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

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTHS PERIOD ENDED 31 March 2018

TOGETHER WITH
INDEPENDENT AUDITORS' REVIEW REPORT

ABDULLAH AL-OTHAIM MARKETS COMPANY

(A Saudi Joint Stock Company)

Unaudited condensed interim consolidated financial statements

For the three months period ended 31 March 2018

Table of contents

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

P.O. Box 8736, Riyadh 11492
Tel. : +966 11 278 0608
Fax : +966 11 278 2883
info@alamri.com

Independent Auditor's Report on Review of Condensed Interim Consolidated Financial Statements

To the shareholders of Abdullah Al-Othaim Markets Company

(A Saudi Joint Stock Company)

Riyadh - Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying condensed interim consolidated Financial statements of **Abdullah Al-Othaim Markets Company** (A Saudi Joint Stock Company) (the "Company") which comprise the condensed interim consolidated statement of financial position as of 31 March 2018, the related condensed interim consolidated statements of income and other comprehensive income for the three-months period then ended, the condensed interim consolidated statements of changes in equity and cash flows for the period then ended, and a summary of significant accounting policies and other selected explanatory notes from (1) to (24).

Management is responsible for the preparation and presentation of these condensed interim consolidated financial statements in accordance with the International Accounting Standard 34 – ("IAS 34") "*Interim Financial Reporting*" endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of Review

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

Conclusion

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

For Dr. Mohamed Al-Amri & Co.

د. محمد العمري وشركاه - محاسبون قانونيون
س.ت : ١٠١٠٤٣٣٩٨٢
Riyadh
Certified Public Accountants
Dr. Mohamed Al-Amri & Co.

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

Riyadh, on: 21 Shaaban 1439 (H)
Corresponding to: 07 May 2018 (G)

ABDULLAH AL-OTHAIM MARKETS COMPANY
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Saudi Riyals)

	Notes	As of 31March 2018 (UnAudited)	As of 31 December 2017 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment, net	8	**1,456,437,144**	1,428,448,059
Investment properties, net	9	**501,414,589**	505,712,787
Intangible assets, net	10	**7,263,225**	7,712,781
Investments in associates	11	**234,669,137**	228,118 ,858
Financial assets at fair value through other comprehensive income	12	**10,945,861**	11,730,906
Total non-current assets		**2,210 ,729, 956**	2,181,723,391
Current assets			
Inventories, net		**878,839,047**	736,246,100
Prepayments and other receivables, net		**198,573,093**	155,832,478
Trade receivables, net		**17,023,076**	8,813,594
Cash and cash equivalents	13	**300,083,209**	263,952,447
		1,394,518,425	1,164,844,619
Non-current assets held for sale		**998,969**	266,443
Total current assets		**1,395,517,394**	1,165,111,062
TOTAL ASSETS		**3,606,247,350**	3,346,834,453
LIABILITIES AND EQUITY			
EQUITY			
Paid-in share capital	1	**450,000,000**	450,000,000
Statutory reserve	14	**112,518,350**	112,518,350
Retained earnings		**1,007,068,689**	939,269,282
Fair value reserve		**(5,011,277)**	(4,226,232)
Exchange differences on translation of foreign operations		**(4,045,569)**	(4,015,275)
The Company's share in other comprehensive income of associates		**1,277,463**	1,300,907
Equity attributable to shareholders' of the parent		**1,561,807,656**	1,494,847 ,032
Non – controlling interests		**34,387,501**	32,886 ,655
Total equity		**1,596,195,157**	1,527,733,687
LIABILITIES			
Non-current liabilities			
Long term loans and murabahas	15	**-**	73,000,000
Obligation for employees' end-of-service benefits	16	**107,383,100**	103,270,184
Total non-current liabilities		**107,383,100**	176,270,184
Current liabilities			
Trade payables		**1,356,502,593**	1,142,848,945
Current portion of long term loans and murabahas	15	**-**	62,400,000
Accruals and other payables		**520,997,280**	414,500,891
Provision for zakat	18	**25,169,220**	23,080,746
Total current liabilities		**1,902,669,093**	1,642,830,582
TOTAL LIABILITIES		**2,010,052,193**	1,819,100,766
TOTAL LIABILITIES AND EQUITY		**3,606,247,350**	3,346,834,453

