



**ABDULLAH AL-OTHAIM MARKETS COMPANY  
(SAUDI JOINT STOCK COMPANY)**

**INTERIM FINANCIAL STATEMENTS AND REVIEW REPORT  
FOR THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2010  
(UNAUDITED)**

**ABDULLAH AL-OTHAIM MARKETS COMPANY  
(SAUDI JOINT STOCK COMPANY)**

**INTERIM FINANCIAL STATEMENTS AND REVIEW REPORT  
THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2010 (UNAUDITED)**

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## REVIEW REPORT

To the shareholders of  
Abdullah Al-Othaim Markets Company  
(Saudi Joint Stock Company)  
Riyadh, Saudi Arabia

### **Scope of Limited Review**

We have reviewed the accompanying interim balance sheet of Abdullah Al-Othaim Markets Company (a Saudi joint stock company) as of June 30, 2010, and the related interim statements of income, and cash flows for the three and six months periods then ended. These interim financial statements are the responsibility of the Company's management and were presented to us with all information and explanations which we have requested.

We conducted our limited review in accordance with interim financial information review standard issued by Saudi Organization of Certified Public accountants. A limited review consists principally of applying analytical procedures to the financial data and making inquiries of persons responsible for financial and accounting matters. Such limited review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly we do not express such an opinion.

### **Result of Limited Review**

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim financial statements in order for them to be in conformity with generally accepted accounting principles.

Deloitte & Touché  
Bakr Abulkhair & Co.

Almutahhar Yahia Hameeduddin  
(License No. 296)

Shaban 1, 1431  
July 13, 2010

**ABDULLAH AL-OTHAIM MARKETS COMPANY  
(SAUDI JOINT STOCK COMPANY)**

**INTERIM BALANCE SHEET (UNAUDITED)  
AS OF JUNE 30, 2010**

<b>ASSETS</b>	<b>Note</b>	<b>2010 SR</b>	<b>2009 SR</b>
<b>Current assets</b>			
Cash on hand and at banks		31,254,743	87,545,142
Inventories		328,647,725	267,730,087
Prepayments and other receivables	3	94,925,031	78,715,076
Due from related parties	4	-	268,920,614
<b>Total current assets</b>		<b>454,827,499</b>	<b>702,910,919</b>
<b>Non-current assets</b>			
Investment in associated company and other		103,577,836	95,568,187
Property and equipment	5	567,234,751	408,104,420
Projects in progress	6	300,099,403	224,217,034
<b>Total non-current assets</b>		<b>970,911,990</b>	<b>727,889,641</b>
<b>TOTAL ASSETS</b>		<b>1,425,739,489</b>	<b>1,430,800,560</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Short term loans and Murabaha	7	93,748,093	203,856,534
Current portion of long term loans and Murabaha	7	57,008,797	76,816,352
Trade payables		620,494,738	530,471,303
Other payables and accruals		84,837,592	54,287,052
<b>Total current liabilities</b>		<b>856,089,220</b>	<b>865,431,241</b>
<b>Non-current liabilities</b>			
End-of-service indemnities		25,067,638	18,733,250
Long term loans	7	194,929,201	245,453,786
<b>Total non-current liabilities</b>		<b>219,996,839</b>	<b>264,187,036</b>
<b>Total liabilities</b>		<b>1,076,086,059</b>	<b>1,129,618,277</b>
<b>Shareholders' equity</b>			
Share capital	1	225,000,000	225,000,000
Statutory reserve		25,781,233	18,028,989
Voluntary Reserve	10	12,453,336	-
Retained earnings		86,418,861	58,153,294
<b>Total shareholders' equity</b>		<b>349,653,430</b>	<b>301,182,283</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>1,425,739,489</b>	<b>1,430,800,560</b>

The accompanying notes form an integral part of these interim financial statements

