



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

FINANCIAL STATEMENTS AND AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2010

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

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AUDITORS' REPORT

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

Scope of Audit

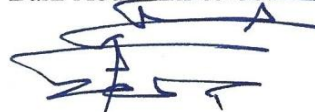
We have audited the accompanying balance sheet of Abdullah Al-Othaim Markets Company (a Saudi Joint Stock Company) as at December 31, 2010, and the related statements of income, cash flows and changes in shareholders' equity for the year then ended, and notes 1 to 24 which form an integral part of these financial statements as prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all the necessary information and explanations. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting standards used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia appropriate to the nature of the Company, and comply with the relevant provisions of the Regulations for Companies and the Company's bylaws as those relate to the preparation and presentation of these financial statements.

Deloitte & Touche
Bakr Abulkhair & Co.



Al-Mutahhar Y. Hamiduddin
License No. 296
Rabi Al Awal 11, 1432
February 14, 2011



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

BALANCE SHEET
AS OF DECEMBER 31, 2010

ASSETS	Note	2010 SR	2009 SR
Current assets			
Cash and cash equivalents	3	45,235,906	107,261,008
Inventories, Net	4	285,275,732	220,220,504
Prepayments and other receivables	5	81,678,093	89,998,718
Total current assets		412,189,731	417,480,230
Non-current assets			
Investment in an associated company and other	7	105,190,508	99,231,576
Property and equipment, net	8	908,287,156	455,979,291
Projects in progress	9	39,442,923	264,791,837
Intangible assets, net		14,553,832	-
Total non-current assets		1,067,474,419	820,002,704
TOTAL ASSETS		1,479,664,150	1,237,482,934
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Short-term loans and Murabahas	10 (a)	70,998,374	6,273,497
Current portion of long-term loans and Murabahas	10 (b)	100,728,483	88,418,864
Trade payables		569,194,272	471,682,305
Other payables and accrued expenses	11	82,219,258	64,212,117
Total current liabilities		823,140,387	630,586,783
Non-current liabilities			
End-of-service indemnities		28,883,519	21,872,396
Long-term loans and Murabahas	10 (b)	179,120,194	242,182,317
Total non-current liabilities		208,003,713	264,054,713
Total liabilities		1,031,144,100	894,641,496
Shareholders' equity			
Share capital	1	225,000,000	225,000,000
Statutory reserve	13	41,974,094	25,781,233
Voluntary reserve	14	12,453,336	12,453,336
Retained earnings		169,092,620	79,606,869
Total shareholders' equity		448,520,050	342,841,438
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,479,664,150	1,237,482,934

The accompanying notes form an integral part of these financial statements

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

STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2010

	Note	2010 SR	2009 SR
Revenues			
Sales		3,422,444,665	3,065,135,835
Rent		96,315,465	73,375,088
Total revenues		3,518,760,130	3,138,510,923
Cost of revenues		(3,240,486,195)	(2,927,367,292)
Gross profit		278,273,935	211,143,631
Selling and distribution expenses	15	(88,445,583)	(75,363,945)
General and administrative expenses	16	(47,213,355)	(46,630,581)
Provision for impairment of property and equipment	8	(1,500,000)	-
Income from continuous main operations		141,114,997	89,149,105
Company's share in the net profit of an associated company	7	14,458,932	6,222,486
Other income (expenses), net	17	10,473,431	(15,499,149)
Income before Zakat		166,047,360	79,872,442
Zakat	12	(4,118,748)	(2,350,000)
NET INCOME		161,928,612	77,522,442
Earnings per share:			
From continuous main operations	18	6.27	3.96
From net income	18	7.20	3.45

