

ABDULLAH AL-OTHAIM MARKETS COMPANY

(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND TWELVE-MONTH PERIOD
ENDED 31 DECEMBER 2021
AND INDEPENDENT AUDITOR'S REVIEW REPORT ON REVIEW OF INTERIM
CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

ABDULLAH AL-OTHAIM MARKETS COMPANY

(A Saudi Joint Stock Company)

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MONTH AND TWELVE-MONTH PERIODS ENDED 31 DECEMBER 2021**

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

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of **Abdullah Al-Othaim Markets Company** "A Saudi Joint Stock Company" ("the Company") and its subsidiaries (together "the Group"), as of 31 December 2021 and the related interim condensed consolidated statements of income and the interim condensed consolidated statement of comprehensive income for the three-month and twelve-month periods then ended, and the interim condensed consolidated statements of changes in equity and cash flows for the twelve-month period then ended and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34 – "Interim Financial Reporting" (IAS 34) that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

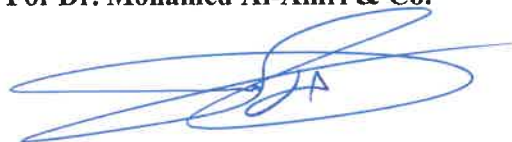
Scope of Review

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

Conclusion

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

For Dr. Mohamed Al-Amri & Co.



Gihad Al-Amri
Certified Public Accountant
Registration No. 362



9 Rajab 1443 (H)
10 Feb 2022 (G)

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

	<u>Note</u>	As of 31 December 2021 (Unaudited)	As of 31 December 2020 (Audited)
(Saudi Riyals)			
ASSETS			
Non-current assets			
Property, plant and equipment, net	5	1,392,775,792	1,408,098,327
Right of use leased assets	6	1,442,720,014	1,329,581,061
Investment properties, net	7	599,540,244	590,461,652
Intangible assets, net	8	2,605,887	3,473,064
Investments in associates and joint venture	9	354,789,078	267,138,201
Equity instruments at fair value through other comprehensive income		2,723,734	3,398,734
Total non-current assets		3,795,154,749	3,602,151,039
Current assets			
Inventories, net		859,367,719	859,301,604
Financial assets at amortized cost		50,000,000	7,505,000
Prepayments and other receivables, net		182,628,682	157,182,368
Trade receivables, net		31,363,177	42,240,287
Cash and cash equivalents	10	182,743,351	277,764,776
Total current assets		1,306,102,929	1,343,994,035
Assets held for sale		1,026,132	19,083,631
TOTAL ASSETS		5,102,283,810	4,965,228,705
LIABILITIES AND EQUITY			
EQUITY			
Paid-in share capital		900,000,000	900,000,000
Statutory reserve	11	140,335,830	109,824,670
Retained earnings		342,222,260	523,033,874
Fair value reserve		(2,733,404)	(2,058,404)
Exchange differences on translation of foreign operations		(6,483,023)	(6,417,559)
The Company's share in other comprehensive income of associates		2,112	(58,531)
Equity attributable to shareholders of the Company		1,373,343,775	1,524,324,050
Non-controlling interests		37,277,673	44,436,190
Total equity		1,410,621,448	1,568,760,240
Non-current liabilities			
Lease contracts Liabilities		1,374,075,175	1,279,556,625
Obligation for employees' end-of-service benefits	12	207,124,100	171,440,559
Total non-current liabilities		1,581,199,275	1,450,997,184
Current liabilities			
Trade Payables		1,406,369,193	1,364,301,036
Lease contracts Liabilities		154,291,300	108,314,092
Accruals and other payables		535,721,811	446,261,748
Zakat provision	15	13,839,202	26,353,223
Total current liabilities		2,110,221,506	1,945,230,099
Obligations related to assets held for sale		241,581	241,182
TOTAL LIABILITIES		3,691,662,362	3,396,468,465
TOTAL LIABILITIES AND EQUITY		5,102,283,810	4,965,228,705

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

Vice-president, financial affairs
Marwan Ahmed Ibrahim

Chief Executive Officer
Muwaffaq Mansour Jamal

Vice Chairman
Bader Hamed Al Aujan

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

	For the three-month period ended 31 December		For the twelve-month period ended 31 December	
Not e	2021 (Unaudited)	2020 (Audited)	2021 (Unaudited)	2020 (Audited)
	(Saudi Riyals)			
Net sales	17 2,138,074,645	2,044,767,110	8,403,243,042	8,811,497,123
Cost of sales	(1,594,318,246)	(1,516,712,625)	(6,639,733,598)	(6,900,343,261)
Gross profit	543,756,399	528,054,485	1,763,509,444	1,911,153,862
Rental income, net	17 26,767,076	23,111,839	85,445,276	57,453,945
Sold Voucher commissions	652,984	491,565	1,979,761	1,933,483
Selling and marketing expenses	(367,528,986)	(336,056,424)	(1,384,048,218)	(1,343,059,746)
General and administrative expenses	(37,543,260)	(32,371,679)	(122,862,125)	(108,552,884)
Operating profit	166,104,213	183,229,786	344,024,138	518,928,660
The Company's share in income of associates and joint venture	9 10,912,402	5,941,347	37,719,158	19,561,729
Income from financial assets at amortized cost and others	232,620	597,976	653,066	2,417,859
Financing costs of lease contracts liabilities	(17,441,598)	(16,597,577)	(70,574,445)	(66,717,222)
Financing charges, net	(152,710)	(511,938)	(820,673)	(1,310,129)
Other income (expenses), net	765,168	(1,664,025)	8,548,056	(4,291,078)
Income before zakat	160,420,095	170,995,569	319,549,300	468,589,819
Zakat	15 (4,094,270)	(7,022,347)	(11,327,268)	(16,221,417)
Income from continuing operations	156,325,825	163,973,222	308,222,032	452,368,402
Discontinued Operations:				
Gain (Loss) from discontinued operations, after zakat	(374,887)	6,525,030	(189,049)	5,347,074
Net income for the period	155,950,938	170,498,252	308,032,983	457,715,476
Attributable to:				
Shareholders of the Company				
Continuing operations	155,007,290	158,952,293	305,300,652	445,625,522
Discontinued operations	(374,887)	6,525,030	(189,049)	5,347,074
	154,632,403	165,477,323	305,111,603	450,972,596
Non-controlling interest				
Continuing operations	1,318,535	5,020,929	2,921,380	6,742,880
	1,318,535	5,020,929	2,921,380	6,742,880
Earnings per share				
Basic and diluted earnings per share from the net income attributable to the shareholders of the Company	16 1.72	1.84	3.39	5.01
Basic and diluted earnings per share from income from continuing operations attributable to the shareholders of the company	1.72	1.77	3.39	4.95