The accompanying notes from (1) to (24) form an integral part of 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)
UNAUDITED INTERIM CONSOLIDATED STATEMENT OF INCOME
(Saudi Riyals)

	Note	For the three-months period ended 31 March 2018	2017
Net sales	20	**1,798,262,884**	1,696,227,260
Cost of sales	20	**(1,456,724,501)**	(1,376,537,186)
Gross profit		**341,538,383**	319,690,074
Rental income, net	20	**17,903,633**	16,714,437
Sales commissions	20	**891,649**	441,480
Selling and marketing expenses		**(270,097,042)**	(247,594,059)
General and administrative expenses		**(26,112,991)**	(24,808,669)
Operating profit		**64,123,632**	64,443,263
Loss on disposal of assets		**-**	(3,495,280)
The Company's share in income of associates	11	**6,573,723**	7,436,001
Financing charges, net		**(329,938)**	(4,461,930)
Other income / (losses), net		**484,509**	(1,666,664)
Income before zakat		**70,851,926**	62,255,390
Zakat	18	**(2,088,474)**	(1,852,833)
Net income for the period		**68,763,452**	60,402,557
Attributable to:			
Shareholders of the parent		**67,262,606**	60,145,546
Non-controlling interests		**1,500,846**	257,011
		68,763,452	60,402,557
Earnings per share			
Basic and diluted earnings per share from the net income for the period attributable to the shareholders of the parent	19	**0.75**	0.67

The accompanying notes from (1) to (24) form an integral part of 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)
UNAUDITED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Saudi Riyals)

	Notes	For the three-months period ended 31 March **2018**	2017
Net income for the period		**68,763,452**	60,402,557
Other comprehensive income			
Items not to be reclassified to income in subsequent periods:			
Actuarial losses for employees' end of service benefits	16	**536,801**	-
Net changes in fair value of financial assets at fair value through other comprehensive income	12	**(785,045)**	(464,247)
Items to be reclassified to income in subsequent periods:			
Exchange differences on translation of foreign operations		**(30,294)**	5,835
The Company's share in other comprehensive income of associates		**(23,444)**	(86,933)
Other comprehensive income for the period		**(301,982)**	(545,345)
Total comprehensive income for the period		**68,461,470**	59,857,212
Attributable to:			
Shareholders of the parent		**66,960,624**	596,600,201
Non-controlling interests		**1,500,846**	257,011
		68,461,470	59,857,212

The accompanying notes from (1) to (24) 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)
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Saudi Riyals)

