

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

FINANCIAL STATEMENTS AND AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2009

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

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INDEPENDENT AUDITORS' REPORT

To the shareholders of
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, 2009, 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 generally accepted auditing standards. 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, 2009, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting standards appropriate to the nature of the Company, and comply with the relevant provisions of the Regulations for Companies and the article of association of the Company as those relate to the preparation and presentation of these financial statements.

Deloitte & Touché
Bakr Abulkhair & Co.



Bakr A. Abulkhair
(License No. 101)

Safar 30, 1431
February 14, 2010

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

BALANCE SHEET
AS OF DECEMBER 31, 2009

		2009	2008
	Note	SR	SR
ASSETS			
Current assets			
Cash and cash equivalents	3	107,261,008	26,694,549
Inventories	4	220,220,504	216,915,046
Prepayments and other receivables	5	89,998,718	77,882,031
Due from related parties	6	-	57,413,119
Total current assets		417,480,230	378,904,745
Non-current assets			
Investment in associated company and other	7	99,231,576	89,609,090
Property and equipment, net	8	455,979,291	365,883,639
Projects in progress	9	264,791,837	246,302,423
Total non-current assets		820,002,704	701,795,152
TOTAL ASSETS		1,237,482,934	1,080,699,897
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Short term and loans Murabaha	10	6,273,497	262,777,052
Current portion of long term loans	10	88,418,864	13,290,699
Trade payables		471,682,305	426,526,512
Due to related parties	6	-	8,540,414
Accruals and other payables	11	64,212,117	45,664,637
Total current liabilities		630,586,783	756,799,314
Non-current liabilities			
End-of-service indemnities		21,872,396	16,034,543
Long term loans	10	242,182,317	8,797,044
Total non-current liabilities		264,054,713	24,831,587
Total liabilities		894,641,496	781,630,901
Shareholders' equity			
Share capital	1	225,000,000	225,000,000
Statutory reserve	13	25,781,233	18,028,989
Voluntary reserve	14	12,453,336	-
Retained earnings		79,606,869	56,040,007
Total shareholders' equity		342,841,438	299,068,996
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,237,482,934	1,080,699,897

The accompanying notes form an integral part of these financial statements

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

STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2009

	Note	2009 SR	2008 SR
Revenues			
Sales		3,065,135,835	2,840,513,903
Rent	6	73,375,088	59,565,062
Total revenues		3,138,510,923	2,900,078,965
Cost of revenues		(2,922,607,462)	(2,722,311,991)
Gross profit		215,903,461	177,766,974
Selling and distribution expenses	15	(73,327,745)	(80,175,728)
General and administrative expenses	16	(53,404,882)	(40,264,473)
Income from main operations		89,170,834	57,326,773
Company's share in the net profit of associated company	7	6,222,486	4,609,090
Other (expenses) income, net	17	(15,520,878)	2,080,811
Income before zakat		79,872,442	64,016,674
Zakat	12	(2,350,000)	(1,750,000)
NET INCOME		77,522,442	62,266,674
Earnings per share:			
From main operations	19	3.96	2.55
From net income	19	3.45	2.77

The accompanying notes form an integral part of these financial statements

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

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2009

	2009 SR	2008 SR
OPERATING ACTIVITIES		
Income before zakat	79,872,442	64,016,674
Adjustments:		
Depreciation	44,409,429	37,363,724
Gain from sale of property and equipment	(455,082)	(431,047)
Company's share in the net income of associated company	(6,222,486)	(4,609,090)
End-of-service indemnities	5,837,853	3,928,329
Changes in operating assets and liabilities:		
Inventories	(3,305,458)	(9,383,977)
Prepayments and other receivables	(12,116,687)	(20,603,160)
Due from (to) related parties	49,044,889	(372,109)
Accruals and other payables	62,998,907	46,641,660
Zakat paid	(1,645,634)	(1,711,398)
Net cash from operating activities	218,418,173	114,839,606
INVESTING ACTIVITIES		
Investment in National Laboratories Limited Company (Maamel)	(3,400,000)	-
Additions to property and equipment and projects in progress	(153,375,546)	(282,873,603)
Proceeds from sale of property and equipment	663,949	1,597,365
Net cash used in investing activities	(156,111,597)	(281,276,238)
FINANCING ACTIVITIES		
Murabaha and loans	52,009,883	175,108,260
Dividends	(33,750,000)	-
Net cash from financing activities	18,259,883	175,108,260
Net change in cash and cash equivalents	80,566,459	8,671,628
Cash and cash equivalents, January 1	26,694,549	18,022,921
CASH AND CASH EQUIVALENTS, DECEMBER 31	107,261,008	26,694,549
Non cash transactions:		
Transfer of property and equipment to related parties at net book value	172,184	369,514