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

Vice-president, financial affairs

Marwan Ahmed Ibrahim

Chief Executive Officer

Muwaffaq Mansour Jamal

Vice Chairman

Bader Hamed Al Aujan

ABDULLAH AL-OTHAIM MARKETS COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the three-month period ended 31 December		For the twelve-month period ended 31 December	
		(Unaudited) 2021	(Unaudited) 2020	(Unaudited) 2021	(Audited) 2020
(Saudi Riyals)					
Net income for the period		155,950,938	170,498,252	308,032,983	457,715,476
Other comprehensive income for the period					
Items not to be reclassified to income:					
Actuarial loss for employees' end of service benefits	12	(1,568,254)	(2,620,193)	(5,443,030)	(7,353,065)
Net changes in fair value of equity instruments measured at fair value through other comprehensive income				(675,000)	(148,259)
Items to be reclassified to income:					
The Company's share in other comprehensive income of associates	9	(117,071)	(52,606)	(68,281)	(1,166,878)
Exchange differences on translation of foreign operations		(20,736)	(32,060)	(65,464)	(468,024)
Other comprehensive loss for the period		(1,706,061)	(2,704,859)	(6,251,775)	(9,136,226)
Total comprehensive income for the period		154,244,877	167,793,393	301,781,208	448,579,250
Attributable to:					
Shareholders of the Company		153,086,235	162,824,647	299,019,725	441,888,553
Non-controlling interests		1,158,638	4,968,746	2,761,483	6,690,697
		154,244,877	167,793,393	301,781,208	448,579,250

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

Vice-president, financial affairs
Marwan Ahmed Ibrahim



Chief Executive Officer
Muwaffaq Mansour Jamal



Vice Chairman
Bader Hamed Al Aujan



ABDULLAH AL-OTHAIM MARKETS COMPANY
A Saudi Joint Stock Company
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Statutory Reserve	Retained earnings	Fair value reserve	Exchange differences on translation of foreign operations (Saudi Riyals)	Company's share in other comprehensive income of associates	Total shareholders' equity	Non-controlling interests	Total equity
For the twelve-month period ended 31 December 2021									
Balance as at 1 January 2021 (Audited)	900,000,000	109,824,670	523,033,874	(2,058,404)	(6,417,559)	(58,531)	1,524,324,050	44,436,190	1,568,760,240
Net income for the period	-	-	305,111,603	-	-	-	305,111,603	2,921,380	308,032,983
Items of other comprehensive income	-	-	(5,283,133)	(675,000)	(65,464)	(68,281)	(6,091,878)	(159,897)	(6,251,775)
Total comprehensive income for the period	-	-	299,828,470	(675,000)	(65,464)	(68,281)	299,019,725	2,761,483	301,781,208
The Company's share in other comprehensive income of associates	-	-	(128,924)	-	-	128,924	-	-	-
Transferred to statutory reserve	-	30,511,160	(30,511,160)	-	-	-	-	-	-
Cash dividends (Note 22)	-	-	(450,000,000)	-	-	-	(450,000,000)	(9,920,000)	(459,920,000)
Balance as at 31 December 2021 (unaudited)	900,000,000	140,335,830	342,222,260	(2,733,404)	(6,483,023)	2,112	1,373,343,775	37,277,673	1,410,621,448
For the twelve-months period ended 31 December 2020									
Balance as at 1 January 2020 (Audited)	900,000,000	64,727,410	529,539,987	(1,938,106)	(5,949,535)	1,055,741	1,487,435,497	37,745,493	1,525,180,990
Net income for the period	-	-	450,972,596	-	-	-	450,972,596	6,742,880	457,715,476
Items of other comprehensive income	-	-	(7,300,882)	(148,259)	(468,024)	(1,166,878)	(9,840,034)	(52,183)	(9,136,226)
Total comprehensive income for the period	-	-	443,671,714	(148,259)	(468,024)	(1,166,878)	441,888,553	6,690,697	448,579,250
The Company's share in other comprehensive income of associates	-	-	(52,606)	-	-	52,606	-	-	-
The impact of disposing of equity instruments at fair value through other comprehensive income	-	-	(27,961)	(27,961)	-	-	-	-	-
Transferred to statutory reserve	-	45,097,260	(45,097,260)	-	-	-	-	-	-
Cash dividends (Note 22)	-	-	(405,000,000)	-	-	-	(405,000,000)	-	(405,000,000)
Balance as at 31 December 2020 (Audited)	900,000,000	109,824,670	523,033,874	(2,058,404)	(6,417,559)	(58,531)	1,524,324,050	44,436,190	1,568,760,240

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

Vice-president, financial affairs
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Muwaffaq Mansour-Jamal

