

**ABDULLAH AL-OTHAIM MARKETS
COMPANY**

(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTHS AND NINE - MONTHS
PERIOD ENDED 30 SEPTEMBER 2019
AND REVIEW REPORT FOR INTERIM
CONDENSED CONSOLIDATED FINANCIAL
INFORMATION**

ABDULLAH AL-OTHAIM MARKETS COMPANY

(A Saudi Joint Stock Company)

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Report on review of 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, collectively referred as the “Group” as of 30 September 2019 and the related interim condensed consolidated statements of income and other comprehensive income, statements of changes in shareholders’ equity and cash flows for the three and the nine-months period then ended and a summary of significant accounting policies. 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*” endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.


Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements (2410), “*Review of Interim Financial Information Performed by the Independent Auditor*”, 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 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 are not prepared in all material respects in accordance with IAS (34) endorsed in the Kingdom of Saudi Arabia.

For Dr. Mohamed Al-Amri & Co.


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



07 Rabi' Al- Awwal 1441 (H)
04 November 2019 (G)

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

	Note	As of 30 September 2019 (UnAudited)	As of 31 December 2018 (Audited)
<u>ASSETS</u>			
Non-current assets			
Property, plant and equipment, net	6	1,452,666,741	1,459,117,727
Right of use of leased assets	7	1,114,116,457	-
Investment properties, net	8	594,775,080	606,334,021
Intangible assets, net	9	4,565,887	5,914,554
Investments in associates	10	266,665,415	250,461,747
Equity instruments at fair value through other comprehensive income	11	9,783,212	9,833,133
Total non-current assets		3,442,572,792	2,331,661,182
Current assets			
Inventories, net		746,192,400	823,797,653
Financial assets at amortized cost		7,874,445	7,705,556
Prepayments and other receivables, net		192,790,187	217,643,555
Trade receivables, net		75,360,605	47,706,561
Cash and cash equivalents	12	238,858,375	219,226,055
Total current assets		1,261,076,012	1,316,079,380
TOTAL ASSETS		4,703,648,804	3,647,740,562
<u>LIABILITIES AND EQUITY</u>			
<u>EQUITY</u>			
Paid-in share capital		900,000,000	900,000,000
Statutory reserve	13	30,260,138	30,260,138
Retained earnings		558,813,815	738,600,887
Fair value reserve		(6,173,926)	(6,124,005)
Exchange differences on translation of foreign operations		(5,644,629)	(3,961,256)
The Company's share in other comprehensive income of associates		(395,269)	976,226
Equity attributable to shareholders of the Company		1,476,860,129	1,659,751,990
Non-controlling interests		42,831,261	39,696,754
Total equity		1,519,691,390	1,699,448,744
Non-current liabilities			
Lease contracts liabilities		999,594,012	-
Obligation for employees' end-of-service benefits	15	134,542,761	120,876,329
Total non-current liabilities		1,134,136,773	120,876,329
Current liabilities			
Trade Payables		1,288,882,899	1,410,155,294
Short term loans and murabahat	14	171,941,828	-
Lease contracts liabilities		170,975,192	-
Accruals and other payables		401,961,893	398,111,454
Provision for zakat	17	16,058,829	19,148,741
Total current liabilities		2,049,820,641	1,827,415,489
TOTAL LIABILITIES		3,183,957,414	1,948,291,818
TOTAL LIABILITIES AND EQUITY		4,703,648,804	3,647,740,562

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

Chief Executive Officer

Chairman

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

		For the three-months period ended 30 September		For the nine-months period ended 30 September	
	<u>Not</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<u>e</u>				
Net sales	19	1,937,352,002	1,744,686,181	6,068,609,303	5,565,419,434
Cost of sales		(1,539,023,887)	(1,404,905,015)	(4,889,384,823)	(4,509,090,572)
Gross profit		398,328,115	339,781,166	1,179,224,480	1,056,328,862
Rental income, net		20,071,526	18,728,419	60,406,747	58,116,853
Vouchers sales commissions		634,079	454,061	1,652,334	2,339,333
Selling and marketing expenses		(305,364,705)	(290,621,725)	(924,306,798)	(864,271,276)
General and administrative expenses		(29,141,647)	(23,270,252)	(87,535,443)	(76,254,688)
Operating profit		84,527,368	45,071,669	229,441,320	176,259,084
The Company's share in income of associates	10	12,070,967	13,533,730	27,784,907	29,971,603
Income from financial assets at amortized cost and others		494,702	194,446	1,839,534	433,909
Financing costs of lease contracts liabilities		(15,686,379)	-	(44,985,204)	-
Finance charges, net		(1,823,017)	(2,672,913)	(2,249,939)	(3,479,953)
Other income and expenses , net		(1,331,445)	1,061,583	(31,627)	2,511,659
Income before zakat		78,252,196	57,188,515	211,798,991	205,696,302
Zakat	17	(2,043,814)	(1,311,609)	(6,217,357)	(5,479,974)
Net income for the period		76,208,382	55,876,906	205,581,634	200,216,328
<u>Attributable to:</u>					
Shareholders of the Company		75,381,526	54,311,001	202,447,127	195,680,135
Non-controlling interests		826,856	1,565,905	3,134,507	4,536,193
		76,208,382	55,876,906	205,581,634	200,216,328
<u>Earnings per share</u>					
Basic and diluted earnings per share from the net income attributable to the shareholders of the Company	18	0.84	0.60	2.25	2.17