**ABDULLAH AL-OTHAIM MARKETS COMPANY  
(SAUDI JOINT STOCK COMPANY)**

**INTERIM STATEMENT OF INCOME (UNAUDITED)  
THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2010**

	Three Months Ended		Six Months Ended	
	June 30, 2010 SR	June 30, 2009 SR	June 30, 2010 SR	June 30, 2009 SR
<b>Revenues</b>				
<b>Sales</b>	<b>821,673,652</b>	723,850,067	<b>1,601,237,777</b>	1,441,414,645
<b>Rent</b>	<b>25,825,717</b>	18,983,143	<b>43,512,504</b>	34,834,653
<b>Total revenues</b>	<b>847,499,369</b>	742,833,210	<b>1,644,750,281</b>	1,476,249,298
<b>Cost of revenues</b>	<b>(783,214,341)</b>	(696,365,826)	<b>(1,525,189,496)</b>	(1,389,975,041)
<b>Gross profit</b>	<b>64,285,028</b>	46,467,384	<b>119,560,785</b>	86,274,257
<b>Selling and distribution expenses</b>	<b>(22,756,090)</b>	(17,942,028)	<b>(40,842,737)</b>	(36,648,014)
<b>General and administrative expenses</b>	<b>(9,472,088)</b>	(10,479,591)	<b>(18,392,095)</b>	(17,907,780)
<b>Operating income from main operations</b>	<b>32,056,850</b>	18,045,765	<b>60,325,953</b>	31,718,463
<b>Company's share in the net profit of associated company</b>	-	(323,435)	<b>4,346,260</b>	2,559,097
<b>Other income, net</b>	<b>263,858</b>	2,233,379	<b>989,779</b>	2,485,727
<b>Income before Zakat</b>	<b>32,320,708</b>	19,955,709	<b>65,661,992</b>	36,763,287
<b>Zakat</b>	<b>(1,000,000)</b>	(450,000)	<b>(2,600,000)</b>	(900,000)
<b>NET INCOME</b>	<b>31,320,708</b>	19,505,709	<b>63,061,992</b>	35,863,287
<b>Earnings Per Share (Note 8)</b>				
<b>From main operations</b>	<b>1.42</b>	0.80	<b>2.68</b>	1.41
<b>From net income</b>	<b>1.39</b>	0.87	<b>2.8</b>	1.59

The accompanying notes form an integral part of these interim financial statements

**ABDULLAH AL-OTHAIM MARKETS COMPANY  
(SAUDI JOINT STOCK COMPANY)**

**INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)  
SIX MONTHS PERIOD ENDED JUNE 30, 2010**

	2010 SR	2009 SR
<b>OPERATING ACTIVITIES</b>		
Income before zakat	65,661,992	36,763,287
Adjustments on net income before zakat:		
Depreciation	23,827,567	21,469,100
Gains from sale of property and equipment	(623,930)	(105,761)
Company's share in the net profit of associated company	(4,346,260)	(2,559,097)
End-of-service indemnities	3,195,242	2,698,707
Changes in working capital:		
Inventories	(108,427,221)	(50,815,041)
Prepayments and other receivables	(4,926,313)	(833,045)
Due from related parties	-	(219,875,726)
Payables and accruals	168,957,163	111,667,206
Zakat Paid	(2,119,255)	-
Net cash from (used in) operating activities	141,198,985	(101,590,370)
<b>INVESTING ACTIVITIES</b>		
Investment in National Laboratories Limited Company (Maamel)	-	(3,400,000)
Additions to property, equipment and projects in progress	(170,640,554)	(41,810,932)
Proceeds from sale of property and equipment	873,891	140,018
Net cash used in investing activities	(169,766,663)	(45,070,914)
<b>FINANCING ACTIVITIES</b>		
Murabaha and Loans	8,811,413	241,261,877
Dividends	(56,250,000)	(33,750,000)
Net cash (used in) from financing activities	(47,438,587)	207,511,877
Net change in cash on hand and at banks	(76,006,265)	60,850,593
Cash on hand and at banks, January 1	107,261,008	26,694,549
<b>CASH ON HAND AND AT BANKS, JUNE 30</b>	<b>31,254,743</b>	<b>87,545,142</b>
<b>NON CASH TRANSACTIONS:</b>		
Transfer of property and equipment to Related Parties	-	172,183

The accompanying notes form an integral part of these interim financial statements

**ABDULLAH AL-OTHAIM MARKETS COMPANY  
(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2010**

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**1. ORGANIZATION AND NATURE OF BUSINESS**

Abdullah Al-Othaim Markets Company (“the Company”) is a Public Saudi Joint Stock company registered in Riyadh under commercial registration number 1010031185 on Rajab 7, 1400H (May 21, 1980).