	Paid-in share capital	Statuary reserve (note 20)	Retained earnings	Fair value reserve	Exchange differences on translation of foreign operations	company's share in other comprehensive income of associates	Equity attributable to shareholders of the parent	Non-controlling interests	Total equity
For the three months period ended 31 March 2018									
Balance as at 1 January 2018	**450,000,000**	**112,518,350**	**939,269,282**	**(4,226,232)**	**(4,015,275)**	**1,300,907**	**1,494,847,032**	**32,886,655**	**1,527,733,687**
Net income for the period	**-**	**-**	**67,262,606**	**-**	**-**	**-**	**67,262,606**	**1,500,846**	**68,763,452**
Items of other comprehensive income	**-**	**-**	**536,801**	**(785,045)**	**(30,294)**	**(23,444)**	**(301,982)**	**-**	**(301,982)**
Total comprehensive income for the period	**-**	**-**	**67,799,407**	**(785,045)**	**(30,294)**	**(23,444)**	**66,960,624**	**1,500,846**	**68,461,470**
Balance as at 31 March 2018	**450,000,000**		**1,007,068,689**	**(5,011,277)**	**(4,045,569)**	**1,277,463**	**1,561,807,656**	**34,387,501**	**1,596,195,157**
For the three months period ended 31 March 2017									
Balance at 1 January 2017	450,000,000	67,568,635	721,019,506	(2,517,591)	(4,002,834)	1,281,853	1,233,352,569	31,090,624	1,264,443,193
Net income for the period	-	-	60,145,546	-	-	-	60,145,546	257,011	60,402,557
Items of other comprehensive income	-	-	-	(464,247)	5,835	(86,933)	(545,345)	-	(545,345)
Total comprehensive income for the period	-	-	60,145,546	(464,247)	5,835	(86,933)	59,600,201	257,011	59,857,212
Non-controlling interests	-	-	-	-	-	-	-	(1,543,703)	(1,543,703)
Balance as at 31 March 2017	450,000,000	67,568,635	781,165,052	(2,978,838)	(3,996,999)	1,194,920	1,292,952,770	29,803,932	1,322,756,702

The accompanying notes from (1) to (24) form an integral part of 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)
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
(Saudi Riyals)

	For the three-months period ended 31 March	
	2018	2017
OPERATING ACTIVITIES		
Income before zakat	**70,851,927**	62,255,390
Adjustments		
Financing charges	**329,938**	4,461,930
Depreciation & amortization	**44,695,181**	42,823,573
Provision for obsolete and slow moving inventories	**5,875,306**	4,117,942
Provision for doubtful debts	**-**	1,901,386
loss on sale of property, plant and equipment	**464,245**	346,166
Foreign currency translation differences	**(187,393)**	56,573
Loss on disposal of property, plant and equipment	**-**	3,495,280
The Company's share in income of associates	**(6,573,723)**	(7,436,001)
Changes in:		
Inventories	**(148,468,253)**	(128,259,284)
Trade receivables	**(8,209,483)**	4,359,428
Prepayments and other receivables	**(42,873,140)**	(38,224,145)
Trade payables	**213,653,648**	114,524,970
Accruals and other payables	**106,496,388**	35,391,825
Obligation for employees' end-of-service benefits, net	**4,649,717**	3,873,603
Net cash from operating activities	**240,704,358**	103,588,636
INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(66,738,182)**	(103,520,095)
Additions to investment properties	**(1,917,102)**	(6,855,642)
Proceeds from selling property, plant and equipment	**896,849**	960,677
Additions to non-current assets held for sale	**(600,000)**	-
Dividends from financial assets at fair value through other comprehensive income	**-**	181,529
Net cash used in investing activities	**(68,358,435)**	(109,233,531)
FINANCING ACTIVITIES		
Proceeds from loans and murabahas	**-**	55,828,256
Repayments of loans and murabahas	**(135,400,000)**	(58,772,999)
Non-controlling interests	**-**	(1,543,703)
Financing charges paid	**(815,161)**	(5,260,406)
Net cash used in financing activities	**(136,215,161)**	(9,748,852)
Net change in cash and cash equivalents	**36,130,762**	(15,393,747)
Cash and cash equivalents at the beginning of the period	**263,952,447**	312,443,839
Cash and cash equivalents at the ending of the period	**300,083,209**	297,050,092

The accompanying notes from (1) to (24) form an integral part of and should be read in conjunction with these condensed interim 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, and bakeries, providing cooked and uncooked catering services, and managing training and educational centers, in addition to acquiring lands to construct buildings for lease or sale for the interest of the Company. The Company also provides import, export and marketing services.

The 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,

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

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

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

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

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

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

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

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

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

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.

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

2- BASIS OF PREPARATION:

2-1 Statement of compliance

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

The condensed interim consolidated financial statements do not include all the disclosures that are normally attached to the annual consolidated financial statements, therefore, they should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2017.