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

Chief Executive Officer

Chairman

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

	Note	For the three-months period ended 30 September		For the nine-months period ended 30 September	
		2019	2018	2019	2018
Net income for the period		76,208,382	55,876,906	205,581,634	200,216,328
Other comprehensive income for the period					
Items not to be reclassified to income:					
Net changes in fair value of equity instruments measured at fair value through other comprehensive income		(311,360)	(691,048)	(49,921)	(1,680,353)
Actuarial gains (losses) for employees' end of service benefits	15	1,466,366	994,352	2,697,094	448,839
Items to be reclassified to income:					
Exchange differences on translation of foreign operations		(564,739)	30,625	(1,683,373)	47,508
The Company's share in other comprehensive income of associates		(172,601)	(32,960)	(1,399,845)	(224,715)
Other comprehensive income for the period		417,666	300,969	(436,045)	(1,408,721)
Total comprehensive income for the period		76,626,048	56,177,875	205,145,589	198,807,607
<u>Attributable to:</u>					
Shareholders of the Company		75,799,192	54,611,970	202,011,082	194,271,414
Non-controlling interests		826,856	1,565,905	3,134,507	4,536,193
		76,626,048	56,177,875	205,145,589	198,807,607

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

Chief Executive Officer

Chairman

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

	Equity attributable to Shareholders of the Company								Total equity
	Share capital	statutory reserve	Retained earnings	Fair value reserve	Exchange differences on translation of foreign operations	Company's share in other comprehensive income of associates	Equity attributable to shareholders of the Company	Non-controlling interests	
<u>For the nine months period ended 30 September 2019</u>									
Balance as at 1 January 2019 (Audited)	900,000,000	30,260,138	738,600,887	(6,124,005)	(3,961,256)	976,226	1,659,751,990	39,696,754	1,699,448,744
Impact of applying IFRS 16	-	-	(114,902,943)	-	-	-	(114,902,943)	-	(114,902,943)
Balance as at 1 January 2019 (Restated)	900,000,000	30,260,138	623,697,944	(6,124,005)	(3,961,256)	976,226	1,544,849,047	39,696,754	1,584,545,801
Net income for the period	-	-	202,447,127	-	-	-	202,447,127	3,134,507	205,581,634
Items of other comprehensive income	-	-	2,697,094	(49,921)	(1,683,373)	(1,399,845)	(436,045)	-	(436,045)
Total comprehensive income for the period	-	-	205,144,221	(49,921)	(1,683,373)	(1,399,845)	202,011,082	3,134,507	205,145,589
The Company's share in other comprehensive income of associates	-	-	(28,350)	-	-	28,350	-	-	-
Cash dividends (Note 23)	-	-	(270,000,000)	-	-	-	(270,000,000)	-	(270,000,000)
Balance as at 30 September 2019	900,000,000	30,260,138	558,813,815	(6,173,926)	(5,644,629)	(395,269)	1,476,860,129	42,831,261	1,519,691,390
<u>For the nine months period ended 30 September 2018</u>									
Balance as at 1 January 2018 (Audited)	450,000,000	112,518,350	939,269,282	(4,226,232)	(4,015,275)	1,300,907	1,494,847,032	32,886,655	1,527,733,687
Net income	-	-	195,680,135	-	-	-	195,680,135	4,536,193	200,216,328
Items of other comprehensive income	-	-	448,839	(1,680,353)	47,508	(224,715)	(1,408,721)	-	(1,408,721)
Total comprehensive income for the period	-	-	196,128,974	(1,680,353)	47,508	(224,715)	194,271,414	4,536,193	198,807,607
Transfer to capital	450,000,000	(112,518,350)	(337,481,650)	-	-	-	-	-	-
Cash dividends (Note 23)	-	-	(135,000,000)	-	-	-	(135,000,000)	-	(135,000,000)
Balance as at 30 September 2018	900,000,000	-	662,916,606	(5,906,585)	(3,967,767)	1,076,192	1,554,118,446	37,422,848	1,591,541,294