The Company was incorporated as joint stock Company according to the ministerial decree No. 227 on September 15, 2007.

The company's capital consists of 22.5 million shares at SR 10 par value.

The main activities of the Company are to undertake wholesale trading in food supplies, fish, meat, cars and its spare parts, agricultural crops and livestock, household equipment, constructing, managing, operating and maintaining of super markets and malls, cooked and non-cooked catering services, computer services, operating and maintaining electrical and mechanical equipment, constructing, operating and maintaining of storage and cooling warehouses.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial interim statements have been prepared in accordance with the Standard of General Presentation and Disclosure issued by the Ministry of Commerce and in compliance with the accounting standards issued by the Saudi Organization for Certified Public Accountants. The following is a summary of significant accounting policies applied by the Company:

**Use of estimates**

The preparation of financial interim statements in conformity with generally accepted accounting standards requires use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date of the financial interim statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management’s best knowledge of current event and activities actual result ultimately may differ from those estimate.

**Accounting convention**

The financial interim statements are prepared under the accrual and historical cost conventions, except for the investment in associated company which is prepared using equity method.

**Revenue recognition**

Sales are recognized upon delivery of goods to customers. Income from rent is recognized over the period of lease contracts.

**ABDULLAH AL-OTHAIM MARKETS COMPANY  
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**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2010**

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**Expenses**

Selling and distribution expenses principally comprise of costs incurred in the distribution and sale of the Company's products. All other expenses are classified as general and administrative expenses.

General and administrative expenses include direct and indirect costs not specifically part of cost of revenues as required under generally accepted accounting standards. Allocations between general and administrative expenses and cost of revenues, when required, are made on consistent basis.

**Investments**

Investments in associated company which is 13.65% owned and in which the Company exercises significant influence through participation in its financial and operational policies is accounted for using equity method, under which the investment is initially stated at cost and adjusted thereafter for the change in the Company's share in net assets of the investee. Company's share of the net profit or loss of the investee is reported in the interim statement of income.

Investments owned less than 20% and fair value is not readily determinable are stated at cost. Provision is made for any other than temporary impairment in the value of those investments.

**Cost of sales**

Cost of sales includes cost of purchases and expenses related to the outlets.

**Inventories**

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the weighted average costing method.

**Property and equipment**

Property and equipment are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining term of the lease. The estimated years of depreciation of the principal classes of assets are as follows:

	<b>Years</b>
<b>Plant and machinery</b>	10
<b>Buildings</b>	5 – 25
<b>Vehicles</b>	5 – 7
<b>Computers</b>	5 – 7
<b>Furniture and fixtures</b>	7
<b>Leasehold improvements</b>	10



**ABDULLAH AL-OTHAIM MARKETS COMPANY  
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**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2010**

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**Impairment of long-term assets**

The Company reviews annually the carrying amount of its tangible assets to determine whether there is any indication that those assets have suffered impairment. In case such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment, if any. Where it is not possible to estimate the recoverable amount of individual assets, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the assets or cash-generating unit is reduced to its recoverable amount. Impairment loss is recognized as an expense in the interim statement of income immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income in the interim statement of income immediately.

**Borrowing costs**

The cost of borrowing directly related to the acquisition or construction of qualifying assets, which require a period of time to become ready for the purpose intended to be used for or sold, is capitalized to the cost of those assets until they become ready for use or sale. The other borrowing costs are expensed in the year they are incurred.

**Foreign currency translation**

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the interim statement of income.

**Leasing**

All leases are classified as operating leases. Rental payments are charged to income on straight-line basis over the term of the operating lease.