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
YEAR ENDED DECEMBER 31, 2009

	Note	Share capital SR	Statutory reserve SR	Voluntary reserve SR	Retained earnings SR	Total SR
January 1, 2008		225,000,000	11,802,322	-	-	236,802,322
Net income for 2008		-	-	-	62,266,674	62,266,674
Transferred to statutory reserve	13	-	6,226,667	-	(6,226,667)	-
December 31, 2008		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)	-
Dividends	18	-	-	-	(33,750,000)	(33,750,000)
December 31, 2009		225,000,000	25,781,233	12,453,336	79,606,869	342,841,438

The accompanying notes form an integral part of these financial statements

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

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009

1. ORGANIZATION ACTIVITY

Abdullah Al-Othaim Markets Company (“the Company”) is a Saudi Joint Stock company registered in Riyadh under Commercial Registration Number 1010031185 on Rajab 7, 1400H (May 21, 1980). The Company have been established according to Ministerial Resolution decree No. 227 dated 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 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 statements have been prepared 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 statements in conformity with generally accepted accounting standards which 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 reporting 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 result ultimately may differ from those estimates.

Accounting convention

The financial statements are prepared using 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
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2009

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 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 less than 20% 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 out lets.

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:

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

ABDULLAH AL-OTHAIM MARKETS COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2009

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 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 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 income in the period in which 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 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, for operating leases are recognized as income on a straight-line basis over the period of the related leases.

ABDULLAH AL-OTHAIM MARKETS COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2009

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, if any, are 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

	2009	2008
	SR	SR
Cash on hand	14,923,119	12,601,505
Cash at banks	16,923,384	13,989,494
Cheques under collections	75,414,505	103,550
	107,261,008	26,694,549

Cheques under collections includes SR 75.2 million which represents cheques received from a related party. The whole amount has been collected subsequently.

4. INVENTORIES

	2009	2008
	SR	SR
Main warehouses inventory	74,761,258	63,527,864
Branches inventory	145,459,246	153,387,182
	220,220,504	216,915,046

5. PREPAYMENTS AND OTHER RECEIVABLES

	2009	2008
	SR	SR
Prepaid expenses (Note 6)	69,717,232	29,611,639
Advance payments to suppliers	4,879,813	33,330,764
Store rent receivable	4,617,292	2,765,147
Employees	2,496,511	2,896,928
Margin on letter of credit and letter of guarantees	1,199,801	4,511,174
Other	7,088,069	4,766,379
	89,998,718	77,882,031

ABDULLAH AL-OTHAIM MARKETS COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2009

6. RELATED PARTY TRANSACTIONS

During 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:

Transactions	2009 SR	2008 SR
Finance charges on related parties current accounts	12,208,066	8,277,330
Rent expenses	(5,970,033)	(5,778,861)
Rent income	5,433,816	6,373,689
Construction works	(48,644,952)	(20,395,890)
Prepaid rent	38,857,963	-

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

	2009 SR	2008 SR
Due from related parties:		
Abdullah Al-Othaim Investment and Real Estate Development Company Associated Company	-	57,413,119
		57,413,119
Due to related parties:		
Dar Alkhuyool Contracting Co. Associated Company	-	8,280,941
Al-Othaim Holding Company Shareholder	-	259,473
	-	8,540,414

ABDULLAH AL-OTHAIM MARKETS COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2009