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

Chief Executive Officer

Chairman

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

	For the nine-months period ended 30 September	
	2019	2018
<u>OPERATING ACTIVITIES</u>		
Income before zakat	211,798,991	205,696,302
<i>Adjustments</i>		
Finance charges/net	47,235,143	3,479,953
Depreciation & amortization	233,948,143	134,915,412
Provision for obsolete and slow moving inventories	(1,281,705)	5,875,306
Provision for doubtful debts	5,477,226	(479,859)
Obligation for employees' end-of-service benefits	20,619,339	17,143,755
loss on sale of property, plant and equipment	306,342	410,465
Foreign currency translation differences	(2,802,274)	90,555
The Company's share in income of associates	(27,784,907)	(29,971,603)
Income from financial assets at amortized cost and others	(1,839,534)	-
<i>Changes in:</i>		
Inventories/net	78,886,958	4,749,904
Trade receivables	(33,131,270)	(25,906,377)
Prepayments and other receivables	(33,149,701)	(61,924,347)
Trade payables	(112,808,206)	12,181,430
Accruals and other payables	3,850,439	45,520,244
	389,324,984	311,781,140
Zakat Paid	(9,307,269)	(13,093,642)
End of service benefits Paid	(4,255,813)	(2,990,735)
Net cash from operating activities	375,761,902	295,696,763
<u>INVESTING ACTIVITIES</u>		
Additions to property, plant and equipment	(121,541,028)	(166,224,273)
Additions to investment properties	(339,770)	(125,280,492)
Proceeds from sale of property, plant and equipment	729,510	953,451
Net cash used in investing activities	(121,151,288)	(290,551,314)
<u>FINANCING ACTIVITIES</u>		
Proceeds from loans and murabahat	669,615,301	694,723,816
Repayments of loans and murabahat	(497,673,473)	(632,614,201)
Payments of lease contracts liabilities	(89,684,979)	-
Financing charges paid	(47,235,143)	(3,965,176)
Dividends paid	(270,000,000)	(135,000,000)
Net cash used in financing activities	(234,978,294)	(76,855,561)
Net change in cash and cash equivalents	19,632,320	(71,710,112)
Cash and cash equivalents at the beginning of the period	219,226,055	263,952,447
Cash and cash equivalents at the end of the period	238,858,375	192,242,335

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

Chief Executive Officer

Chairman

ABDULLAH AL-OTHAIM MARKETS COMPANY

A Saudi Joint Stock Company

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three - months and nine - months periods ended 30 September 2019

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

1- INFORMATION ABOUT THE COMPANY

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

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

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

Name	Country of incorporation	Main Activity	Effective ownership percentage	
			SEPTEMBER 2019	DECEMBER 2018
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 Jazeera Company	Saudi Arabia	General contracting and operation of commercial complexes	100	100
Mueen For Human Resources Company	Saudi Arabia	Labor services	68	68

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.

ABDULLAH AL-OTHAIM MARKETS COMPANY

A Saudi Joint Stock Company

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three - months and nine - months periods ended 30 September 2019

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

Seven Services Company

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

Bayt Al Watan Company

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

Marafeq Al Tashgheel Company

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

Abdullah AL Othaim Markets - Egypt:

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

Thamarat Al Qassim Company

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

Shurofat Al Jazeerah Company

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

Mueen For Human Resources Company

A closed joint stock company that operates under commercial registration number 1010435202 issued in Riyadh on 6 Ramadan 1436H (corresponding to 23 September 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 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).

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

ABDULLAH AL-OTHAIM MARKETS COMPANY

A Saudi Joint Stock Company

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three - months and nine - months periods ended 30 September 2019

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

The interim condensed consolidated financial statements do not include all the disclosures that are usually attached to the annual consolidated financial statements. Therefore, they should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2018.

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

2-2 Basis of measurement

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

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

2-3 Functional and presentation currency

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

2-4 Fair value measurement

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

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

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair 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 book values approximate fair values significantly.

2-5 Impact of changes in accounting policies due to applying IFRS and new interpretations

Following are new standards, amendments and interpretations effective from 1 January 2019 :

- IFRS (16) “ Lease Contracts”.
- IFRIC (23) “Uncertainty over Income Tax Treatments”.
- Amendments to IFRS (9) “related to Prepayment Features with Negative Compensation ”.
- Amendments to IAS (28) “Long-term Investments in Associates and Joint Ventures.
- Amendments to IAS (19) “Plan Amendment, Curtailment or Settlement .
- IFRS (11) “Joint Arrangements” Held Interests in a joint operation.

ABDULLAH AL-OTHAIM MARKETS COMPANY

A Saudi Joint Stock Company

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three - months and nine - months periods ended 30 September 2019

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

- IAS (12) “Income Taxes” related to Income Tax Consequences of Payments on Financial Instruments Classified as Equity .
- IAS (23) “Borrowing Costs” Borrowing Costs qualified for Capitalization.
- IFRS (3) “Business Combinations” held Interests in a joint operation.

Except for IFRS 16 “Lease Contracts “ (Note 5 below), the above standards, interpretations and amendments have no significant impact on the Group's interim condensed consolidated financial statements.

New issued standards and interpretations but not yet effective

- IFRS (17) “Insurance Contracts “ (Effective date 1 January 2021).
- Amendments to IFRS (3) “Business Combinations”. (Effective date 1 January 2020).

The Group did not approve the early adoption of any of the above mentioned new standards , amendments or interpretations.