The lease amounts received by the Company as a lessor as operating leases are recognized as income on a straight-line basis over the period of the related leases.

**End-of-service indemnities**

End-of-service indemnities are provided in accordance with the Saudi Arabian Labor Law and paid to the employees annually subsequent to the balance sheet date. Differences in indemnities are paid to employees upon termination.

**ABDULLAH AL-OTHAIM MARKETS COMPANY  
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**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2010**

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**Zakat**

The Company is subject to the Regulations of the Department of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Zakat is provided on an accrual basis. The zakat charge is computed on the zakat base. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

**3. PREPAYMENTS AND OTHER RECEIVABLES**

Prepayments include SR 31.3 million as prepaid rent paid in advance to a related party against early payment discount.

**4. RELATED PARTY TRANSACTIONS**

During the first half of the year, the Company transacted with the following related parties. The terms of these transactions and expense were executed in accordance with the Company's approval.

The significant transactions and related amounts are as follows:

	<b>2010</b>	<b>2009</b>
	<b>SR</b>	<b>SR</b>
Finance charges on related parties' current accounts	-	5,309,716
Rent expenses	<b>(3,396,485)</b>	(2,803,148 )
Rent income	<b>1,821,880</b>	2,655,224
Construction works	<b>(62,064,510)</b>	(41,815,840 )
Prepaid rent	<b>(31,385,910)</b>	(8,600,482)
(Purchased) sale of properties and equipment	<b>(98,279,788)</b>	172,183

Prepaid rent represents the amount of contracts paid to a related party in advance against early payment discount.

**ABDULLAH AL-OTHAIM MARKETS COMPANY  
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**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2010**

**5. PROPERTY AND EQUIPMENT**

	Land SR	Machinery and equipment SR	Buildings SR	Vehicles SR	Computers SR	Furniture and fixtures SR	Leasehold improvements SR	Total SR
<b>Cost</b>								
January 1, 2010	74,032,252	147,685,761	159,864,735	47,691,746	62,704,564	107,509,640	86,993,938	686,482,636
Additions	98,461,788	6,320,081	18,191,013	974,172	2,833,965	2,067,799	6,484,170	135,332,988
Disposals	-	-	-	(1,996,430)	-	-	-	(1,996,430)
<b>June 30, 2010</b>	<b>172,494,040</b>	<b>154,005,842</b>	<b>178,055,748</b>	<b>46,669,488</b>	<b>65,538,529</b>	<b>109,577,439</b>	<b>93,478,108</b>	<b>819,819,194</b>
<b>Depreciation</b>								
January 1, 2010	-	54,707,321	23,363,926	25,230,366	39,774,242	63,816,553	23,610,937	230,503,345
Charge for the year	-	6,535,391	4,437,282	3,448,342	1,506,715	3,549,055	4,350,782	23,827,567
Disposals	-	-	-	(1,746,469)	-	-	-	(1,746,469)
<b>June 30, 2010</b>	<b>-</b>	<b>61,242,712</b>	<b>27,801,208</b>	<b>26,932,239</b>	<b>41,280,957</b>	<b>67,365,608</b>	<b>27,961,719</b>	<b>252,584,443</b>
<b>Net book value</b>								
<b>June 30, 2010</b>	<b>172,494,040</b>	<b>92,763,130</b>	<b>150,254,540</b>	<b>19,737,249</b>	<b>24,257,572</b>	<b>42,211,831</b>	<b>65,516,389</b>	<b>567,234,751</b>
June 30, 2009	74,032,252	83,258,297	109,756,291	22,376,429	19,120,336	40,316,335	59,244,480	408,104,420

On March 29, 2010 the company purchased an investment land in Medina from a related party at SR 98 million. The purpose of this Land is building shopping mall and other commercial, residential and office buildings. This transaction was approved by the general assembly of the shareholders in its meeting held on April 7, 2010. Transferring title of the land is in progress.