The accompanying notes form an integral part of these financial statements

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010

	2010 SR	2009 SR
OPERATING ACTIVITIES		
Income before Zakat	166,047,360	79,872,442
Adjustments:		
Depreciation	49,199,117	44,409,429
Amortization of intangible assets	446,168	
Gains from sale of property and equipment	(987,646)	(455,082)
Provision for impairment of property and equipment	1,500,000	-
Company's share in the net profit of an associated company	(14,458,932)	(6,222,486)
End-of-service indemnities	7,011,123	5,837,853
Changes in working capital:		
Inventories	(65,055,228)	(3,305,458)
Prepayments and other receivables	8,320,625	(12,116,687)
Due from related parties	-	49,044,889
Trade payables, other payables and accrued expenses	113,519,615	62,998,907
Zakat paid	(2,119,255)	(1,645,634)
Net cash from operating activities	263,422,947	218,418,173
INVESTING ACTIVITIES		
Investment in a Company	-	(3,400,000)
Additions to property and equipment and projects in progress	(277,923,790)	(153,375,546)
Intangible assets	(15,000,000)	-
Dividends received from an associated company	8,500,000	-
Proceeds from sale of property and equipment	1,253,368	663,949
Net cash used in investing activities	(283,170,422)	(156,111,597)
FINANCING ACTIVITIES		
Loans and Murabaha	13,972,373	52,009,883
Cash dividends	(56,250,000)	(33,750,000)
Net cash (used in) from financing activities	(42,277,627)	18,259,883
Net change in cash and cash equivalents	(62,025,102)	80,566,459
Cash and cash equivalents, January 1	107,261,008	26,694,549
CASH AND CASH EQUIVALENTS, DECEMBER 31	45,235,906	107,261,008
Non cash transactions:		
Property and equipment transferred from projects in progress (Note 8)	374,116,488	-
Property and equipment transferred to related parties at net book value	-	172,184

The accompanying notes form an integral part of these financial statements

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2010

	Note	Share capital SR	Statutory reserve SR	Voluntary reserve SR	Retained earnings SR	Total SR
Balance, January 1, 2009		225,000,000	18,028,989	-	56,040,007	299,068,996
Net income for 2009		-	-	-	77,522,442	77,522,442
Transferred to statutory reserve	13	-	7,752,244	-	(7,752,244)	-
Transferred to voluntary reserve	14	-	-	12,453,336	(12,453,336)	-
Cash Dividends	19	-	-	-	(33,750,000)	(33,750,000)
Balance, December 31, 2009		225,000,000	25,781,233	12,453,336	79,606,869	342,841,438
Net income for 2010		-	-	-	161,928,612	161,928,612
Transferred to statutory reserve	13	-	16,192,861	-	(16,192,861)	-
Cash Dividends	19	-	-	-	(56,250,000)	(56,250,000)
Balance, December 31, 2010		225,000,000	41,974,094	12,453,336	169,092,620	448,520,050

The accompanying notes form an integral part of these financial statements

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

1. ORGANIZATION AND ACTIVITY

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

The share capital of the Company amounting to SR 225 million divided into 22.5 million shares of SR 10 each.

The main activity of the Company is 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.

The board of directors agreed in its meeting held on August 17, 2010 to acquire the rest of the shares of "Abdulla Al-Othaim Real Estate Investment & Development Company" (an associate), in which the company currently owns 13.65% of its shares through increasing the share capital by issuing new shares for the other shareholders of the target company. The board has delegated its chairman to appoint the advisors to complete the acquisition. On August 26, 2010, the two companies signed MOU to start the acquisition procedures in accordance with the applicable rules and regulations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia 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 statements in conformity with generally accepted accounting standards requires the use of estimates and assumptions that could affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements in addition to the reported amounts of revenues and expenses during the year. Although these estimates are based on management's best knowledge of current events and activities available with the management, actual results may ultimately differ from those estimates.

Accounting convention

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2010

Revenue recognition

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

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

Investment in an associated company which is 13.65% owned and in which the Company exercises significant influence through its 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 statement of income.

Investments in companies which are less than 20% owned and where the fair value is no readily determinable are stated at cost. Appropriate provision is made for any other than temporary impairment in the value of these investments.

Cost of sales

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

Inventories

Inventories are stated at the lower of cost or market 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 and buildings constructed on leased lands are amortized over the shorter of the estimated useful life of these assets or the remaining term of the lease. The estimated lives of the principal classes of assets are as follows:

	<u>Years</u>
Machinery and equipment	10
Buildings	5 – 25
Vehicles	5 – 7
Computers	5 – 7
Furniture and fixtures	7
Leasehold improvements	10

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2010

Impairment of long-term assets

The Company reviews on regular basis the carrying amount of its tangible assets to determine whether there is any indication that those assets have suffered impairment in value. 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 asset or cash-generating unit is reduced to its recoverable amount. Impairment loss is recognized as an expense in the 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 asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income in the statement of income immediately.

Borrowing costs

Borrowing costs directly attributable to acquisitions or constructions of qualifying assets, which are the assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until the assets are substantially ready for their intended use or sale. All other borrowing costs are charged to the statement of income in the period in which they are incurred.

Intangible assets

Intangible assets include costs incurred for the purpose of using rented market sites. These assets are amortized over the term of the related contract lease.

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 statement of income.

Leasing

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2010

End-of-service indemnities

End-of-service indemnities are provided in accordance with the Saudi Arabian Labor Law and are reduced by the payments. Differences in indemnities, if any, are computed and paid to employees upon termination.