7. INVESTMENT IN ASSOCIATED COMPANY AND OTHER

a) Investment in an associated Company

	2009	2008
	SR	SR
January 1	89,609,090	85,000,000
Company share in the net income	6,222,486	4,609,090
December 31	95,831,576	89,609,090

b) Investment in National Laboratories Company

	3,400,000	-
Total investment in the associated company and others	99,231,576	89,609,090

- a) The investment in 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 the year the Company has invested 6% in National Laboratories Company “Maamel” (a limited liability company) registered in Riyadh city.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2009

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, 2009	74,032,252	112,247,591	100,682,536	44,334,498	53,822,009	94,854,939	76,206,404	556,180,229
Additions	-	35,518,025	59,182,199	3,994,418	9,294,560	12,732,981	14,163,933	134,886,116
Disposals	-	(79,855)	-	(637,170)	(412,005)	(78,280)	(3,376,399)	(4,583,709)
December 31, 2009	74,032,252	147,685,761	159,864,735	47,691,746	62,704,564	107,509,640	86,993,938	686,482,636
Depreciation								
January 1, 2009	-	43,966,672	17,122,720	19,180,596	35,236,544	55,617,717	19,172,341	190,296,590
Charge for the year	-	10,802,852	6,241,206	6,426,868	4,876,291	8,247,221	7,814,991	44,409,429
Disposals	-	(62,203)	-	(377,098)	(338,593)	(48,385)	(3,376,395)	(4,202,674)
December 31, 2009	-	54,707,321	23,363,926	25,230,366	39,774,242	63,816,553	23,610,937	230,503,345
Net book value								
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
December 31, 2008	74,032,252	68,280,919	83,559,816	25,153,902	18,585,465	39,237,222	57,034,063	365,883,639

The land includes mortgage lands amounting to SR 25.5 million as of December 31, 2009 against facilities from local banks.

The net book value of the buildings on leased land amounting to SR 128.3 million as of December 31, 2009.

ABDULLAH AL-OTHAIM MARKETS COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2009

9. PROJECTS IN PROGRESS

On July 1, 2008 one of the malls which was still under construction was transferred at its net book value of SR 142.4 million from associated company to the Company after obtaining the approvals from the Board of Directors of the Company and the owners of the associated Company. Moreover, the land which the project is constructed on is leased by the Company.

Other projects in progress represent contractor's billing for establishing and developing new branches. Contingent liabilities related to projects in progress as of December 31, 2009 amounted to SR 124.6 millions.

10. MURABAHA AND LOANS

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, 2009 amounted to SR 234 million (December 31, 2008: SR 97 million).

b) Long-term murabaha and loans:

	2009			2008
	Current SR	Non-current SR	Total SR	Total SR
Saudi Industrial Development Fund Loan	600,000	1,043,500	1,643,500	2,043,500
Arab National Bank Murabaha	7,000,000	-	7,000,000	20,044,243
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	-
	<u>88,418,864</u>	<u>242,182,317</u>	<u>330,601,181</u>	<u>22,087,743</u>

These facilities are secured by personal guarantees from one of the shareholders and mortgage of land owned by the Company having a book value as of December 31, 2009 and 2008 of SR 25.5 million.

Bank facilities agreements include financial covenants and commitments which were complied with as of December 31, 2009.

ABDULLAH AL-OTHAIM MARKETS COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2009

11. ACCRUALS AND OTHER PAYABLES

	2009	2008
	SR	SR
Employee dues	18,003,445	14,641,661
Advances from tenants	12,967,757	6,423,261
Coupons	11,531,593	10,540,266
Iktissab customers points – deferred revenues	11,412,246	8,222,618
Deposits from others	3,799,397	2,970,841
Zakat provision (Note 12)	2,514,200	1,809,834
Others	3,983,479	1,056,156
	64,212,117	45,664,637

12. ZAKAT

The principal elements of the Zakat base are as follows:

	2009	2008
	SR	SR
Shareholders' equity beginning of the year	265,318,996	236,802,322
Income before zakat	79,872,442	64,016,674
Long-term Liabilities	352,473,577	38,122,286
Non-current assets	(820,002,704)	(701,795,152)

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

The movement in zakat provision is as follows:

	2009	2008
	SR	SR
Balance, January 1	1,809,834	1,771,232
Payments during the year	(1,645,634)	(1,711,398)
Provision for the year	2,350,000	1,750,000
Balance, December 31	2,514,200	1,809,834

During January 2010 the Company received the zakat assessment for 2007 which shows SR 737,501 due to DZIT, the Company will object this assessment.