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

	For the twelve-month period ended 31 December	
	2021 (Unaudited)	2020 (Audited)
	(Saudi Riyals)	
<u>OPERATING ACTIVITIES</u>		
Income before zakat	319,360,251	474,073,997
<i>Adjustments</i>		
Financing costs of lease contracts liabilities and Finance charges, net	71,242,408	68,027,351
Depreciation & amortization	337,594,039	332,324,352
Provision for obsolete and slow-moving inventory	16,446,145	(10,651,387)
Provision for doubtful debts	(2,155,380)	9,341,135
Obligation for employees' end-of-service benefits	39,970,574	31,498,996
Loss (Gain) on sale of property, plant and equipment	3,276,902	1,346,487
Exchange differences on translation of foreign operations	(73,995)	(614,992)
The Company's share in income of associates	(37,719,158)	(19,561,729)
Income from financial assets at amortized cost and others	(653,066)	(1,357,949)
Income from equity instrument at Fair value through income	-	(1,059,910)
<i>Changes in:</i>		
Inventories, net	(16,512,260)	(62,633,543)
Trade receivables, net	11,382,718	(8,058,988)
Prepayments and other receivables, net	(7,333,146)	8,006,895
Trade payables	42,068,157	35,561,189
Accruals and other payables	87,711,487	48,858,300
	864,605,676	905,100,204
End of service benefits paid	(9,730,063)	(7,100,720)
Paid Zakat	(20,395,561)	(10,689,722)
Net cash from operating activities	834,480,052	887,309,762
<u>INVESTING ACTIVITIES</u>		
Additions to property, plant and equipment	(152,425,678)	(137,675,896)
Additions to investment properties	(30,510,460)	(1,187,117)
Proceeds from sale of property, plant and equipment	1,353,643	2,090,357
Additions to investment in associates and joint venture	(50,000,000)	-
Proceeds from disposal of investment properties	190,476	305,966
Dividends from associates	-	13,653,850
Proceeds from equity instruments at fair value through income and other comprehensive income	-	7,629,246
Proceeds from financial assets at amortized cost and other	8,055,416	1,860,020
Paid for purchase of short term -financial assets	(50,000,000)	-
Additions to intangible assets	-	(318,299)
Net cash used in investing activities	(273,336,603)	(113,641,873)
<u>FINANCING ACTIVITIES</u>		
Proceeds from loans and murabahat	690,470,011	275,124,216
Payments of loans and murabahat	(690,470,011)	(411,081,152)
Payments of lease contracts liabilities	(125,002,466)	(149,349,164)
Financing charges paid	(71,242,408)	(68,027,351)
Dividends paid	(459,920,000)	(405,000,000)
Net cash used in financing activities	(656,164,874)	(758,333,451)
Net change in cash and cash equivalents	(95,021,425)	15,334,438
Cash and cash equivalents at the beginning of the period	277,764,776	262,430,338
Cash and cash equivalents at the end of the period	182,743,351	277,764,776

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

Vice-president, financial affairs
Marwan Ahmed Ibrahim

Chief Executive Officer
Muwaffaq Mansour Jamal

Vice Chairman
Bader Hamed Al Aujan

ABDULLAH AL-OTHAIM MARKETS COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three-month and twelve-month periods ended 31 December 2021

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

1. INFORMATION ABOUT THE COMPANY, ITS SUBSIDIARIES AND THEIR ACTIVITIES

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

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

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

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

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

The Interim condensed consolidated financial statements include the financial statements of Abdullah Al-Othaim Markets Company and its subsidiaries and referred to them together as the “Group”.

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

Name	Country of incorporation	Main Activity	Effective ownership percentage	
			December 2021	December 2020
Haley Holding Company	Saudi Arabia	Wholesale and retail trade	100	100
Universal Marketing Centre Company	Saudi Arabia	Wholesale and retail trade	100	100
Seven Services Company	Saudi Arabia	Import, export and wholesale and retail trade	100	100
Bayt Al Watan Company	Saudi Arabia	Import, export and wholesale and retail trade	100	100
Marafeq Al Tashgheel Company	Saudi Arabia	General contracting for building	100	100
Abdullah Al Othaim Markets - Egypt	Egypt	Wholesale and retail	100	100
Thamarat Al Qassim Company	Saudi Arabia	Cultivation of vegetables and fodder	100	100
Shurofat Al Jazeerah Company	Saudi Arabia	General contracting and operation of commercial complexes	100	100
Mueen For Human Resources Company	Saudi Arabia	Labor services	68	68

ABDULLAH AL-OTHAIM MARKETS COMPANY

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three-month and twelve-month periods ended 31 December 2021

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

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

Haley Holding Company

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

Universal Marketing Centre Company

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

Seven Services Company

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

Bayt Al Watan Company

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

Marafeq Al Tashgheel Company

A limited liability company that operates under commercial registration number 1010321917 issued in Riyadh on 15 Muharram 1433H (corresponding to 10 December 2011). The main activities of the Company include general constructions and renovation of residential and non-residential buildings such as schools, hospitals and on-site ready-made houses.

Abdullah AL Othaim Markets - Egypt:

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

Thamarat Al Qassim Company

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

ABDULLAH AL-OTHAIM MARKETS COMPANY

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three-month and twelve-month periods ended 31 December 2021

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

Shurofat Al Jazeera Company

A limited liability company that operates under commercial registration number 1010228732 issued in Riyadh on 2 Safar 1428H (corresponding to 20 February 2007). The main activities of the company are general contracting and operating commercial complexes.

Mueen for Human Resources Company

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

2. BASIS OF PREPARATION

2-1 Statement of compliance

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

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

The interim condensed consolidated financial statements do not include all the disclosures that are usually attached to the annual consolidated financial statements. Therefore, they should be read in conjunction with the Group's annual consolidated financial statements for the year ended at 31 December 2020.

2-2 Basis of measurement

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

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

2-3 Functional and presentation currency

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

2-4 Fair value measurement

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

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

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

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

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

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

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

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

No new standards have been issued. However, several amendments on the standards are effective from 1 January 2021, which have been explained in the annual consolidated financial statements, but they have no significant impact on the interim condensed consolidated financial statements of the Group.