Some information and disclosures which are considered important for understanding the condensed interim consolidated financial statements (unaudited) were disclosed in notes (1) to (24).

2-2 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordainery 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.

2-3 Functional and presentation currency
The condensed interim 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 condensed interim consolidated financial statements are comprised of the financial statements of the Company and its subsidiaries which are under its control as at 31 March 2018. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investees and has the ability to affect those returns through its power over the investees. Specifically, the Company controls an investee, if and only if, the Company has all of the following elements:

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

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

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

The group re-assesses whether it has control over an investee, if the facts and circumstances indicate any changes in one or more of the three control elements. The consolidation of the subsidiary begins from the date when the group obtains control over the subsidiary and ceases when the group loses its control over the subsidiary.
The assets, liabilities, revenues and expenses of a subsidiary acquired during the period 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- NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

Following are the new standards, interpretations and amendments to standards which are effective from 1 January 2018:

- IFRS (15) Revenue from Contracts with Customers.
- IFRIC (22) Foreign Currency Transactions and Advance Consideration.
- Amendments to IFRS (2) Classification and measurement of share-based payment transactions.
- Amendments to IFRS (40) Transfers to and from investment property.
- Annual Improvements to IFRSs 2014–2016 Cycle - IFRS (1) First-time Adoption of International Financial Reporting Standards and IAS (28) Investments in Associates and Joint Ventures.

The Group has adopted IFRS (15) Revenue from Contracts with Customers and according to the requirements of IAS (34), the nature and effect of application of these standards have been explained in accounting policies below. And there is no material effect on the Group's Condensed interim consolidated Financial Statements from the application of the above mentioned amendments and interpretations.

Following are the new standards, interpretations and amendments (2015–2017 Cycle) which are issued but not yet effective:

- IFRS (16) Leases[1].
- IFRS (3) Business Combinations - Clarifies how a company accounts for increasing its interest in a joint operation[1].
- IFRS (11) Joint Arrangements - Clarifies how a company accounts for increasing its interest in a joint operation[1].
- IAS (12) Income Taxes - Clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) [1].
- IAS (23) Borrowing Costs - Borrowing Costs eligible for capitalization[1].
- IFRIC (23) Uncertainty over Income Tax Treatments[1].
- Amendments to IFRS (9) Prepayment Features with Negative Compensation[1].
- Amendments to IAS (28) Long-term Interests in Associates and Joint Ventures[1].
- IFRS (17) Insurance Contracts[2].

The Group has not selected the early adoption for any other standard, interpretation or amendment issued but not yet effective.

[1] Effective for the accounting period beginning on or after 1 January 2019.
[2] Effective for the accounting period beginning on or after 1 January 2021.

5- SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the condensed interim 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 period 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.

- **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.
- **Progressive rebate incentives**
  The company may receive additional incentives from suppliers according to the volume of purchases during the fiscal year. The company recognized these incentives upon realization in accordance with contracts signed with suppliers. The company management relies on the exercise of professional judgement in examining market variables and consumer behavior when estimating the recognition of the incentives at the date of the interim financial statements. The additional incentives was not recognized for the current period according to the management estimates of incentive realization at the end of the year.

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

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

6- CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Changes in accounting policies are expected to be reflected in the financial statements for the prior year as at the current year/period ended 31 December 2018.

The Group has applied the initial adaption of IFRS (15) Revenue from Contracts with Customers from 1 January 2018.

IFRS (15) Revenue from Contracts with Customers
IFRS (15) establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS (18) Revenue and IAS (11) Construction Contracts and related interpretations.

The application of the Standard has no effect on the Group's consolidated interim financial position as at 31 March 2018 and the consolidated statement of financial position as at 31 December 2017. There is no material effect on the application of the Standard to the net profit for the current or comparative period, and the impact of the application has been limited to the presentation of the sales cost of sales items in the Group's condensed interim consolidated statement of income for the current and comparative periods as in note 23 of the accompanying notes.

