Non-trade payables	**77,032,687**	58,920,447	37,651,911
Al-Othaim cards received in advance	**26,304,972**	31,337,406	25,137,566
Provisions	**21,901,837**	8,613,012	9,049,505
Deposits from third party	**43,741,557**	33,519,620	26,837,524
Accrued utilities	**24,702,288**	22,668,578	6,468,995
advance payments from tenants and others	**23,858,535**	23,593,144	7,600,069
Due to related parties	**32,776,509**	16,315,686	24,320,800
Other	**7,637,409**	7,724,345	6,907,021
	414,500,891	328,759,883	240,221,066

24. PROVISION FOR ZAKAT AND TAXES

Zakat expenses are calculated on the basis of adjusted net income or the Zakat Base, whichever is higher according to the regulations of the General Authority for Zakat and Income in the Kingdom of Saudi Arabia, Zakat is calculated in the current year on the basis of the adjusted net income method.

	31 December 2017	31 December 2016
Balance at the beginning of the year	**13,988,208**	8,974,885
Provision added during the year	**14,111,313**	8,205,246
Paid during the year	**(5,018,775)**	(3,191,923)

All amounts are presented in Saudi riyals, unless otherwise indicated

Balance at the ending of the year	**23,080,746**	13,988,208

- The Company submitted its consolidated Zakat declarations for all years up to 2016, and paid zakat obligations accordingly.
- The Authority was addressed to finalize the status of the Zakat Company and issue the final Zakat assessments for the years 2012 and 2013,the Zakat assessments has not yet been issued.

25. SELLING AND MARKETING EXPENSES

	31 December 2017	**31 December 2016**
Salaries and benefits	**600,873,290**	522,094,900
Rents	**120,058,451**	100,679,506
Depreciation and amortization	**113,462,815**	93,992,033
Utilities	**73,842,294**	74,037,072
Advertising and marketing promotion	**25,783,207**	30,644,599
Packaging and packing materials	**38,793,815**	33,102,818
Maintenance and repairs	**22,806,070**	22,215,311
Fuel, oil and supplies	**25,588,985**	18,495,829
Freight charges for branches	**14,154,358**	14,933,949
Commissions for using payments network	**11,222,375**	7,672,329
Insurance expenses	**7,265,151**	6,609,366
Professional fees and subscriptions fees	**5,753,610**	5,712,911
Others	**17,036,718**	11,361,390
	1,076,641,139	941,552,013

26. ADMINISTRATIVE AND GENERAL EXPENSES

	31 December 2017	**31 December 2016**
Salaries and benefits	**80,583,960**	70,998,449
Depreciation and amortization	**9,656,043**	8,857,206
Fees and subscriptions	**4,636,221**	4,051,356
Utilities	**9,051,799**	3,004,669
Rents	**4,221,153**	4,918,120
Maintenance and repairs	**2,647,294**	2,510,899
Fuel, oil and supplies	**776,384**	1,183,171
Professional fees	**1,782,201**	1,522,518
Hospitality	**483,948**	443,614
Others	**3,844,842**	2,154,984
	117,683,845	99,644,986

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

Earnings per share related to profit and loss of the ordinary shareholders of the parent company for the year ended 31 December 2017 and 2016 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.

All amounts are presented in Saudi riyals, unless otherwise indicated

a. Basic and diluted earnings per share (*EPS*) from net income attributable to the shareholders of the parent Company:

	For the year ended 31 December	
	2017	**2016**
Net income for the year	**449,497,142**	228,073,735
Weighted-average number of shares	**45,000,000**	45,000,000
Basic and diluted earnings per share from net income for the year	**9,99**	5,07

b. Basic and diluted earnings per share (*EPS*) from continuing operations attributable to the shareholders of the parent Company:

	For the year ended 31 December	
	2017	**2016**
Income from continuing operations for the period/year	**337,556,059**	236,226,464
Weighted-average number of shares	**45,000,000**	45,000,000
Basic and diluted earnings per share from continuing operations for the period/year	**7,50**	5,25

28. SEGMENT 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, The results of the segments are reviewed by the parent company's CEO, Income, profits, assets ,and liabilities are measured using the same accounting principles used in preparing the consolidated financial statements.

a. The selected information for each business sector for the year ended 31 December 2017 are summarized below:

	Retail and wholesale	**Real estate and leasing**	**Other**	**Total**
Property, plant and equipment, net	1,378,116,342	-	50,331,717	1,428,448,059
Investment properties, net	-	505,712,787	-	505,712,787
Investment properties held for sale	-	-	266,443	266,443
Intangible assets, net	7,712,781	-	-	7,712,781
Total assets	**2,455,239,210**	528,039,248	363,555,995	3,346,834,453
Total liabilities	**1,764,825,782**	21,331,133	32,943,851	1,819,100,766
Sales outside the Group	7,981,567,942	-	59,989,397	8,041,557,339
Sales inside the Group	-	545,000	135,543,895	136,088,895
Rental income from outside the Group	-	131,272,892	-	131,272,892
Total income and net rental revenues	1,413,570,550	74,955,577	28,297,870	1,516,823,997
Operating Income	240,054,655	74,955,577	7,488,781	322,499,013

All amounts are presented in Saudi riyals, unless otherwise indicated

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 ended 31 December 2017

Geographical area	Retail and wholesale	Percentage %	Leasing	Percentage %	Other	Percentage %
Central region - Saudi Arabia	5,301,382,849	66	69,410,114	53	59,758,964	100
Eastern Region - Saudi Arabia	761,081,995	9	50,140,995	38	-	-
Southern Region - Saudi Arabia	941,489,507	12	5,573,327	4	-	-
Northern Region - Saudi Arabia	686,808,614	9	4,773,637	4	-	-
Western Region - Saudi Arabia	209,277,619	3	1,236,464	1	-	-
Egypt	81,757,791	1	138,355	-	-	-
Total	**7,981,798,375**	100	**131,272,892**	100	**59,758,964**	100

29. CONTINGENCIES AND COMMITMENTS

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

	31 December 2017	31 December 2016
Letters of credit	**60,649,666**	33,491,601
Letters of guarantee	**50,207,365**	47,127,761
Commitments on capital projects under construction	**96,277,295**	124,778,491

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

	31 December 2017	31 December 2016
Up to one year	74,548,834	69,825,736
More than one year and up to five years	222,642,541	228,614,363
More than 5 years and up to 28 years	297,012,649	321,566,160

30. 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 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**

	As of 31 December 2016			
	Less than one year	**From 1 to 3 years**	**From 3 to 5 years**	**Total**
loans and murabaha	187,213,333	281,426,670	130,860,000	599,500,003
Trade payables, accruals and other payables	1,390,551,263	-	-	1,390,551,263
	1,577,764,596	281,426,670	130,860,000	1,990,051,266

	As of 1 January 2016			
	Less than one year	**From 1 to 3 years**	**From 3 to 5 years**	**Total**
loans and murabaha	212,274,719	261,760,000	137,740,000	611,774,719
Trade payables, accruals and other payables	1,125,330,348	-	-	1,125,330,348
	1,337,605,067	261,760,000	137,740,000	1,737,105,067

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).

Interest rate risks

Financial instruments are exposed to the risk of changes in value or cash flows due to changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to financial assets and liabilities with floating interest rates. The effective interest rates and the periods during which the rates or maturities of financial assets and liabilities are restated, were indicated in the related notes.

31. POSSIBLE IMPACT OF NEW AND REVISED IFRS THAT HAVE BEEN ISSUED AND ARE NOT YET IN IMPLEMENTED

The Group is currently preparing a detailed study to reach to a reasonable assessment of the impact of the application of these standards on the carrying amounts and disclosures in the Company's financial statements. This will be disclosed once the Group has completed that detailed study.

32. DIVIDENDS

The Shareholders' General Assembly has approved in its meeting held on 22 Rajab 1438H (19 April 2017) the Board of Directors recommendation to distribute cash dividends to the shareholders for the fiscal year 2016G at the rate of SR (2) per share with a total amount of SR (90) Million. The Board has decided in its meeting held on 25 September 2017 to distribute interim cash dividends to the shareholders for the first half of 2017 amounting SR 90 million at the rate of SR 2 per share.

33. EVENTS SUBSEQUENT TO THE DATE OF THE INTERIM 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.

34. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 2 Rajab 1439H (corresponding to: 19 March 2018).