3. ACCOUNTING ESTIMATES AND SIGNIFICANT ASSUMPTIONS

The preparation of the Interim condensed consolidated financial statements in conformity with the International Financial Reporting Standards" IAS 34" that are applied in Kingdom of Saudi Arabia, according to requires the use of critical judgment and estimates and assumptions that affect the reported amounts of income, expenses, assets, liabilities and the notes besides the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities that might be affected in the future.

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

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

a- Summary of Significant Adopted Accounting Estimates and Assumptions Definition of the lease term with renewal and termination options

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

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

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

The implicit rate of return for lease contracts

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

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

Useful lives of property, plant and equipment

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

Useful lives of intangible assets

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

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.

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Selling Incentives

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

Progressive rebate incentives

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

Recoverability

Management estimates the recoverable value of assets to test impairment.

Obligation for employees end of service benefits

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

b- Going concern

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

4. SUMMARY OF SIGNIFICANT ACCOUNTS POLICIES

The accounting policies used in the preparation of the Interim condensed consolidated financial statements as of 31 December 2021 are the same as those followed in the consolidated financial statements for the year ended at 31 December 2020. The significant accounting policies used by the Group in preparing the Interim condensed consolidated financial statements are as follows:

A. Basis of consolidation

The Interim condensed consolidated financial statements are comprised of the financial statements of the Company and its subsidiaries which are under its control as at 31 December 2021. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investees and has the ability to affect those returns through its power over the investees. Specifically, the Company controls an investee, if and only if the company has all of the following elements:

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

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

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

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

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

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

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

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

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

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

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

An asset is current when it is:

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

The Group classifies all other assets as non-current.

A liability is current when:

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

All other liabilities are classified as non-current.

C. Financial instruments

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

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

C.1. Financial assets

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

Initial measurement of the financial asset

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

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Subsequent measurement of the financial asset

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

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

De-recognition of financial assets

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

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

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

Impairment of financial assets

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

C.2 Financial liabilities

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

De-recognition of financial liabilities

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

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C.3 Reclassification of financial assets and liabilities:

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

D. Equity, reserves and dividends payments

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

Retained earnings include all current and prior periods profits,

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

E. Dividends payments

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

F. Trade receivables

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

G. Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in hand and short-term deposits with a maturity of three month or less.

For purposes of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, demand deposits and cash at banks.

H. Lease Contracts

As a lessee

Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases in the statement of financial position.

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

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

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

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

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

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

As a lessor

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

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

I. Property, plant and equipment

I.1 Recognition and measurement

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

I.2 Subsequent costs

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

I.3 Depreciation

Depreciation charge is recognized in the Interim condensed 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:

<u>Item</u>	<u>Useful lives (years)</u>
Machinery and equipment	5-10
Buildings and constructions	25 years or contract period whichever less
Transportation	5-7
Computer hardware and systems	3-10
Furniture and fixtures	2-10
Leasehold improvements	10 or contract period whichever less

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

I.4 Capital work in progress:

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

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J. Investment properties

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

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

K. Impairment of non-financial assets

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

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

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

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

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

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

L. Intangible assets

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

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

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

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M. Investments in associates and Joint venture

-An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

-A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

-The results and assets and liabilities of associates or joint ventures are incorporated in these Consolidated Financial Statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognized in the Consolidated Statement of Financial Position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that an associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, the Group resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

-An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of associate's or joint venture's identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in the Consolidated Statement of Profit or Loss in the period in which the investment is acquired.

-When a Group entity transacts with an associate or a joint venture of the Group, profits or losses resulting from the transactions with the associate or joint venture are recognized in the Group's Consolidated Financial Statements only to the extent of interests in the associate or joint venture that are not related to the Group.

N. Revenue

N1. Sales revenue recognition

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

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

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

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

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

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

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

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

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

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

N2. Incentives and other benefits from suppliers:

- Revenue of opening fees agreed upon with the suppliers at the opening of the branch is recognized and deducted from the cost of the goods sold.
- The incentives and earned benefits from suppliers are recognized on an accrual basis according to the contracts signed with the suppliers. For the presentation purposes, the incentives and earned benefits are deducted from the cost of the goods sold.
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N3. Other income

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

N4. Customer loyalty program (Iktissab)

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

O. Inventory and spare Parts

O.1 Inventories:

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

O.2. 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.

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

P. Assets held for sale

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

Q. Provisions

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

R. Employees' end-of-service benefits obligation

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

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

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

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

S. Long-term loans

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

T. Borrowing costs

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

U. Accounts payable and accruals

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

V. Foreign currency transactions

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

Translation differences on settlement of non-monetary items and retranslation of, monetary items are included in the Interim condensed 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 Interim condensed consolidated statement of comprehensive income.

ABDULLAH AL-OTHAIM MARKETS COMPANY

(A Saudi Joint Stock Company)

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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 Interim condensed consolidated statement of income during the period at which foreign operations are disposed of, Goodwill and change in fair value resulting from acquisitions of foreign companies are treated as foreign companies' assets and liabilities and translated using the exchange rate prevailing at the financial reporting date.