7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies used in the preparation of these condensed interim consolidated financial statements as at 31 March 2018 are the same accounting policies used in preparing the consolidated statement of financial position as at 31 December 2017. Except for the policy on the application of the IFRS (15) Revenue from contracts with customers referred to in note 7 (L). Following are the key accounting policies used by the Group in preparing these condensed interim 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 equivalents:
Cash and cash equivalents comprise cash at banks and in hand and short-term deposits with a maturity of three months or less.
For purposes of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, demand deposits and cash at banks.

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 period are the same for the previous period as follows:

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

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

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

I. Impairment testing of non-financial assets
The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. Recoverable amount of an asset's or cash-generating unit is the higherof its fair value less costs of disposal and its value in use.
The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

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

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

Intangible assets with definite lives are amortized over the useful life. The 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.

K. 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.

L. Revenue:

L1. Sale revenue recognition:

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

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

Incentives and other benefits from suppliers:

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

L3. 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.

L3. 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.

M. Inventory and spare part:

M.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.

M2. 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.

M3. 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.

N. 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.

S. Provisions:

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

P. 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 condensed interim consolidated statement of comprehensive income.

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

F. 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.

G. 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.

Q. 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.

R. 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 Condensed interim consolidated statement of comprehensive income.

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

E. 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.

E. 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 condensed interim consolidated statement of comprehensive income.

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

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

E. 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.

T. 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 executive management. A geographic segment relates to providing goods or services within an economic environment exposed to risks and returns different from those of other segments working in other economic environments.

W. Offset:
Financial assets and liabilities are offset and reported net in the condensed interim 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.

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

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

8.PROPERTY, PLANT AND EQUIPMENT- NET

	Properties								
	Lands	**Buildings**	**Machinery and equipment**	**Motor Vehicles**	**Computers**	**Furniture and fixtures**	**Leasehold improvements**	**Capital work in progress**	**Total**
Cost									
As at 1 January 2018	**452,628,708**	**449,797,171**	**458,900,338**	**116,665,005**	**154,956,997**	**240,798,273**	**267,728,929**	**72,862,500**	**2,214,337,921**
Additions	16,483,086	1,199,343	14,965,992	1,474,257	5,203,220	4,085,180	3,704,250	20,108,077	67,223,405
Transferred from capital work in progress	-	22,980,629	572,070	-	1,177,815	2,160,693	7,195,691	(34,086,898)	-
Transferred to investment properties	-	-	-	-	-	-	-	-	-
Disposals	-	-	(3,744,195)	(2,267,472)	(1,511,611)	(1,891,475)	-	-	(9,414,753)
Translation reserve for foreign subsidiary	-	-	78,373	6,201	20,552	1,794	71,233	91	178,244
As at 31 March 2018	**469,111,794**	**473,977,143**	**470,772,578**	**115,877,991**	**159,846,973**	**245,154,465**	**278,700,103**	**58,883,770**	**2,272,324,817**
Accumulated depreciation									
As at 1 January 2018	**-**	**107,497,975**	**238,287,243**	**74,664,103**	**91,902,233**	**139,353,374**	**134,184,934**	**-**	**785,889,862**
Charged during the period	-	5,750,833	11,412,342	2,941,039	5,799,679	6,082,881	6,043,551	-	38,030,325
Disposals	-	-	(3,399,173)	(1,453,131)	(1,318,000)	(1,883,355)	-	-	(8,053,659)
Translation reserve for foreign subsidiary	-	-	8,263	1,209	5,582	316	5,775	-	21,145
As at 31 March 2018	**-**	**113,248,808**	**246,308,675**	**76,153,220**	**96,389,494**	**143,553,216**	**140,234,260**	**-**	**815,887,673**
Net book value									
As at 31 March 2018	**469,111,794**	**360,728,335**	**224,463,903**	**39,724,771**	**63,457,479**	**101,601,249**	**138,465,843**	**58,883,770**	**1,456,437,144**

a - The title to most of 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 March 2018 include lands with a carrying amount of SR 141 million and buildings constructed thereon, with a carrying amount of SR 17.3 million (2017 N- 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 costs on capital work in progress amounted to SR 454,000 for the period ended 31 March 2018 (2017 - SR 2 million).