3- ACCOUNTING ESTIMATES AND SIGNIFICANT ASSUMPTIONS

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

The key assumptions concerning the future and other key sources of uncertainty estimation at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below. In making its assumptions and estimates, the Company relies on standards available when preparing the 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.

a. Summary of Significant Adopted Accounting Estimates and Assumptions

Useful lives of property, plant and equipment

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

Useful lives of intangible assets

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

Provision for obsolete and slow moving inventory

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

Selling Incentives

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

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Progressive rebate incentives

The Company may receive additional incentives from suppliers according to the volume of purchases during the fiscal year. The Company recognizes these incentives upon realization in accordance with contracts signed with suppliers. The Company management exercises its professional judgement in examining market variables and consumer behavior when estimating the recognition of the incentives at the date of the financial statements. The additional incentives were not recognized for the current period according to the management expectations about incentive realization at the end of the year.

Recoverability

Management estimates the recoverable value of assets to test impairment.

Obligation for employees end of service benefits

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

b. Going concern

The Group has no doubts regarding its capability to continue its operations.

Accordingly, these consolidated financial statements have been prepared on a going concern basis.

4- CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied to these interim condensed consolidated financial statements are the same as those applied to the financial statements for the year ended 31 December 2018. Changes in accounting policies are expected to be reflected in the annual consolidated financial statements for the year ended 31 December 2019.

The Group has adopted IFRS No. 16 "Leases" effective 1 January 2019. There are also other new standards effective 1 January 2019, but have no material impact on the Group's condensed consolidated financial statements.

IFRS 16 "Leases" introduces a single, accounting model for lessees. As a result, the Group, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets in addition to lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has adopted IFRS 16 "Leases" using the revised retrospective method, whereby, the cumulative effect of the initial application is recognized as an adjustment to the opening balance of the retained earnings on the date of the initial application on 1 January 2019. Accordingly, there is no restatement on the financial statements of 2018.

The details of the new significant accounting policies and the nature of the changes to previous accounting policies are set out below :

4-1 Definition of a lease contract

In the past, the Group was determining, at the inception of a contract, whether an arrangement is, or contains, a lease under IFRIC 4, to determine whether an arrangement is, or contains, a lease.

Now, the Group shall assess whether a contract is, or contains, a lease based on the definition of the lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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At initial application, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate at 1 January 2019. Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date of each contract, discounted using the lessee's incremental borrowing rate at the date of initial application.

The Group had used the following exemptions upon the initial application of IFRS 16:

- Not to recognize right-of-use assets and lease liabilities for leases with remaining periods less than 12 months and those for which the underlying assets are of low value.
- Ignoring initial direct costs from measuring the right-of-use asset at the date of initial application.
- Combining non-lease components with lease components and account for them as a single lease component.
- Using hindsight when determining the lease term if the contract contains options to extend or terminate the lease

4-2 As a lessee

The Group had previously classified lease as an operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. 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.

Significant accounting policies

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

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

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

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

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

4-3 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 consideration in the contract to each lease and non-lease component.

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*(All amounts are presented in Saudi riyals, unless otherwise indicated)***4-4 Impact on the statement of financial position as at 30 September 2019****The following table summarizes the impact of adopting IFRS16 on the statement of financial position as at 1 January 2019.**

	Balances – As per IAS 17	Impact of adopting IFRS 16	Balances after adopting IFRS 16
<u>ASSETS</u>			
Non-current assets			
Right of use leased assets	-	1,026,638,307	1,026,638,307
Investments in associates	250,461,747	(10,181,391)	240,280,356
Total non-current assets	250,461,747	1,016,456,916	1,266,918,663
Current assets			
Prepayments and other receivables, net	217,643,555	(59,673,714)	157,969,841
Total current assets	217,643,555	(59,673,714)	157,969,841
TOTAL ASSETS	468,105,302	956,783,202	1,424,888,504
<u>LIABILITIES AND EQUITY</u>			
<u>EQUITY</u>			
Retained earnings	738,600,887	(114,902,943)	623,697,944
Total equity	738,600,887	(114,902,943)	623,697,944
Non-current liabilities			
Lease contracts liabilities	-	914,047,416	914,047,416
Total non-current liabilities	-	914,047,416	914,047,416
Current liabilities			
Trade Payables	1,410,155,294	(8,464,185)	1,401,691,109
Lease contracts liabilities	-	166,102,914	166,102,914
Total current liabilities	1,410,155,294	157,638,729	1,567,794,023
TOTAL LIABILITIES AND EQUITY	2,148,756,181	956,783,202	3,105,539,383

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4-5 Impact on the interim consolidated statement of income for nine -months ended 30 September 2019.

