

**ABDULLAH AL-OTHAIM MARKETS COMPANY
(PREVIOUSLY KNOWN AS ABDULLAH SALEH AL-OTHAIM
MARKETS COMPANY)
(CLOSED JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS AND AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2007**

**ABDULLAH AL-OTHAIM MARKETS COMPANY
(PREVIOUSLY KNOWN AS ABDULLAH SALEH AL-OTHAIM MARKETS COMPANY)
(CLOSED JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS AND AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2007**

INDEX	PAGE
Auditors' report	1
Balance sheet	2
Statement of income	3
Statement of shareholders' equity	4
Statement of cash flows	5
Notes to the financial statements	6 – 18

INDEPENDENT AUDITORS' REPORT ¹

To the shareholders
Abdullah Al-Othaim Markets Company
(Previously known as Abdullah Saleh Al-Othaim Markets Company)
(Closed Joint Stock Company)
Riyadh, Saudi Arabia

We have audited the accompanying balance sheet of Abdullah Al-Othaim Markets Company (a Saudi Closed Joint Stock Company) as of December 31, 2007, and the related statements of income, shareholders' equity and cash flows for the year then ended, and notes 1 to 20 which form an integral part of these financial statements as prepared by the Company 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.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2007, 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.

As mentioned in note No. (1) in the attached disclosures, a ministerial decree No. 227 was issued on September 15, 2007 to announce the conversion of the company from limited liability to joint stock company. According to the company's articles of association, the first fiscal year of the company starts on the date of the ministerial decree and ends on December 31 of the following year, which falls on December 31, 2008. The accompanying financial statements were prepared for the period from January 1, 2007 to December 31, 2007 for the company management use only.

Deloitte & Touché
Bakr Abulkhair & Co.

Bakr A. Abulkhair
(License No. 101)
Safar 10, 1429
February 17, 2008

(1) The above report is an unofficial translation of the Arabic report on the financial statements.

ABDULLAH AL-OTHAIM MARKETS COMPANY
(PREVIOUSLY KNOWN AS ABDULLAH SALEH AL-OTHAIM MARKETS COMPANY)
(CLOSED JOINT STOCK COMPANY)

BALANCE SHEET
AS OF DECEMBER 31, 2007

ASSETS	Note	2007 SR	2006 SR
<i>Current assets</i>			
Cash and bank balances		18,022,921	22,043,057
Inventories	3	207,531,069	145,519,846
Prepayments and other receivables	4	57,278,871	34,393,395
Related parties	5	48,131,082	7,508,694
Total current assets		330,963,943	209,464,992
<i>Non-current assets</i>			
Investment in associated company	6	85,000,000	85,000,000
Property and equipment	7	313,633,283	253,619,959
Projects under construction	8	54,578,732	48,768,444
Pre-operating expenses		-	617,167
Total non-current assets		453,212,015	388,005,570
TOTAL ASSETS		784,175,958	597,470,562
LIABILITIES AND SHAREHOLDERS' EQUITY			
<i>Current Liabilities</i>			
Short term loans and Murabaha	9	77,501,509	57,777,551
Current portion of long term loans and Murabaha	9	6,984,387	5,982,306
Trade payables		388,872,005	225,529,769
Other payables and accruals	10	36,638,882	32,699,460
Total current liabilities		509,996,783	321,989,086
<i>Non-current liabilities</i>			
End-of-service indemnities		12,106,214	6,012,202
Long term loans and Murabaha	9	25,270,639	31,224,637
Total non-current liabilities		37,376,853	37,236,839
Total liabilities		547,373,636	359,225,925
<i>Shareholders' equity</i>			
Share capital	1	225,000,000	225,000,000
Statutory reserve	12	11,802,322	5,824,464
Retained earnings		-	7,420,173
Total shareholders' equity		236,802,322	238,244,637
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		784,175,958	597,470,562

The accompanying notes form an integral part of these financial statements

ABDULLAH AL-OTHAIM MARKETS COMPANY
(PREVIOUSLY KNOWN AS ABDULLAH SALEH AL-OTHAIM MARKETS COMPANY)
(CLOSED JOINT STOCK COMPANY)

STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2007

	Note	2007 SR	2006 SR
Revenues			
Sales		2,274,003,672	1,770,508,252
Rent		46,135,835	52,029,552
Total revenues		2,320,139,507	1,822,537,804
Cost of revenues		(2,165,991,881)	(1,688,316,297)
Gross profit		154,147,626	134,221,507
Selling and distribution expenses	13	(38,781,287)	(34,910,610)
General and administrative expenses	14	(55,529,599)	(46,959,584)
Operating income		59,836,740	52,351,313
Finance charges		(2,922,865)	(1,983,540)
Other income, net	15	4,612,716	9,252,197
Income before zakat		61,526,591	59,619,970
Zakat	11	(1,748,011)	(1,375,333)
NET INCOME		59,778,580	58,244,637
EARNINGS PER SHARE	16	2.66	2.59

The accompanying notes form an integral part of these financial statements

ABDULLAH AL-OTHAIM MARKETS COMPANY
(PREVIOUSLY KNOWN AS ABDULLAH SALEH AL-OTHAIM MARKETS COMPANY)
(CLOSED JOINT STOCK COMPANY)

STATEMENT OF SHAREHOLDERS' EQUITY
YEAR ENDED DECEMBER 31, 2007

	Share capital SR	Proposed increase in capital SR	Statutory reserve SR	Shareholder's current account SR	Retained earnings SR	Total SR
December 31, 2005	10,000,000	210,000,000	5,000,000	-	-	225,000,000
Increase in capital	215,000,000	(210,000,000)	(5,000,000)	-	-	-
Net income for 2006	-	-	-	-	58,244,637	58,244,637
Transferred to statutory reserve	-	-	5,824,464	-	(5,824,464)	-
Dividends	-	-	-	45,000,000	(45,000,000)	-
Net movement in shareholder's current account	-	-	-	(45,000,000)	-	(45,000,000)
December 31, 2006	225,000,000	-	5,824,464	-	7,420,173	238,244,637
Net income for 2007	-	-	-	-	59,778,580	59,778,580
Transferred to statutory reserve	-	-	5,977,858	-	(5,977,858)	-
Dividends	-	-	-	-	(61,220,895)	(61,220,895)
December 31, 2007	225,000,000	-	11,802,322	-	-	236,802,322

The accompanying notes form an integral part of these financial statements

ABDULLAH AL-OTHAIM MARKETS COMPANY
(PREVIOUSLY KNOWN AS ABDULLAH SALEH AL-OTHAIM MARKETS COMPANY)
(CLOSED JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2007

	2007 SR	2006 SR
OPERATING ACTIVITIES		
Income before zakat	61,526,591	59,619,970
Adjustments on net income before zakat:		
Depreciation	29,881,786	19,826,723
Amortization	617,167	1,465,530
Gain from sale of property and equipment	(15,790)	(23,957)
End-of-service indemnities	6,094,012	3,941,869
Changes in operating assets and liabilities:		
Prepayments and other receivables	(22,885,476)	(2,757,154)
Inventories	(62,011,223)	(22,300,960)
Payables and accruals	166,983,673	27,110,031
Zakat paid	(1,450,026)	(1,231,302)
Related parties	(101,471,260)	(46,031,694)
Net cash from operating activities	77,269,454	39,619,056
INVESTING ACTIVITIES		
Investment in associated company	-	-
Purchase of property and equipment	(41,157,505)	(87,323,106)
Projects under construction	(55,375,860)	(28,179,380)
Proceeds from sale of property and equipment	471,734	59,000
Net cash used in investing activities	(115,443,486)	(115,443,486)
FINANCING ACTIVITIES		
Due to banks, loans and Murabaha	14,772,041	53,559,390
Net cash from financing activities	53,559,390	53,559,390
Net change in cash balances	(4,020,136)	(22,265,040)
Cash, January 1	22,043,057	44,308,097
CASH, DECEMBER 31	18,022,921	22,043,057
NON CASH TRANSACTIONS:		
Reversal revaluation (difference) of land and buildings purchased from shareholder	-	6,477,000
Dividends settled in majority shareholder's current account	(61,220,895)	(45,000,000)
Transfer from proposed increase in capital and statutory reserve to capital	-	(215,000,000)
Net funds transferred to shareholder's current account, before cash	-	-
Purchase of Dammam land through Murabaha financing	-	(38,181,604)
Transfer of assets to Related Parties	372,023	-

The accompanying notes form an integral part of these financial statements

**ABDULLAH AL-OTHAIM MARKETS COMPANY
(PREVIOUSLY KNOWN AS ABDULLAH SALEH AL-OTHAIM MARKETS COMPANY)
(CLOSED JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2007**

1. ORGANIZATION AND ACTIVITIES

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

On August 20, 2007, the Shareholders have decided to change the legal form of the company to a closed joint stock company and change the name of the company to Abdullah Al-Othaim Markets Company.