W. Segmental information

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

X. Offset

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

Y. Zakat and taxes

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

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

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

	<u>Properties</u>								<u>Total</u>
	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Motor Vehicles</u>	<u>Computers</u>	<u>Furniture and fixtures</u>	<u>Leasehold improvements</u>	<u>Capital work in progress</u>	
<u>Cost</u>									
As at 1 January 2021	482,774,626	560,676,458	544,562,704	120,965,919	211,659,233	299,187,217	314,245,569	40,855,080	2,574,926,806
Additions	25,775,573	556,953	29,702,625	9,766,079	15,079,569	17,391,187	2,010,772	52,142,920	152,425,678
Transferred from capital work in progress	-	3,091,400	4,913,472	-	4,403,857	8,623,594	24,529,524	(45,561,847)	-
Depreciation charged on capital work	-	-	-	-	-	-	-	45,980	45,980
Transfers to Investment properties	-	(11,508,095)	-	-	-	-	-	-	(11,508,095)
Disposals	-	(2,965,260)	(8,619,730)	(1,671,100)	(4,262,617)	(6,223,893)	(9,746,900)	(2,999,647)	(36,489,147)
Translation reserve for foreign subsidiary	-	-	37,883	3,323	9,500	905	35,382	60	87,053
As at 31 December 2021	508,550,199	549,851,456	570,596,954	129,064,221	226,889,542	318,979,010	331,074,347	44,482,546	2,679,488,275
<u>Accumulated depreciation</u>									
As at 1 January 2021	-	167,504,775	352,315,915	95,283,660	159,952,272	206,317,614	185,454,243	-	1,166,828,479
Depreciation for the period	-	26,790,852	43,164,332	9,469,909	24,223,962	28,971,500	25,593,264	-	158,213,819
Transfers to Investment properties	-	(6,573,890)	-	-	-	-	-	-	(6,573,890)
Charged on capital work	-	-	66,331	-	(22,797)	1,345	1,101	-	45,980
Disposals	-	(2,965,258)	(8,149,650)	(800,137)	(4,117,375)	(6,117,220)	(9,708,962)	-	(31,858,602)
Translation reserve for foreign subsidiary	-	-	24,217	2,926	8,680	686	20,188	-	56,697
As at 31 December 2021	-	184,756,479	387,421,145	103,956,358	180,044,742	229,173,925	201,359,834	-	1,286,712,483
<u>Net book value</u>									
As at 31 December 2021	508,550,199	365,094,977	183,175,809	25,107,863	46,844,800	89,805,085	129,714,513	44,482,546	1,392,775,792
As at 31 December 2020	482,774,626	393,171,683	192,246,789	25,682,259	51,706,961	92,869,603	128,791,326	40,855,080	1,408,098,327

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

For the three-month and Twelve-month periods ended 31 December 2021

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

	<u>Buildings</u>	<u>Lands</u>	<u>Total</u>
<u>Cost:</u>			
As at 1 January 2021	2,008,228,373	106,659,887	2,114,888,260
Additions	270,978,235	13,413	270,991,648
Disposals	(25,843,795)	-	(25,843,795)
Foreign currency translation differences	78,139	-	78,139
31 December 2021	2,253,440,952	106,673,300	2,360,114,252
<u>Accumulated depreciation:</u>			
As at 1 January 2021	707,054,164	78,253,035	785,307,199
Charged to the period	147,693,143	4,644,303	152,337,446
Disposals	(20,280,500)	-	(20,280,500)
Foreign currency translation differences	30,093	-	30,093
31 December 2021	834,496,900	82,897,338	917,394,238
Net book value as at 31 December 2021	1,418,944,052	23,775,962	1,442,720,014
Net book value as at 31 December 2020	1,301,174,209	28,406,852	1,329,581,061

7. INVESTMENT PROPERTIES

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

	<u>31 December 2021</u>	<u>31 December 2020</u>
<u>Cost</u>		
Balance at the beginning of period/ year	833,002,573	832,155,450
Additions during the period/ year	30,510,460	1,187,117
Disposals during the period/ year	(190,476)	(339,994)
Transfers from property, plant and equipment	11,508,095	-
Balance at the end of period/ year	874,830,652	833,002,573
<u>Accumulated depreciation</u>		
Balance at the beginning of period/ year	242,540,921	216,477,517
Depreciation for the period/ year	26,175,597	26,097,432
Disposals during the period/ year	-	(34,028)
Transfers from property, plant and equipment	6,573,890	-
Balance at the end of period/ year	275,290,408	242,540,921
Net Book Value at the end of the period/ year	599,540,244	590,461,652

- The fair value of investment properties as at 31 December 2021 amounted to SAR 1,006 million SR (31 December 2020: SR 979 million), were assessed by a qualified and independent experts.

The following is the information about the real estate valuers:

Name :	Yard For Real Estate Valuation Company
Qualifications :	Membership of Saudi Authority for Accredited Valuers
License number :	1210000176
Name :	Olat & Partner For Real Estate Valuation Company
Qualifications :	Membership of Saudi Authority for Accredited Valuers
License number :	1210000397
Name :	Tasneef For Real Estate Valuation
Qualifications :	Membership of Saudi Authority for Accredited Valuers
License number :	1210000254
Name :	Fahd Sulaiman Al-Mushaiti For Real Estate Valuation
Qualifications :	Membership of Saudi Authority for Accredited Valuers
License number :	1210001184

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

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*(All amounts are presented in Saudi riyals unless otherwise indicated)***8. INTANGIBLE ASSETS**

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

	31 December 2021	31 December 2020
<u>Cost</u>		
Balance at the beginning of period/ year	10,286,839	20,123,540
Additions	-	318,299
Disposal	-	(10,155,000)
Balance at the end of period/ year	10,286,839	10,286,839
<u>Accumulated amortization</u>		
Balance at the beginning of period/ year	6,813,775	15,480,899
Amortization charged during the period/ year	867,177	1,487,876
Disposal	-	(10,155,000)
Balance at the end of period/ year	7,680,952	6,813,775
Net book value for the period/ year	2,605,887	3,473,064

9. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE

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

Associate company	Country of Incorporation	<u>Ownership</u>	
		31 December 2021	31 December 2020
Abdullah Al-Othaim for Investment Company ⁽¹⁾	Kingdom of Saudi Arabia	13.653%	13.653%
AlWousta Food Services Company	Kingdom of Saudi Arabia	25%	25%
Riyadh Food Industries Company ⁽²⁾	Kingdom of Saudi Arabia	55%	55%
Gulf Flour Milling Industrial Company – Joint venture ⁽³⁾	Kingdom of Saudi Arabia	33.333%	-

- (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).
- (3) The main activities of the company are packaging and grinding grains, flour manufacturing, feed manufacturing, and storage in grain silos, in accordance with the ministry of investment license number 101034210105632, dated 15/10/1442 H, corresponding to 27/05/2021 G. It has been classified as an investment in joint arrangements as a joint venture.