	Balances as per IAS 17	Impact of adopting IFRS 16	Balances after adopting IFRS 16
Net sales	6,068,609,303	-	6,068,609,303
Cost of sales	(4,889,384,823)	-	(4,889,384,823)
Gross profit	1,179,224,480	-	1,179,224,480
Rental income, net	53,967,619	6,439,128	60,406,747
Vouchers sales commissions	1,652,334	-	1,652,334
Selling and marketing expenses	(947,204,205)	22,897,407	(924,306,798)
General and administrative expenses	(87,858,492)	323,049	(87,535,443)
Operating profit	199,781,736	29,659,584	229,441,320
The Company's share in income of associates	27,726,719	58,188	27,784,907
Income from financial assets at amortized cost and others	1,839,534	-	1,839,534
Financing costs of lease contracts liabilities	-	(44,985,204)	(44,985,204)
Financing cost, net	(2,249,939)	-	(2,249,939)
Other income and losses , net	(31,627)	-	(31,627)
Income before zakat	227,066,423	(15,267,432)	211,798,991

5- SUMMARY OF SIGNIFICANT ACCOUNTS POLICIES

The accounting policies used in the preparation of the interim condensed consolidated financial statements as of 30 September 2019 are the same as those followed in the consolidated statement of financial position as at 31 December 2018. Except for the policy adopted in IFRS 16 "Lease Contracts" as detailed in (Note 4), The significant accounting policies used by the Group in preparing the interim condensed consolidated financial statements are as follows:

A. Basis of consolidation

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

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

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

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

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

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 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 profit or loss;
- 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.

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C. Financial instruments

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

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

C.1. Financial assets

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

Initial measurement of the financial asset

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

Subsequent measurement of the financial asset

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

- At amortized cost if the Company's objective is to hold a group of financial debt instruments to collect the contractual cash flows at defined dates that are solely payments of principal and interest on the principal amount outstanding.
- At fair value through the statement of other comprehensive income if the Company's objective is to hold a group of financial 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 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
- The Group transfers the contractual rights to receive the cash flows from the financial asset but neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and the Group surrendered control over the financial asset, or it retained the contractual rights to receive the cash flows from the financial asset but assumed a contractual obligation to pay the cash flows to one or more recipients without transferring substantially all the risks and rewards of ownership of the financial asset, and the Group passed control over the financial asset, or
- The Group transfers the contractual rights to receive the cash flows of the financial asset and transfers substantially all the risks and rewards of ownership of the financial asset, or

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- The Group retains the contractual rights to receive cash flows from the financial asset but assume a contractual obligation to pay the cash flows to one or more recipients and transfer substantially all the risks and rewards of ownership of the financial asset if it does not retain control in financial asset

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

Impairment of financial assets

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

C.2 Financial liabilities

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

De-recognition of financial liabilities

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

C.3 Reclassification of financial assets and liabilities:

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

D. Equity, reserves and dividends payments

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

Retained earnings include all current and prior periods profits.

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

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

E. Dividend payments

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

F. Trade receivables

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

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G. Cash and cash equivalents

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

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

H. Property, plant and equipment

H.1 Recognition and measurement

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

H.2 Subsequent costs

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

H.3 Depreciation

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

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

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

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

H.4 Capital work in 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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I. Investment properties

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

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

J. Impairment testing of non-financial assets

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

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

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

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

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

K. Intangible assets

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

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

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

Intangible assets consist of the costs incurred to obtain the rights to use from the real estate sites for leased markets from the original lessee and are amortized over the lease term. Subsequent to initial recognition, they are measured at cost less accumulated amortization and accumulated impairment losses.

Amortization is charged to the consolidated income statement on a straight-line basis over the useful life of each item of the intangible assets.

L. Investments in associates

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

M. Revenue

M1. Sales revenue recognition

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.

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

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

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

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

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

Accordingly, a contract with a customer is accounted for upon fulfill all the following controls:

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

Incentives and other benefits from suppliers:

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

M2. Other income

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

M3. Customer loyalty program (Iktissab)

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

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N. Inventory and spare Parts

N.1 Inventories:

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

N2. Agricultural stock

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

N3. Spare parts inventory

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

O. Non-current assets held for sale

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

P. Provisions

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

Q. Employees' end-of-service benefits obligation

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

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

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

Past-service costs are recognized immediately in the consolidated statement of comprehensive income.

The present value of the defined benefits 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.

R. Long-term loans

A loan is recognized at net received amount and interests are recognized using the effective interest method. Interests on long-term loans are 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.

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S. Borrowing costs

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

T. Accounts payable and accruals

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

U. Foreign currency transactions

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

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

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

V. 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.

W. Offset

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

X. Zakat and taxes

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

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

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*(All amounts are presented in Saudi riyals unless otherwise indicated)***6. PROPERTY, PLANT AND EQUIPMENT- NET**