**ABDULLAH AL-OTHAIM MARKETS COMPANY  
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**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2010**

**6. PROJECTS IN PROGRESS**

Projects in progress represent the contractor's bills for construct a shopping mall in Dammam city and for establishing and developing new branches. Contingent liabilities related to projects in progress as of June 30, 2010 totaled SR 75.4 million. (SR 117.6 million at June 30, 2009)

**7. LOANS AND MURABAHA**

a) Short-term murabaha

The company has facilities with local banks in the form of short-term Murabaha to finance working capital. Unutilized balance of these Murabaha loans was SR 146 million as of June 30, 2010 (SR 60 million at June 30, 2009).

b) Long-term loans and murabaha:

	June 30, 2010		
	Current SR	Non-current SR	Total SR
<b>Saudi Industrial Development Fund Loan</b>	400,000	843,500	<b>1,243,500</b>
<b>Albilad Bank</b>	23,002,464	153,746,766	<b>176,749,230</b>
<b>Saudi British Bank</b>	16,666,667	23,672,268	<b>40,338,935</b>
<b>Saudi Hollandi Bank</b>	16,939,666	16,666,667	<b>33,606,333</b>
	<b>57,008,797</b>	<b>194,929,201</b>	<b>251,937,998</b>

	June 30, 2009		
	Current SR	Non-current SR	Total SR
<b>Saudi Industrial Development Fund Loan</b>	400,000	1,243,500	<b>1,643,500</b>
<b>Arab National Bank</b>	12,495,717	1,005,426	<b>13,501,143</b>
<b>Albilad Bank</b>	34,671,228	166,666,667	<b>201,337,895</b>
<b>Saudi British Bank</b>	12,435,708	42,910,795	<b>55,346,503</b>
<b>Saudi Hollandi Bank</b>	16,813,699	33,627,398	<b>50,441,097</b>
	<b>76,816,352</b>	<b>245,453,786</b>	<b>322,270,138</b>

These loans are secured by personal guarantees from one of the shareholders and mortgaging company lands their book value are SR 64 million as of June 30, 2010. (SR 25.5 million at June 30, 2009)

**ABDULLAH AL-OTHAIM MARKETS COMPANY  
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**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2010**

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**8. EARNINGS PER SHARE**

Earnings per share are calculated by dividing Net income and Income from main operations on the weighted average number of shares during the period.

Weighted average number of shares during the three and six months periods ended June 30, 2010 and 2009 was 22.5 million shares.

**9. DIVIDENDS PAYABLE**

On its ordinary meeting held on April 7, 2010, the General Assembly approved cash dividends of SR 56,250,000, which represents SR 2.5 per share for the year ended December 31, 2009.

**10. VOLUNTARY RESERVE**

In its extraordinary meeting held on April 27, 2009 the General Assembly of the shareholders approved voluntary reserve at 20% of 2008 net income to be used for business expansions.

**11. COMMITMENTS AND CONTINGENCIES**

a) On June 30, 2010 the Company had the following commitments and contingencies:

	2010 SR	2009 SR
<b>Letters of credit</b>	<b>17,135,000</b>	13,254,937
<b>Letters of guarantee</b>	<b>20,253,010</b>	23,922,426
<b>Contingent liabilities related to projects in progress</b>	<b>75,381,637</b>	117,646,611

b) Lease commitments

The outstanding lease commitments principally related to long-term operating leases for the Company's branches, under non-cancelable operating lease are as follows:

	2010 SR	2009 SR
<b>Less than one year</b>	<b>33,268,834</b>	41,585,624
<b>More than one year, but less than five years</b>	<b>85,463,476</b>	120,660,621
<b>More than five years, but less than twenty three years</b>	<b>232,300,199</b>	249,198,708

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
THREE AND SIX MONTHS PERIODS ENDED JUNE 30, 2010**

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**12. ADJUSTMENTS FOR THE PERIOD**

All adjustments the management believes necessary for the interim financial statements to present fairly the financial position and the results of operations have been done. The results of interim period may not represent an accurate indication of the actual results of operations for the whole year.

**13. SEGMENTAL INFORMATION**

The company has one segment of retail business. The company carries out its operations only within the kingdom of Saudi Arabia.

**14. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to be consistent with the presentation of the current period.