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

9. INVESTMENT PROPERTIES, NET

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

	31 March 2018	**31 December 2017**
Cost		
Opening Balance	**671,125,868**	599,615,879
Additions	**1,917,102**	48,412,814
Transfers from property, plant and equipment	**-**	23,097,175
Ending Balance	**673,042,970**	671,125,868
Accumulated depreciation		
Opening Balance	**165,413,081**	141,471,155
Additions	**6,215,300**	23,941,926
Ending Balance	**171,628,381**	165,413,081
Net Book Value	**501,414,589**	505,712,787

- The fair value of investment properties amounted to SR 813 million (this amount is disclosed merely to fulfil 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 March 2018 , investment properties include lands with a carrying amount of SR nil (2017: SR 3.2 million) and buildings constructed thereon, with a carrying amount of SR 2.6 million and SR nil respectively, which are pledged to some banks against bank facilities. The cancellation of the mortgage on these lands is in progress after the payment of all associated loans.

10. 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 March 2018	**31 December 2017**
Cost		
Opening Balance	**19,597,230**	19,597,230
Ending Balance	**19,597,230**	19,597,230
Accumulated amortization		
Opening Balance	**11,884,449**	10,086,222
Amortization charged during the period/ year	**449,556**	1,798,227
Ending Balance	**12,334,005**	11,884,449
Net Book Value	**7,263,225**	7,712,781

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

11. INVESTMENTS IN ASSOCIATES

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

Company	**Country of Incorporation**	**Ownership** **31 March 2018**	**31 December 2017**
Abdullah Al-Othaim for Real Estate Investment and Development company"1"	Kingdom of Saudi Arabia	13,653%	13,653%
AlWoustah Food Services Company	Kingdom of Saudi Arabia	25%	25%
Riyadh Foods Industries Company"2"	Kingdom of Saudi Arabia	55%	55%

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

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

A. Summary of movements in investment in associates:

	31 March 2018	**31 December 2017**
Opening Balance	**228,118,858**	205,413,942
Share in associate's net profit	**6,573,723**	38,673 ,049
Exclusions	**-**	(589,364)
Exclusions arising from reciprocal transactions	**-**	(15,397,823)
Share in associate's other comprehensive income	**(23,444)**	-
Share in foreign currency translation differences	**-**	19,054
	234,669,137	228,118,858

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

B. Investments in associates are as follows:

Associate Company	31 March 2018	31 December 2017
Abdullah Al-Othaim for Real Estate Investment and Development Company	**174,722,656**	169,292,337
AlWoustah Food Services Company	**22,539,441**	22,973,448
Riyadh Foods Industries Company	**37,407,040**	35,853 ,073
Total	**234,669,137**	228,118,858

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 March 2018	31 December 2017
Financial assets at fair value – in listed shares	**10,499,997**	10,499,997
Financial assets at fair value – in unlisted shares	**5,457,141**	5,457,141
	15,957,138	15,957,138
Fair value reserve – in listed shares	**(3,411,277)**	(3,426,232)
Fair value reserve – in unlisted shares	**(1,600,000)**	(800,000)
	10,945,861	11,730,906

13. CASH AND CASH EQUIVALENTS

	31 March 2018	31 December 2017
Cash in hand	**58,185,311**	44,281,748
Cash at banks – current accounts and time deposits	**241,897,898**	219,670,699
Total	**300,083,209**	263,952,447

14. 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.