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. CASH AND CASH EQUIVALENTS

	2010 SR	2009 SR
Cash on hand	26,203,072	14,923,119
Cash at banks	18,632,209	16,923,384
Cheques under collection	400,625	75,414,505
	45,235,906	107,261,008

Cheques under collection in 2009 include an amount of SR 75.2 million which represents cheques received from a related party which was fully collected during the current year.

4. INVENTORIES, Net

	2010 SR	2009 SR
Main warehouses inventory	90,596,523	74,761,258
Branches inventory	194,679,209	145,459,246
	285,275,732	220,220,504

5. PREPAYMENTS AND OTHER RECEIVABLES

	2010 SR	2009 SR
Prepaid expenses (Note 6)	62,585,763	69,717,232
Advance payments to suppliers	9,499,817	4,879,813
Store rent receivable	1,694,522	4,617,292
Employees' receivables	1,949,131	2,496,511
Margin on letters of credit and letters of guarantees	1,620,240	1,199,801
Other	4,328,620	7,088,069
	81,678,093	89,998,718

6. RELATED PARTY TRANSACTIONS

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2010

<u>Company's name</u>	<u>Relationship</u>
AlOthaim Holding Company	Shareholder – Founder
Abdullah AlOthaim Investment and Real Estate and Development Co.	Associated Company
Dar Alkhuyool Contracting Co.	Sister Company

The significant transactions and related amounts are as follows:

<u>Transactions</u>	<u>2010</u> <u>SR</u>	<u>2009</u> <u>SR</u>
Rent expenses	(6,777,395)	(5,970,033)
Rent income	4,141,860	5,433,816
Construction works	(88,112,186)	(48,644,952)
Prepaid rents	-	31,601,117
Purchase / transfer of property and equipment	(98,279,788)	172,183
Finance charges on related parties' current accounts	-	12,208,066

Prepaid expenses includes rent paid in advance to a related party against early payment discount, the balance of prepaid rent as of December 31, 2010 was SR 26.2 million (December 31, 2009: SR 32.2 million).

7. INVESTMENT IN AN ASSOCIATED COMPANY AND OTHER

	<u>2010</u> <u>SR</u>	<u>2009</u> <u>SR</u>
a) Investment in an associated company		
Balance, January 1	95,831,576	89,609,090
Company's share in the net income	14,458,932	6,222,486
Cash dividends received	(8,500,000)	-
Balance, December 31	101,790,508	95,831,576
b) Investment in National Laboratories Company	3,400,000	3,400,000
Total	105,190,508	99,231,576

- a) The investment in an associated company represents 13.65% of the share capital of Abdullah Al-Othaim Real Estate Investment and Development Company. The remaining percentage is owned by Al-Othaim Holding Company, Mr. Abdullah Saleh Al-Othaim and his family members.
- b) During 2009, the Company has invested **6%** in National Laboratories Company "Maamel" which is a limited liability company registered in Dammam city.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2010

8. PROPERTY AND EQUIPMENT, Net

	Land SR	Machinery and equipment SR	Buildings SR	Vehicles SR	Computers SR	Furniture and fixtures SR	Leasehold improvements SR	Total SR
Cost								
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	125,156,788	20,253,931	320,401,453	2,092,272	15,810,554	9,144,494	10,413,212	503,272,704
Disposals	-	(2,536,182)	-	(2,52,451)	(7,944,847)	(10,948,477)	-	(23,481,957)
December 31, 2010	199,189,040	165,403,510	480,266,188	47,731,567	70,570,271	105,705,657	97,407,150	1,166,273,383
Accumulated depreciation								
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	-	13,438,417	9,073,633	6,857,851	3,158,448	8,103,161	8,567,607	49,199,117
Provision for impairment of property and equipment		1,500,000						1,500,000
Disposals	-	(2,535,839)	-	(1,802,490)	(7,938,468)	(10,939,438)	-	(23,216,235)
December 31, 2010	-	67,109,899	32,437,559	30,285,727	34,994,222	60,980,276	32,178,544	257,986,227
Net book value								
December 31, 2010	199,189,040	98,293,611	447,828,629	17,445,840	35,576,049	44,725,381	65,228,606	908,287,156
December 31, 2009	74,032,252	92,978,440	136,500,809	22,461,380	22,930,322	43,693,087	63,383,001	455,979,291