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

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*(All amounts are presented in Saudi riyals unless otherwise indicated)***A. Summary of movements in investment during the period/year:**

	31 December 2021	31 December 2020
Opening balance	267,138,201	262,397,200
Share in associate's net profit	37,719,158	19,561,729
Additions	50,000,000	-
Cash dividends	-	(13,653,850)
Share of other comprehensive income of the associate	(68,281)	(1,166,878)
	354,789,078	267,138,201

B. Investments in associates and joint arrangement are as follows:

<u>Associate Company</u>	31 December 2021	31 December 2020
Abdullah Al-Othaim for Investment Company	234,567,408	200,077,127
AlWousta Food Services Company	25,964,944	24,426,703
Riyadh Food Industries Company	43,056,727	42,634,371
Gulf Flour Milling Industrial Copmany – Joint venture	51,199,999	-
	354,789,078	267,138,201

10. CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Cash on hand	36,806,715	30,675,006
Cash at banks	145,936,636	247,089,770
	182,743,351	277,764,776

11. STATUTORY RESERVE

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

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

	31 December 2021	31 December 2020
Balance at the beginning of period/ year	171,440,559	139,689,218
Cost of service and cost of discount factor for the period/ year	39,970,574	31,498,996
Payments during the period/ year	(9,730,063)	(7,100,720)
Actuarial losses from remeasurement of end of service benefits	5,443,030	7,353,065
	207,124,100	171,440,559

13. LOANS AND MURABAHAT

Islamic bank facilities (Murabaha) are secured by a promissory note in the name of Abdullah Al-Othaim Markets Company. The bank facilities (Murabaha) are due during the money period. Islamic bank facilities (Murabaha) for use but used on December 31, 2021 G amounted to 1,275 million Saudi riyals (December 31 2020 G: 1,375 million Saudi riyals).

ABDULLAH AL-OTHAIM MARKETS COMPANY

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

14. RELATED PARTIES

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

<u>Related party</u>	<u>Nature of relationship</u>
Al-Othaim Holding Company	Founding Shareholder
Abdullah Al-Othaim for Investment Company	Associate
AlWousta Food Services Company	Associate
Riyadh Food Industries Company	Associate
General Organization of Social Insurance	Related to a Board member
Almarai Company	Related to a Board member
Al-Jouf Agricultural Development Company	Related to a Board member
The Arabic Company for Agricultural Services "ARASCO"	Related to a Board member
Jarir Marketing Company	Related to a Board member
Abdullah Al-Othaim for Fashion Company	Subsidiary of an associate
Members of the board of directors and senior executives	Company Management
Musanada for recruitment and employment inside Co.- Egypt	Related party to an executive
Dani Trading Company	Related to a prior Board member
Abdullah Al-Othaim for Entertainment Company	Subsidiary of an associate
Emtiyaz Al Riyadh	Subsidiary of an associate
Rimal Alsawahil for Contracting and Maintenance	Related to a Board member of subsidiary company

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

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*(All amounts are presented in Saudi riyals unless otherwise indicated)***Transactions with related parties for the twelve-month period ended 31 December 2021 are as follows:**

Related party	Rent expense	Rent revenue	Merchandise purchases	Manpower service and other revenues	Manpower service and other costs
Al-Othaim Holding Company	10,000	710,050	-	4,422,957	-
Abdullah Al-Othaim for Investment Company	13,630,410	35,674,500	-	587,445	9,888,201
AlWousta Food Services Company	-	600,000	-	-	-
Riyadh Foods Industries Company	-	-	102,092,138	865,757	-
General Organization of Social Insurance	5,735,346	-	-	-	-
Almarai Company	-	-	489,178,787	-	-
Al-Jouf Agricultural Development Company	-	-	17,511,586	-	-
The Arabic Company for Agricultural Services "ARASCO"	-	-	18,074,323	-	-
Jarir Marketing Company	-	-	210,921	-	-
Abdullah Al-Othaim for Fashion Company	-	175,525	-	465,021	-
Rimal Alsawahil for Contracting and Maintenance	-	-	-	16,580,336	-
Dani Trading Company	-	673,000	-	-	-
Abdullah Al-Othaim for Entertainment Company	-	1,524,911	-	276,148	-
Emtiyaz Al Riyadh	-	-	-	294,812	-

Transactions with related parties for the twelve-month period ended 31 December 2020 are as follows

Related party	Rent expense	Rent revenue	Merchandise purchases	Manpower service and other revenues	Manpower service and other costs
Al-Othaim Holding Company	10,000	710,050	-	373,755	-
Abdullah Al-Othaim for Investment Company	13,939,620	35,674,500	-	7,233,956	14,038,210
AlWousta Food Services Company	-	600,000	-	-	-
Riyadh Foods Industries Company	-	-	130,408,485	1,302,422	-
General Organization of Social Insurance	5,735,346	-	-	-	-
Almarai Company	-	-	449,464,145	-	-
Al-Jouf Agricultural Development Company	-	-	5,838,952	-	-
The Arabic Company for Agricultural Services "ARASCO"	-	-	17,501,612	-	-
Jarir Marketing Company	-	-	345,899	-	-
Abdullah Al-Othaim for Fashion Company	-	175,525	-	1,673,370	-
Musanda for recruitment and employment Co. Egypt	-	-	-	-	106,058
Rimal Alsawahil for Contracting and Maintenance	-	-	-	16,938,079	-
Dani Trading Company	-	673,000	-	-	-
Abdullah Al-Othaim for Entertainment Company	-	1,524,911	-	347,308	-
Emtiyaz Al Riyadh	-	-	-	354,757	-
Altazij company	-	-	-	207,402	-

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*(All amounts are presented in Saudi riyals unless otherwise indicated)***Board members and senior executives' benefits during the period**