Minister of Industry and Commerce has issued his decree No. 227 on September 15, 2007 to announce the conversion of the company from limited liability into joint stock Company.

According to the company's articles of association, the first fiscal year of the company starts on the date of the above ministerial decree and ends on December 31 of the following year, which falls on December 31, 2008. The accompanying financial statements from January 1, 2007 to December 31, 2007

The shareholders and their shares in capital are as follows:

<i>Name</i>	<i>Number of shares</i>	<i>Share value</i>	<i>Amount SR</i>
		SR	
Al-Othaim Holding Company	15,750,000	10	157,500,000
Sheikh Abdullah Saleh Al-Othaim	3,375,000	10	33,750,000
Fahd Abdullah Saleh Al-Othaim	1,125,000	10	11,250,000
Huda Abdullah Saleh Al-Othaim	1,125,000	10	11,250,000
Abeer Abdullah Saleh Al-Othaim	1,125,000	10	11,250,000
	22,500,000		225,000,000

The main activities of the Company are to undertake wholesale and retail trading in a variety of food supplies and consumable materials, managing and operating entertainment centers, and purchasing land to construct buildings with the intention of selling or leasing them.

**ABDULLAH AL-OTHAİM MARKETS COMPANY
(PREVIOUSLY KNOWN AS ABDULLAH SALEH AL-OTHAİM MARKETS COMPANY)
(CLOSED JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial 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 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 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 statements are prepared under the accrual and historical cost conventions.

Revenue recognition

Sales are recognized upon delivery of goods to customers. Revenue from entertainment is recognized as services are rendered. Income from rent is recognized 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.

Cost of revenues

Cost of revenues includes cost of purchases and showroom related expenses.

ABDULLAH AL-OTHAIM MARKETS COMPANY
(PREVIOUSLY KNOWN AS ABDULLAH SALEH AL-OTHAIM MARKETS COMPANY)
(CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2007

Investments

Investments in companies owned less than 20% and without any significant influence, through participation in the financial and operating policy decisions are accounted for at cost after adjusting impairment in the value. Revenues are recognized from this investments when dividends are received.

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:

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

Impairment of long-term assets

At each balance sheet date the Company reviews the carrying amount of its tangible and intangible 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.

**ABDULLAH AL-OTHAİM MARKETS COMPANY
(PREVIOUSLY KNOWN AS ABDULLAH SALEH AL-OTHAİM MARKETS COMPANY)
(CLOSED JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2007**

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 under operating leases entered into by the Company as a lessor are recorded as income in the statement of income on a straight-line basis over the period of the related leases.

Pre-operating expenses

Pre-operating expenses comprise expenses, recruitment costs and salaries of employees involved in setting up of new branches and are amortized, using the straight line method, over a period of 4 years.

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.

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.

Statutory reserve

In accordance with the Regulations for Companies in Saudi Arabia, and the Company's Articles of Association, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equaled 50% of the share capital. This reserve is not available for dividend distribution.

ABDULLAH AL-OTHAIM MARKETS COMPANY
(PREVIOUSLY KNOWN AS ABDULLAH SALEH AL-OTHAIM MARKETS COMPANY)
(CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2007

3. INVENTORIES

	2007 SR	2006 SR
Main warehouses	82,875,520	55,152,849
Branches	124,655,549	90,366,997
	207,531,069	145,519,846

4. PREPAYMENTS AND OTHER RECEIVABLES

	2006 SR	2005 SR
Advance to Suppliers	25,969,807	5,705,211
Prepaid expenses	20,395,144	16,168,689
Store rent receivable	4,645,543	634,421
Margin on letter of credit and guarantees	86,084	4,448,732
Employees	1,985,617	2,060,855
Other receivables	4,196,676	5,375,487
	57,278,871	34,393,395

5. RELATED PARTY TRANSACTIONS

During the year, the Company had made transactions with related parties as shown below the terms of these transactions and expense matches with regular trade receivables and payables and were executed in accordance with the Company's approval.