	<u>Properties</u>		<u>Machinery and equipment</u>	<u>Motor Vehicles</u>	<u>Computers</u>	<u>Furniture and fixtures</u>	<u>Leasehold improvements</u>	<u>Capital work in progress</u>	<u>Total</u>
	<u>Land</u>	<u>Buildings</u>							
<u>Cost</u>									
As at 1 January 2019	469,111,794	513,224,507	503,263,020	115,444,367	178,538,559	270,961,275	311,119,746	63,368,978	2,425,032,246
Additions	14,032,863	8,890,779	18,580,285	3814,119	14,045,915	18,054,383	1,058,180	43,064,504	121,541,028
Transferred from capital work in progress	-	34,301,841	2,078,534	-	3,334,055	4,878,098	13,963,724	(58,556,252)	-
Transferred to investment properties	-	-	-	-	-	-	-	(7,526,257)	(7,526,257)
Disposals	-	(758,372)	(3,052,270)	(867,400)	(917,774)	(1,649,215)	(988,894)	-	(8,233,925)
Translation reserve for foreign subsidiary	-	-	1,427,499	126,450	354,654	34,618	1,288,977	13,142	3,245,340
As at 30 September 2019	483,144,657	555,658,755	522,297,068	118517,536	195,355,409	292,279,159	326,441,733	40,364,115	2,534,058,432
<u>Accumulated depreciation</u>									
As at 1 January 2019	8,717,885 ^(*)	139,912,142	287,199,155	83,947,717	113,645,969	171,067,146	161,424,505	-	965,914,519
Additions	-	18,471,807	32,843,383	7,565,428	19,018,954	23,293,701	19,964,644	-	121,157,917
Disposals	-	(758,372)	(2,843,080)	(827,474)	(600,170)	(1,261,515)	(907,462)	-	(7,198,073)
Translation reserve for foreign subsidiary	-	-	654,475	70,443	239,005	17,698	535,707	-	1,517,328
As at 30 September 2019	8,717,885	157,625,577	317,853,933	90,756,114	132,303,758	193,117,030	181,017,394	-	1,081,391,691
<u>Net book value</u>									
As at 30 September 2019	474,426,772	398,033,178	204,443,135	27,761,422	63,051,651	99,162,129	145,424,339	40,364,115	1,452,666,741

- The Group has capitalized finance costs on capital work in progress amounted to Zero SR for the period ended 30 September 2019 (31 December 2018 - SR454 thousand).

*- This balance represent impairment losses in property, plant and equipment during 2018.

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

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*(All amounts are presented in Saudi riyals unless otherwise indicated)***7. RIGHT OF USE ASSETS**

	<u>Buildings</u>	<u>Lands</u>	<u>Total</u>
<u>Cost:</u>			
1 January 2019	-	-	-
Impact of applying IFRS 16	1,443,861,796	106,326,365	1,550,188,161
1 January 2019 (restated)	1,443,861,796	106,326,365	1,550,188,161
Additions	185,986,497	-	185,986,497
Disposals	(13,387,522)	-	(13,387,522)
Foreign currency translation differences	3,129,156	-	3,129,156
30 September 2019	1,619,589,927	106,326,365	1,725,916,292
<u>Accumulated depreciation:</u>			
1 January 2019	454,801,767	68,748,087	523,549,854
Charge for the period	88,559,279	3,457,312	92,016,591
Disposals	(4,487,541)	-	(4,487,541)
Foreign currency translation differences	721,331	-	721,331
30 September 2019	539,594,436	72,205,399	611,799,835
Net Book Value as at 30 September 2019	1,079,995,491	34,120,966	1,114,116,457

8. INVESTMENT PROPERTIES, NET

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

	<u>30 September 2019</u>	<u>31 December 2018</u>
<u>Cost</u>		
Balance at the beginning of period / year	796,826,323	671,125,868
Additions during the period/ year	339,770	125,700,455
Transfers from property, plant and equipment / capital work in progress	7,526,257	-
Balance at the end of period / year	804,692,350	796,826,323
<u>Accumulated depreciation</u>		
Balance at the beginning of period / year	190,492,302	165,413,081
Depreciation for the period / year	19,424,968	25,079,221
Balance at the end of period / year	209,917,270	190,492,302
Net Book Value at the end of the period / year	594,775,080	606,334,021

- The fair value of investment properties as at 30 September 2019 amounted to SAR 902.7 million SR (31 December 2018: SR 895.8 million), of which investment property amounting to SAR 703.7 million is assessed by a qualified and independent expert as at the date of the current financial statements and other of which amount of SAR 199 million had been evaluated by cost, since management believes that there is no material difference between their cost and their fair value. Therefore, the management considered its fair value equal to its cost.

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The following is the information about the real estate valuer :

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

9. INTANGIBLE ASSETS, NET

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

	30 September 2019	31 December 2018
<u>Cost</u>		
Balance at the beginning of period / year	<u>19,597,230</u>	19,597,230
Balance at the end of period / year	<u>19,597,230</u>	<u>19,597,230</u>
<u>Accumulated amortization</u>		
Balance at the beginning of period / year	13,682,676	11,884,449
Amortization charged during the period / year	<u>1,348,667</u>	1,798,227
Balance at the end of period / year	<u>15,031,343</u>	<u>13,682,676</u>
Net Book Value for the period / year	<u>4,565,887</u>	<u>5,914,554</u>

10. INVESTMENTS IN ASSOCIATES

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

Associate company	Country of Incorporation	<u>Ownership</u>	
		30 September 2019	31 December 2018
Abdullah Al-Othaim for Investment Company ⁽¹⁾	Kingdom of Saudi Arabia	%13.653	13.653%
AlWousta Food Services Company	Kingdom of Saudi Arabia	%25	25%
Riyadh Food Industries Company ⁽²⁾	Kingdom of Saudi Arabia	%55	55%