	Charged to comprehensive income	
	31 December 2021	31 December 2020
Short term benefits	19,520,420	18,517,581
Post-employment benefits	1,265,031	289,469
	20,785,451	18,807,083

Below are the balances due from/to related parties**Due from related parties (included in prepayments and other receivables):**

	31 December 2021	31 December 2020
Rimal Alsawahil for Contracting and Maintenance	1,903,156	5,960,821
Riyadh Foods Industries Company	82,995	102,707
Abdullah Al-Othaim for Fashion Company	-	939,671
Al-Othaim Holding Company	261,965	222,977
Abdullah Al-Othaim for Entertainment Company	91,770	50,552
Emtiyaz Al Riyadh	56,419	61,218
Gulf Flour Milling Industrial Company	1,000	-
	2,397,305	7,337,946

Due to related parties (included in accruals and other payables):

	31 December 2021	31 December 2020
Riyadh Foods Industries Company	26,874,053	29,522,202
Abdullah Al-Othaim for Investment Company	4,678,282	2,596,500
Al-Othaim Holding Company	-	56
Almarai Company	93,523,741	57,782,305
Al-Jouf Agricultural Development Company	5,994,069	2,121,992
The Arabic Company for Agricultural Services "ARASCO	3,288,201	4,346,900
Jarir Marketing Company	1,739	8,968
	134,360,085	96,378,923

15. ZAKAT PROVISION

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

	31 December 2021	31 December 2020
Balance at the beginning of period/ year	26,353,223	20,684,424
Charge for the period/ year continuing operations	11,327,268	16,221,417
Charge for the period/ year discontinued operations	-	137,104
Disposal during the period / year	(3,445,728)	-
Payments for the period/ year	(20,395,561)	(10,689,722)
Balance at the end of period/ year	13,839,202	26,353,223

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

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- The Company had submitted its consolidated Zakat declarations for all years up to 2020 and paid zakat obligations accordingly.
- The Company had requested the Authority to finalize the Zakat position of the Company and issue the final Zakat assessments for the years 2012 and 2013. The Zakat assessments has not yet been issued.
- On 26 August 2020 the Company has received the Zakat assessment from the Zakat, Tax and Customs Authority for the fiscal year 2014 with an amount of SR 678.6 thousand. The Company has submitted its objection to those assessment decisions within the statutory time limits.
- The company had made the final zakat assessment for the years from 2015 to 2018 during 2021.

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

Earnings per share for the ordinary shareholders for the period ended 31 December 2021, 2020, are calculated based on the weighted average number of shares outstanding during those periods. Diluted earnings per share is the same as the basic earnings per share because the company does not have any issued dilutive instruments

17. SEGMENTAL INFORMATION

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

a. The selected information for each business segment for the three-month and twelve-month period ended 31 December 2021 are summarized below:

<u>Item</u>	<u>Retail and wholesale</u>	<u>Real estate and leasing</u>	<u>Other</u>	<u>Total</u>
Property, plant and equipment, net	1,387,575,267		5,200,525	1,392,775,792
Right of use of leased assets	1,407,759,644	32,303,479	2,656,891	1,442,720,014
Investment properties, net	-	599,540,244	-	599,540,244
Intangible assets, net	1,873,893	-	731,994	2,605,887
Assets held for sale	-	-	1,026,132	1,026,132
Total assets	3,882,337,223	638,538,338	576,886,300	5,102,283,810
Total liabilities	3,504,470,218	90,845,131	91,475,728	3,691,662,362
Sales	8,194,345,833	-	257,264,922	8,451,610,755
Sales outside the Group	8,194,345,833	-	208,897,209	8,403,243,042
Rental income from outside the Group	-	143,183,092	-	143,183,092
Sales and revenues - Inter segments	-	177,713	48,367,713	48,545,426
Total revenue, sales commissions and net rental income	1,728,971,288	85,445,276	36,517,917	1,850,934,481
Operating Income	265,730,390	85,445,276	(5,391,615)	345,784,051

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

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*(All amounts are presented in Saudi riyals unless otherwise indicated)***b. Distribution of retail and wholesale sales revenues and rental income on geographical regions as follows:**

Geographical area	For twelve-month period ended 31 December 2021					
	Retail and wholesale	Percentage %	Rental income	Percentage %	Other	Percentage %
Central region - Saudi Arabia	5,133,950,996	%62.7	75,670,509	%52.8	208,897,210	%100.00
Eastern region - Saudi Arabia	847,489,379	%10.3	54,118,428	%37.8	-	-
Southern region - Saudi Arabia	1,045,228,111	%12.8	4,567,182	%3.2	-	-
Northern region - Saudi Arabia	524,508,378	%6.4	5,091,547	%3.6	-	-
Western region - Saudi Arabia	428,689,257	%5.2	3,188,881	%2.2	-	-
Egypt	214,479,711	%2.6	546,545	%0.4	-	-
Total	8,194,345,832	100%	143,183,092	100%	208,897,210	100%

c. Rental income, net

	31 December 2021	31 December 2020
Shop rental revenue	114,569,670	87,821,184
Marketing rental revenue	28,613,423	25,609,270
Total rental revenue	143,183,093	113,430,454
Renting expenses	(57,737,817)	(59,611,569)
	85,445,276	53,818,885

18. CONTINGENCIES AND COMMITMENTS

The Company has the following contingent liabilities and capital commitments:

Details	31 December 2021	31 December 2020
Letters of credit	75,744,816	42,259,778
Letters of guarantee	112,814,955	64,070,014
Commitments on capital work in progress	69,889,474	45,595,372

19. Financial Instruments - Risk Management

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

Foreign currencies exchange risk

Foreign currency risk arises from changes and fluctuations in the value of financial instruments as a result of changes in foreign exchange rates. The Group did not perform significant transactions in currencies other than the Saudi Riyal, US Dollar, Arab Emirates Dirham and Egyptian Pound. Since the Saudi riyal and AED is pegged against the US dollar, it does not represent significant currency risk. The Group's policy is, where possible, to allow group entities to settle liabilities denominated in their functional currencies with the cash generated from their own operations in those currencies.