- The company has purchased real estate properties in Medina on March 29, 2010 for an amount of SR 98 million for building a shopping mall and investment in residential and office buildings.(Note 6) The approval for this transaction was granted in the shareholders' ordinary general assembly meeting held on April 7, 2010. Some title deeds of the land were transferred to the name of company while other title deeds amounting SR 37 million are still under progress.
- On August 6, 2010 the company purchased real estate properties in Ha'el city for an amount of SR 26 million. The purpose of this land is to build investment projects. The transfer of the land's title deeds to the name of company has been accomplished.
- Additions to property and equipment include the amount of SR 374,116,488 transferred from projects under progress (Note 9).
- Lands include land amounted to SR 64 million mortgaged to a local bank as collateral against bank facilities (Note 10b). No capital commitments are associated with the above mentioned investment on the balance sheet date.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2010

9. PROJECTS IN PROGRESS

Projects in progress represent mainly of the contractor's bills for constructing malls and for establishing and developing new stores. Contingent liabilities related to projects in progress as of December 31, 2010 totaled SR 11.3 million. (December 31, 2009: SR 124.6 million).

During the period, an amount of SR 374,116,488 was transferred from projects in progress to the property and equipment (Note 8).

10. LOANS AND MURABAHA

a) Short-term murabaha

The Company has facilities from local banks in the form of short-term murabaha to finance working capital. Unutilized balance of these murabaha loans as of December 31, 2010 amounted to SR 169 million (December 31, 2009: SR 234 million).

b) Long-term loans and murabaha:

	December 31, 2010		
	Current SR	Non-current SR	Total SR
Saudi Industrial Development Fund Loan	400,000	643,500	1,043,500
Bank Al Bilad Loan	52,110,960	129,198,917	181,309,877
Saudi British Bank Loan	16,666,667	15,277,777	31,944,444
Saudi Hollandi Bank Loans	31,550,856	34,000,000	65,550,856
	100,728,483	179,120,194	279,848,677
	December 31, 2009		
	Current SR	Non-current SR	Total SR
Saudi Industrial Development Fund Loan	600,000	1,043,500	1,643,500
Arab National Bank Murabaha	7,000,000	-	7,000,000
Bank Al Bilad Loan	47,348,608	183,988,991	231,337,599
Saudi British Bank Loan	16,666,667	31,944,444	48,611,111
Saudi Hollandi Bank Loan	16,803,589	25,205,382	42,008,971
	88,418,864	242,182,317	330,601,181

These facilities are secured by personal guarantees from one of the shareholders and mortgage of land owned by the Company with a cost of SR 64 million as of December 31, 2010 (December 31, 2009: SR 25.5 million).

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2010

11. OTHER PAYABLES AND ACCRUED EXPENSES

	2010	2009
	SR	SR
Employee dues	28,361,658	18,003,445
Advances from tenants	14,717,898	12,967,757
Coupons	12,857,465	11,531,593
Deferred revenues - Iktissab customers points	8,940,031	11,412,246
Deposits from others	4,697,717	3,799,397
Zakat provision (Note 12)	4,513,693	2,514,200
Others	8,130,796	3,983,479
	82,219,258	64,212,117

12. ZAKAT

The principal elements of the Zakat base are as follows:

	2010	2009
	SR	SR
Shareholders' equity – beginning of the year	286,591,438	265,318,996
Income before zakat	166,047,360	79,872,442
Long-term Liabilities	308,732,196	352,473,577
Non-current assets	(1,067,474,419)	(820,002,704)

Some figures were adjusted to arrive to the Zakat base.

Due to negative zakat base, Zakat provision is computed based on adjusted net income.

The movement in zakat provision is as follows:

	2010	2009
	SR	SR
Balance, January 1	2,514,200	1,809,834
Payments during the year	(2,119,255)	(1,645,634)
Provision for the year	4,118,748	2,350,000
Balance, December 31	4,513,693	2,514,200

The Company received the final assessment for 2007. The Company has also filed its zakat returns for 2008 and 2009 which are still under review by DZIT.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2010

13. STATUTORY RESERVE

In accordance with the Regulations for Companies in Saudi Arabia, The company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 50% of the share capital. This reserve is not available for dividend distribution.

14. VOLUNTARY RESERVE

The extraordinary general assembly in its meeting held on Jumad Al-Awal 2, 1430 (corresponding to April 27, 2009) approved a voluntary reserve of 20% of 2008 net income and appropriated it for the expansion of the Company's operations.