The Company has also filed its zakat return for 2008 but has not yet received the related assessment from DZIT.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2009

13. STATUTORY RESERVE

In accordance with 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 extra ordinary general assembly in its meeting held on Jumada Al-Awal 2, 1430 (April 27, 2009) approved a voluntary reserve of 20% of 2008 net income for expansions of the Company's operations.

15. SELLING AND DISTRIBUTION EXPENSES

	2009 SR	2008 SR
Salaries and benefits	39,019,674	37,430,541
Advertising and promotions	9,813,087	15,270,598
Depreciation and amortization	8,914,348	6,086,206
Rent	3,202,589	3,180,140
Freight to branches	2,855,110	7,671,091
Repairs and maintenance	2,509,750	3,149,306
Utilities	2,019,568	2,509,463
Fuel and supplies	1,918,432	2,289,031
Insurance	1,421,643	1,012,127
Other	1,653,544	1,577,225
	73,327,745	80,175,728

16. GENERAL AND ADMINISTRATIVE EXPENSES

	2009 SR	2008 SR
Salaries and benefits	26,814,107	19,510,144
Depreciation and amortization	6,788,776	7,699,302
Rent	5,606,001	3,495,312
Finance charge	3,936,261	2,830,540
Fees and subscription	2,977,418	531,837
Bad debits allowance	1,456,029	1,049,109
Utilities	1,196,023	1,338,103
Repairs and maintenance	970,208	692,457
Hospitality	535,522	391,124
Professional fees	576,395	859,670
Fuel & supplies	406,874	448,372
Insurance	261,146	265,852
Other	1,880,122	1,152,651
	53,404,882	40,264,473

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2009

17. OTHER (EXPENSES) INCOME

	2009	2008
	SR	SR
Writing off financial and operating systems project	(18,816,025)	-
Gain on sale of property and equipment	455,082	491,535
Other	2,840,065	1,589,276
	(15,520,878)	2,080,811

Financial and operating systems project represents payments and contingent liabilities for integrated systems meet the Company's requirements of accounting, operational process, warehouses and HR system. However, the Company took a decision to write-off the full value of the project to other expenses due to the failure of these systems to satisfy the Company's requirements.

18. SEGMENTAL INFORMATION

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

19. EARNINGS PER SHARE

Earnings per share are calculated based on net income for the year and income from main operations divided on the weighted average number of shares as of December 31, 2009 and 2008 amounted to 22.5 million share.

20. COMMITMENTS AND CONTINGENCIES

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

	2009	2008
	SR	SR
Letters of credit	6,229,141	7,051,150
Letters of guarantee	21,693,300	17,759,926

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2009

b) Lease commitments

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:

	2009	2008
	SR	SR
Less than one year	35,398,834	41,509,017
More than one year, but less than five years	97,460,856	133,471,683
More than five years, but less than twenty four years	236,255,679	255,662,758

21. DIVIDENDS

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

In addition, the board of directors at its meeting held on February 14, 2010 proposed cash dividends of SR 2.5 per share for the year ended December 31, 2009.

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments carried on the balance sheet principally include cash and cash equivalents, accounts receivable, accounts payable, accruals and other payables.

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 national 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 a financial instrument 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.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2009

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.

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.

23. APPROVAL OF THE FINANCIAL STATEMENTS

Financial statements had been approved by the Board of Directors on February 14, 2010.

24. COMPARATIVE FIGURES

Certain figures for 2008 have been reclassified to be consistent with the presentation for the current year.