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Where group entities have liabilities denominated in currencies other than their respective functional currencies (and have insufficient reserves of that currency to settle them), cash denominated in that currencies will, where possible, be transferred from elsewhere within the Group. In order to monitor the continuing effectiveness of this policy, the management is making a periodic forecast, analyzed by the major currencies held by the Group, of liabilities due for settlement and expected cash reserves

The Group's management monitors currency exchange rates and believes that currency risk is immaterial.

Credit risk

Credit risk is the risk that one party in a financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss. The financial instruments of the Company that may be exposed to credit risks principally include receivables, due from related parties and cash and cash equivalents. The carrying amount of financial assets represents the maximum exposure to credit risk

Trade receivables and due from related parties

The Group's exposure to credit risk is influenced mainly by the individual characteristics of "trade receivables and due from related parties" separately. However, the management does not expect to be exposed to significant credit risk from trade receivables because it has a broad base of clients operating in different activities and multiple locations, and it also monitors outstanding receivables periodically.

Cash and cash equivalents

The group deposits its funds in reliable and high creditworthy financial banks. Liquidity risk is the risk that the Group will encounter difficulty in not fulfilling its obligations associated with its financial liabilities that are settled by paying cash or other financial assets. The group also has a policy regarding the amount of funds deposited in each bank and the group's approach to managing liquidity aims to ensure that it has sufficient liquidity continuously and as much as possible to fulfill its obligations under normal and critical circumstances, without incurring unacceptable losses or endangering the group's reputation. Management does not expect significant credit risks to arise from this.

Liquidity risk

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

Fair value

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

- The Company management considers that the fair value of short-term financial assets and liabilities approximates their carrying amount due to their short-term maturities.
- The management has estimated that the fair value of long-term loans and murabaha is close to their carrying amount, as the commission rates on these loans are floating and changes with the change in the market commission rate (*SIBOR*).

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The following table shows the analysis of items recorded at fair value according to the level of the fair value hierarchy measurement:

As of 31 December 2021,	<u>The first level</u>	<u>the second level</u>	<u>the third level</u>
Equity instruments at fair value through other comprehensive income	-	-	2,723,734

As of 31 December 2020,	<u>The first level</u>	<u>the second level</u>	<u>the third level</u>
Equity instruments at fair value through other comprehensive income	-	-	3,398,734

- Equity instruments measured 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

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 actual interest rates and the periods which the financial assets and liabilities are reprised or matured are indicated in the related notes.

20. NEW CORONA VIRUS AND FINANCIAL IMPACT

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

The government lifted restrictions on most of the commercial and social activities. From time to time, the government takes decisions to impose or mitigate restrictions and precautionary measures, depending on the developments in the epidemiological situation.

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

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

21. COMPARATIVE FIGURES

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

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22. DIVIDENDS

- On 26 August 2021, the board of directors has decided by circulation to distribute an interim cash dividends to the shareholders for the First half of the fiscal year 2021 at a rate of SR (2) per share with a total amount of SR (180) million. The dividends were paid during the third quarter of 2021.
- On 13 March 2021, the board of directors has decided by circulation to distribute an interim cash dividends to the shareholders for the second half of the fiscal year 2020 at a rate of SR (3) per share with a total amount of SR (270) million. The dividends were paid during the second quarter of 2021.
- On 15 September 2020, the board of directors has decided by circulation to distribute an interim cash dividends to the shareholders for the first half of the fiscal year 2020 at a rate of SR (3) per share with a total amount of SR (270) million. The dividends were paid during the third quarter of 2020.
- On 17 March 2020, the board of directors has decided to distribute an interim cash dividends to the shareholders for the fourth quarter of the fiscal year 2019 at a rate of SR (1.5) per share with a total amount of SR (135) million. The dividends were paid during the second quarter of 2020.
- On 2 June 2021 the General Assembly Meeting of shareholders of Mueen Human Resources Company (subsidiary) decided to distribute dividends to the company shareholders for the fiscal year-end 31 December 2020 with a total amount of SR 31,000,000 of which SR 9,920,000 million represent distribution to non-controlling interests.

23. SIGNIFICANT EVENTS

- On 18 April 2021 the Board of Directors decided to enter into a consortium consisting of Abdullah Al-Othaim Markets Company, Allana International Company and United Feed Manufacturing Company for the purpose of submitting a joint bid with equal shares to acquire one of the two wheat milling companies offered for privatization by the National Center for Privatization in a public competition namely the Second Milling Company and the Fourth Milling Company
- On 22 April 2021 the Consortium received a Notification of award from the Grains Privatization Committee indicating the acceptance of the bidding offer provided by the Consortium to acquire the Fourth Milling Company against an amount of SAR 859 million.
- On 15 June 2021, the Consortium members established a holding company under the name of (Gulf Flour Milling Industrial Company LLC) with a capital of three million Saudi riyals (later raised to 150 million Saudi Riyals) divided equally among the consortium members who paid the capital in full.
- On July 13, 2021, Gulf Flour Milling Industrial Company LLC signed an agreement to purchase the shares of Fourth Milling Company with the National Center for Privatization, and on November 30, 2021, Gulf Flour Milling Industrial Company signed an agreement with the National Center for Privatization, according to which the shares of Fourth Milling Company were transferred to Gulf Flour Milling Industrial Company, This resulted in an increase in the company's purchase price in accordance with the share purchase agreement, bringing the purchase price to 912.4 million Saudi riyals.

24. APPROVAL OF THE Interim condensed consolidated FINANCIAL STATEMENTS

The Interim condensed consolidated financial statements were approved by the Board of director on 6 Rajab 1443 (H) Corresponding to 7 Feb 2022 G.