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

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

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

	30 September 2019	31 December 2018
Opening Balance	250,461,747	228,118,858
Share in associate's net profit	26,385,062	36,321,420
(Disposals)	-	(13,653,850)
Impact of applying IFRS 16 on retained earnings	(10,181,394)	-
Share in foreign currency translation differences	-	(324,681)
	266,665,415	250,461,747

B. Investments in associates are as follows:

<u>Associate Company</u>	30 September 2019	31 December 2018
Abdullah Al-Othaim for Investment Company	206,393,495	191,633,276
AlWousta Food Services Company	22,373,384	22,480,119
Riyadh Food Industries Company	37,898,536	36,348,352
	266,665,415	250,461,747

11. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 September 2019	31 December 2018
Equity instruments at fair value –listed shares	10,499,997	10,499,997
Equity instruments at fair value –unlisted shares	5,457,141	5,457,141
Total	15,957,138	15,957,138
Fair value reserve –listed shares	(4,268,652)	(4,312,292)
Fair value reserve –unlisted shares	(1,905,274)	(1,811,713)
Total	(6,173,926)	(6,124,005)
Net	9,783,212	9,833,133

12. CASH AND CASH EQUIVALENTS

	30 September 2019	31 December 2018
Cash in hand	42,083,016	36,305,362
Cash at banks	196,775,359	182,920,693
	238,858,375	219,226,055

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13. 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.

14. SHORT TERM LOANS AND MURABAHAHAT

Islamic bank facilities (Murabaha) are guaranteed by a promissory notes issued on behalf of Al Othaim Markets Company, the Murabaha facilities are due during a period of less than one year and they are renewable and used in financing the working capital. Islamic bank facilities (Murabaha) that are available for use but not yet used as at 30 September 2019 amounted to SR 1,153 million (31 December, 2018 : SR 440 million).

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

	<u>30 September 2019</u>	<u>31 December 2018</u>
Opening Balance for the period / year	120,876,329	103,270,184
Cost of service and cost of discount factor for the period / year	20,619,339	20,748,992
Payments during the period / year	(4,255,813)	(3,598,324)
Actuarial (gains)/losses from remeasurement of end of service benefits	(2,697,094)	455,477
	<u>134,542,761</u>	<u>120,876,329</u>

16. RELATED PARTIES

Transactions with related parties are transactions made with the company, associates, subsidiaries, major shareholders and senior executives of the Company. Management of the Company approved a policy for prices and conditions for transactions with related parties. Transactions with related parties represent mainly income, rental expenses and purchases of inventories.

<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 party - Board member
Nahj Alkhayal Company.	Subsidiary of an associate
Musanada for recruitment and employment inside Co.- Egypt	Related party to an executive
Dani Trading Company	Related to the Chairman of the Board
Members of the board of directors and senior executives	Company Management

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*(All amounts are presented in Saudi riyals unless otherwise indicated)***Transactions with related parties for the nine months period ended 30 September 2019 are as follows:**

Related party	Lease contracts	Rent revenue	Merchandise purchases	Manpower services
Al-Othaim Holding Company	82,500	532,538	-	198,243
Abdullah Al-Othaim for Investment Company	10,565,678	27,916,593	-	576,310
AlWousta Food Services Company	-	450,000	-	-
Riyadh Foods Industries Company	-	-	97,635,754	1,544,372
General Organization of Social Insurance	4,289,725	-	-	-
Nahj Alkhayal Co, Musnada for recruitment and employment inside Co,- Egypt	-	116,025	-	1,124,831
Dani Trading Company	-	504,750	-	-

Transactions with related parties for the nine months period ended 30 September 2018 are as follows:

Related party	Lease contracts	Rent revenue	Merchandise purchases	Manpower services
Al-Othaim Holding Company	82,500	532,537	-	195,595
Abdullah Al-Othaim for Investment Company	10,553,678	27,916,593	-	-
AlWousta Food Services Company	-	450,000	-	-
Riyadh Foods Industries Company	113,348	-	96,730,584	1,980,614
General Organization of Social Insurance	4,289,725	-	-	-
Nahj Alkhayal Co, Musnada for recruitment and employment inside Co,- Egypt	-	136,500	-	-
Dani Trading Company	-	306,099	-	6,857,793

Board members and senior executives' benefits during the period

	Charged to income	
	30 September 2019	30 September 2018
Short term benefits	12,689,958	13,361,297
Post-employment benefits	206,201	206,201
	12,896,159	13,567,498

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

	30 September 2019	31 December 2018
Abdullah Al-Othaim for Investment Company	324,326	13,653,850
Riyadh Foods Industries Company	2,352,505	3,230,629
	2,676,831	16,884,479

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For the three - months and nine - months periods ended 30 September 2019

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

	30 September 2019	31 December 2018
Al Riyadh Foods Industries Company	18,089,081	28,198,046
Abdullah Al-Othaim for Investment Company	3,085,067	-
Musanada for recruitment and employment inside Co,- Egypt	130,432	136,575
	21,304,580	28,334,621

17. ZAKAT PROVISION

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

	30 September 2019	31 December 2018
Balance at the beginning of the period / year	19,148,741	23,080,746
Charge for the period / year	6,217,357	9,161,637
Payments for the period / year	(9,307,269)	(13,093,642)
Balance at the end of the period / year	16,058,829	19,148,741

- The Company submitted its consolidated Zakat declarations for all years up to 2018, and paid zakat obligations accordingly.
- The Company has requested the Authority to finalize the Zakat position of the Company and issue the final Zakat assessments for the years 2012 and 2013. The Zakat assessments has not yet been issued.