15. SELLING AND DISTRIBUTION EXPENSES

	2010 SR	2009 SR
Salaries and benefits	47,466,739	40,320,297
Advertising and promotions	12,476,776	9,800,875
Depreciation and amortization	11,003,092	9,296,649
Rent	4,493,683	3,202,589
Repairs and maintenance	3,825,312	2,101,655
Utilities	2,556,205	2,594,839
Other	2,479,105	1,802,869
Fuel and supplies	2,013,736	1,942,935
Freight to branches	1,247,809	2,855,110
Insurance	883,126	1,446,127
	88,445,583	75,363,945

16. GENERAL AND ADMINISTRATIVE EXPENSES

	2010 SR	2009 SR
Salaries and benefits	27,014,467	25,512,617
Rent	5,352,782	3,718,989
Finance charge	4,958,115	3,934,863
Depreciation and amortization	2,538,540	4,806,911
Professional fees	1,163,884	559,822
Utilities	1,598,600	1,113,936
Fees and subscription	1,410,023	2,927,272
Repairs and maintenance	924,149	885,120
Hospitality	818,386	570,368
Other	690,048	525,620
Fuel & supplies	513,904	382,371
Insurance	230,457	236,663
Bad debts allowance	-	1,456,029
	47,213,355	46,630,581

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
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17. OTHER INCOME (EXPENSES), NET

	2010	2009
	SR	SR
Financial and operating systems project *	6,500,000	(18,816,025)
Gain from sale of fixed assets	987,646	455,082
Other, Net	2,985,785	2,861,794
	10,473,431	(15,499,149)

* The company has signed a contract in 2007 with a System Company to install and implement an ERP system to satisfy its requirements in the accounting, operations, warehouses and HR systems. In 2009, the board of directors took a decision to stop the project and to write-off the full value of the project (amounted SR 18.8 million), to "other expenses" due to the failure of these systems in satisfying the Company's requirements and took the necessary allowances. During the current period, the company signed an agreement with the implementer to settle outstanding claims, which resulted in excess in allowances by SR 6.5 million reported under as "other income".

18. EARNINGS PER SHARE

Earnings per share are calculated based on net income for the year and income from continuous main operations divided by the weighted average number of shares as of December 31, 2010 and amounting to 22.5 million share.

19. DIVIDENDS

In its ordinary meeting held on April 7, 2010, the shareholder's General Assembly approved cash dividends of SR 56.25 million, which represents SR 2.5 per share for the year ended December 31, 2009.

On its meeting held on April 27, 2009, the Extraordinary General Assembly approved cash dividends of SR 33.75 million, which represents SR 1.5 per share for the year ended December 31, 2008.

Subsequent events:

The board of directors proposed in its meeting held on January 18, 2011 cash dividends of SR 67.5 million for the year ended December 31, 2010 which represents SR 3 per share.

20. COMMITMENTS AND CONTINGENCIES

- a) As of December 31 the Company has the following commitments and contingent liabilities:

	2010	2009
	SR	SR
Letters of credit	19,309,537	6,229,141
Letters of guarantee	20,243,010	21,693,300
Contingent liabilities on projects in progress	11,266,780	124,600,000

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b) Lease commitments on operating leases

The outstanding lease commitments principally related to long-term operating leases for the Company's branches, under non-cancelable operating lease as of December 31 are as follows:

	2010 SR	2009 SR
Less than one year	38,382,439	35,398,834
More than one year, but less than 5 years	129,161,016	97,460,856
More than 5 years, but less than 23 years	251,405,848	236,255,679
Total	418,949,303	369,115,369

21. SEGMENTAL INFORMATION

The Company has one operating segment of retail business and the Company carries out its operations in the Kingdom of Saudi Arabia.

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the Company's financial instruments are compiled under the historical cost convention, differences can arise between the book values and fair value estimates. Management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values.

Financial instruments reported in the balance sheet principally include cash and cash equivalents, prepayments and other receivables, payables, other payables and accrued expenses, short-term and long-term loans and Murabahas.

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. The Company has no significant concentration of credit risk. Cash is substantially placed with local banks with sound credit ratings. Prepayments and other receivables are carried net of provision for doubtful debts, if any.

Commission rate risk is the exposure to various risks associated with the effect of fluctuations in the prevailing commission rates on the Company's financial position and cash flows. The Company monitors the fluctuations in commission rates and believes that the effect of the commission rate risk is not material.

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi riyals and U.S. dollars. Management monitors the fluctuations in currency exchange rates and believes that the currency risk is not material.

Liquidity risk is the risk that Company will be unable to meet its funding requirements primarily for loan commitments. The Company maintains adequate funding to meet such obligations when they become due.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2010

23. APPROVAL OF THE FINANCIAL STATEMENTS

Financial statements had been approved by the Board of Directors on February 14, 2011.

24. COMPARATIVE FIGURES

Certain figures for 2009 have been reclassified to be consistent with the presentation for the current year.