15. LOANS AND MURABAHAS

Long-term loans and murabahas

	31 March 2018	31 December 2017
Opening Balance	-	135,400,000
Less: Short-term dues	-	(62,400,000)
Long-term dues	-	73,000,000

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

16. OBLIGATION FOR END-OF-SERVICE BENEFITS

	31 March 2018	31 December 2017
Opening Balance	**103,270,184**	83,352,617
Cost of service and cost of discount factor	**5,533,802**	18,012,906
Payments	**(884,085)**	(3,193,017)
Actuarial losses from remeasurement of end of service benefits	**(536,801)**	5,097,678
	107,383,100	103,270,184

17. 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
Nahj Alkhayal Co,	Related party – subsidiary of an associate
Members of the board of directors	Related party - Management
Musanada for recruitment and employment inside Co,- EGYPT	Related party to executive

Transactions with related parties for the period ended 31 March 2018 are as follows:

Related party	**Rent expense**	**Rent revenue**	**Merchandise purchases**	**Manpower services**
Al-Othaim Holding Company	2,500	177,512	-	-
Abdullah Al-Othaim for RealEstate Investment and Development Company	3,512,893	9,302,706	-	-
AlWoustah Food Services Company	-	150,000	-	-
Riyadh Foods Industries Company	38,136	-	46,082,341	810,702
General Organization of Social Insurance	1,414,195	-	-	-
Nahj Alkhayal Co,	-	45,500	-	-
Musanada for recruitment and employment inside Co.	-	-	-	1,695,606

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

Transactions with related parties for the period ended 31 March 2017 are as follows:

Related party	Rent expense	Rent revenue	Merchandise purchases	Manpower services
Al-Othaim Holding Company	2,500	177,512	-	-
Abdullah Al-Othaim for Real Estate Investment and Development Company	7,050,342	16,304,389	-	-
AlWoustah Food Services Company	-	87,500	-	-
Riyadh Foods Industries Company	38,136	-	24,686,708	74,295
General Organization of Social Insurance	1,414,195	-	-	-
Nahj Alkhayal Co.	-	45,500	-	-
Musanada for recruitment and employment inside Co.	-	-	-	986,262

Board members and senior executives' benefits

	Charged to comprehensive income	
	31 March 2018	**31 December 2017**
Short term benefits	**3,053,750**	2,074,125
Post-employment benefits	**67,978**	54,309
	3,121,728	2,128,434

Below are the balances due from and to related parties

Due from related Parties:

	31 March 2018	**31 December 2017**
Abdullah Al-Othaim for Real Estate Investment and Development Company	**-**	576,615
Al Riyadh Foods Industries Company	**4,674,003**	4,204,725
	4,674,003	4,781,340

Due to related parties

	31 March 2018	**31 December 2017**
Al Riyadh Foods Industries Company	**50,493,122**	32,676,467
Musanada for recruitment and employment inside Co.	**443,273**	100,042
Abdullah Al-Othaim for Real Estate Investment and Development Company	**16,019**	-
	50,952,414	32,776,509

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

18. ZAKAT PROVISIONS

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

	31 March 2018	31 December 2017
Opening Balance	**23,080,746**	13,988,208
Additions	**2,088,474**	14,111,313
Payments	**-**	(5,018,775)
Ending balance	**25,169,220**	23,080,746

- 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.

19. 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 three-months period ended 31 March and 2018, 2017 are calculated based on the weighted average number of shares outstanding during such periods. Diluted earnings per share is the same as the basic earnings per share since the Company does not have any issued dilutive instruments.

	For the three-months ended 31 March	
	2018	**2017**
Net income for the period	**67,262,607**	60,145,546
Weighted-average number of shares	**90,000,000**	90,000,000
Basic and diluted earnings per share from net income for the period	**0.75**	0.67

* Earnings per share for the current and comparative periods was recalculated to reflect the increase in the company's share capital from 45 million shares to 90 million shares through bonus shares, in accordance with the extraordinary general assembly resolution on April 23, 2018, as explained in note 22.

20. 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.