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

Earnings per share related to profit and loss of the ordinary shareholders of the Company for the nine months period ended 30 September 2019 and 2018 are calculated based on the weighted average number of shares outstanding during such periods. Diluted earnings per share is the same as the basic earnings per share since the Company does not have any issued dilutive instruments.

As follows, details for basic and diluted earnings per share attribute to the shareholders of the company:

	For three months ended 30 September		For nine months ended 30 September	
	2019	2018	2019	2018
Net income for the period	75,381,526	54,311,001	202,447,127	195,680,135
Weighted-average number of shares	90,000,000	90,000,000	90,000,000	90,000,000
Basic and diluted earnings per share from net income for the period	0,84	0,60	2,25	2,17

19. SEGMENTAL INFORMATION

The Company is engaged mainly in retail and whole trading of food supplies, . the Company operates in the Kingdom of Saudi Arabia 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's CEO, Income, profits, assets and liabilities are measured using the same accounting principles used in preparing the consolidated financial statements.

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

For the three - months and nine - months periods ended 30 September 2019

*(All amounts are presented in Saudi riyals unless otherwise indicated)***a. The selected information for each business sector for the nine-months period ended 30 September 2019 are summarized below:**

Item	Retail and wholesale	Real estate and leasing	Other	Total
Property, plant and equipment, net	1,434,970,714	-	17,696,027	1,452,666,741
Investment properties, net	-	594,775,080	-	594,775,080
Right of use leased assets	1,074,461,759	39,654,698	-	1,114,116,457
Intangible assets, net	4,565,887	-	-	4,565,887
Total assets	3,558,591,937	645,645,114	499,411,753	4,703,648,804
Total liabilities	3,013,395,670	87,005,305	83,556,439	3,183,957,414
Sales outside the Group	5,887,763,463	-	180,845,840	6,068,609,303
Sales and revenues - Inter sectors	-	1,545,000	54,292,876	55,837,876
Rental income from outside the Group	-	99,243,278	-	99,243,278
Total revenue, sales commissions and net rental income	1,146,177,251	60,406,747	34,699,563	1,241,283,561
Operating Income	165,777,820	60,406,747	3,256,753	229,441,320

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

Coverage of areas in the Kingdom and abroad for the nine- months period ended 30 September 2019

Geographical area	Retail and wholesale	Percentage %	Rental income	Percentage %	Other	Percentage %
Central region - Saudi Arabia	3,775,560,024	%64.2	49,205,947	%49.5	180,845,843	%100
Eastern Region - Saudi Arabia	558,766,998	%9.5	42,030,318	%42.4	-	-
Southern Region - Saudi Arabia	766,881,559	%13	2,910,085	%2.9	-	-
Northern Region - Saudi Arabia	431,879,778	%7.3	2,933,943	%3	-	-
Western Region - Saudi Arabia	213,289,091	%3.6	1,654,198	%1.7	-	-
Egypt	141,386,010	%2.4	508,788	%0.5	-	-
Total	5,887,763,460	%100	99,243,279	%100	180,845,843	%100

ABDULLAH AL-OTHAIM MARKETS COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three - months and nine - months periods ended 30 September 2019

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

20. CONTINGENCIES AND COMMITMENTS

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

<u>Details</u>	<u>30 September 2019</u>	<u>31 December 2018</u>
Letters of credit	22,430,687	50,239,361
Letters of guarantee	55,708,280	64,070,653
Commitments on capital work in progress	55,281,687	71,668,757

21. 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 murabaha, trade payables, accrued payments and other payables.

Foreign currencies exchange risk

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

Credit risk

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

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting commitments associated with financial commitments. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient funds are available to meet any commitments as they arise. The Company's financial liabilities comprise payables, accruals ,and other payable balances. The Company limits liquidity risk by ensuring the availability of bank facilities, in addition to aligning the period of collecting customers' balances and the periods of settling suppliers' balances and other payable balances.

Fair value

- Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Differences can arise between the carrying amount and the fair value estimates. The fair value definition is the measurement based on the market and assumptions that market participants use.
- The Company management considers that the fair value of short-term financial assets and liabilities approximates their carrying amounts due to their short-term maturities.

ABDULLAH AL-OTHAIM MARKETS COMPANY

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

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

Interest rate risks

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

22. COMPARATIVE FIGURES

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

23. DIVIDENDS

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

24. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved by the Audit Committee on 7 Rabi' Al – Awwal 1441 H (corresponding to: 4 November 2019 G).