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

a. The selected information for each business sector for the three-months period ended 31 March 2018 are summarized below:

	Retail and wholesale	Real estate and leasing	Other	Total
Property, plant and equipment, net	1,406,293,999	-	50,143,145	1,456,437,144
Investment properties, net	-	501,414,589	-	501,414,589
Investment properties held for sale	-	-	998,969	998,969
Intangible assets, net	7,263,225	-	-	7,263,225
Total assets	**2,662,214,320**	**530,026,960**	**414,006,070**	**3,606,247,350**
Total liabilities	**1,921,835,561**	**36,492,043**	**51,724,589**	**2,010,052,193**
Sales outside the Group	1,772,518,732	-	25,744,152	1,798,262,884
Rental income from outside the Group	-	31,951,514	-	31,951,514
Sales and revenues among segments	-	515,000	20,768,720	21,283,720
Total revenue, sales commissions and net rental income	332,491,908	17,903,633	9,938,124	360,333,665
Operating Income	**43,434,139**	**17,903,633**	**2,785,860**	**64,123,632**

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 three-months period ended 31 March 2018					
Geographical area	**Retail and wholesale**	**Percentage %**	**Leasing**	**Percentage %**	**Other**	**Percentage %**
Central region - Saudi Arabia	1,160,889,445	65.49%	15,470,226	48.42%	25,744,152	100%
Eastern Region - Saudi Arabia	179,187,783	10.11%	14,119,720	44.19%	-	-
Southern Region - Saudi Arabia	220,317,179	12.43%	1,133,308	3.55%	-	-
Northern Region - Saudi Arabia	142,527,800	8.04%	989,305	3.10%	-	-
Western Region - Saudi Arabia	43,924,422	2.48%	238,955	0.74%	-	-
Egypt	25,672,103	1.45%	-	-	-	-
Total	**1,772,518,732**	**100%**	**31,951,514**	**100%**	**25,744,152**	**100%**

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

21. CONTINGENCIES AND COMMITMENTS

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

	31 March 2018	31 December 2017
Letters of credit	**35,244,848**	60,649,666
Letters of guarantee	**50,068,615**	50,207,365
Commitments on capital work in progress	**91,703,072**	96,277,295

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

	31 March 2018	31 December 2017
Up to one year	**88,240,115**	74,548,834
More than one year and up to five years	**243,878,612**	222,642,541
More than 5 years and up to 28 years	**300,631,042**	297,012,649

22. EVENTS SUBSEQUENT TO THE DATE OF THE INTERIM FINANCIAL REPORT

The Extraordinary General Assembly of Shareholders at its meeting held on 7 Sha'ban 1439H corresponding to April 23, 2018 approved the following:

- Approve the recommendation of the Board of Directors to increase the Company's capital from SAR450 million to SR 900 million by increasing the number of shares from 45 million shares to 90 million shares by granting one free share for each share owned with an increase of 100% through the capitalization of SR 112,518,350 from the statutory reserve and SR 337,481,650 from the retained earnings.
- Distribution of cash dividends for the year ended 31 December 2017 amounting to SR 135 million at SR 3 per share.

23. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to match to current period classification as shown below:

	Amount before reclassification	Effect*	Amount after reclassification
Net sales	1,875,710,474	(179,483,214)	1,696,227,260
Cost of sales	(1,555,578,920)	179,041,734	(1,376,537,186)
Gross profit	**320,131,554**	**(441,480)**	**319,690,074**
Sales vouchers commissions	-	441,480	441,480
Net income	**320,131,554**	**-**	**320,131,554**

* Reclassification of sales and cost of sales net of suppliers subsidies granted to customers at points of sale of the same value of all items, cancellation of sales and cost of purchase vouchers and recognize the difference as sales commissions in separate item.

24. APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The condensed interim consolidated financial statements were approved by the Audit Committee under an authorization from the Board of Directors at 6 May 2018 corresponding to 20 Shaban 1439H.