Name	Nature	Balance Debit/ (Credit)	
		SR	SR
Al-Othaim Holding Company	Shareholder	86,241,578	10,166,429
Abdullah Al-Othaim Investment and Real Estate Company	Associated Company	(25,142,917)	(2,657,735)
Dar Alkhuyool Contracting Co.		(12,967,579)	
		48,131,082	7,508,694

ABDULLAH AL-OTHAİM MARKETS COMPANY
(PREVIOUSLY KNOWN AS ABDULLAH SALEH AL-OTHAİM MARKETS COMPANY)
(CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2007

The significant transactions and related amounts are as follows:

Party	Transactions	Amount	
		SR	SR
AlOthaim Holding Company	Shared management salaries	(4,913,502)	(1,910,693)
	Financing income on holding company current account	5,484,846	(2,931,448)
	Rent income	1,908,167	(932,500)
Abdullah AlOthaim Investment and Real Estate Co.	Building and construction	(13,596,797)	11,716,773
	Rent income	1,588,294	(1,956,305)
	Rent expenses	(1,279,967)	977,500
Dar Alkhuyool Contracting Co.	Building and construction	(13,109,814)	-

6. INVESTMENT IN ASSOCIATED COMPANY

The investment in associated company represents the amount of investment in the capital of Abdullah Al-Othaim Investment and Real Estate Company at 13.6%. The rest of the equity is owned by AlOthaim Holding Company 81.4% and Abdullah Saleh AlOthaim 5%

ABDULLAH AL-OTHAIM MARKETS COMPANY
(PREVIOUSLY KNOWN AS ABDULLAH SALEH AL-OTHAIM MARKETS COMPANY)
(CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED YEAR ENDED DECEMBER 31, 2007

7. PROPERTY AND EQUIPMENT

	Land SR	Machinery and equipment SR	Buildings SR	Vehicles SR	Computers SR	Furniture and fixtures SR	Leasehold improvement s SR	Total SR
<u>Cost</u>								
January 1, 2007	74,032,252	69,474,250	62,212,546	27,361,664	40,158,638	74,704,875	32,912,827	380,857,052
Additions	-	15,122,005	35,272,661	4,100,101	6,009,635	10,523,085	19,695,590	90,723,077
Disposals	-	-	-	(3,412,568)	(197,190)	(15,750)	-	(3,625,508)
December 31, 2007	74,032,252	84,596,255	97,485,207	28,049,197	45,971,083	85,212,210	52,608,417	467,954,621
<u>Depreciation</u>								
January 1, 2006	-	30,213,312	7,392,193	15,132,014	25,101,630	40,826,950	8,570,994	127,237,093
Additions	-	6,186,024	4,200,502	3,422,265	4,933,727	7,542,715	3,596,553	29,881,786
Disposals	-	-	-	(2,707,932)	(73,859)	(15,750)	-	(2,797,541)
December 31, 2007	-	36,399,336	11,592,695	15,846,347	29,961,498	48,353,915	12,167,547	154,321,338
<u>Net book value</u>								
December 31, 2007	74,032,252	48,196,919	85,892,512	12,202,850	16,009,585	36,858,295	40,440,870	313,633,283
December 31, 2006	74,032,252	39,260,938	54,820,353	12,229,650	15,057,008	33,877,925	24,341,833	253,619,959

- The above Lands include some Lands with book value amounted to SR 38,181,604 financed by AlRjhai Bank by installment agreement for SR 48,490,637. The land are registered in the name of Al-Rajh Bank as at December 31, 2007 and will be transferred to the Company's name when payments and commitments generated from the installment purchase agreement are settled (Note 9-b).

ABDULLAH AL-OTHAIM MARKETS COMPANY
(PREVIOUSLY KNOWN AS ABDULLAH SALEH AL-OTHAIM MARKETS COMPANY)
(CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2007

8. PROJECTS UNDER CONSTRUCTION

Projects under construction represent the subcontractor's payment applications for supply and building the new commercial centers. Contingent liabilities related to unimplemented works on these projects as on December 31, 2007 was SR 9.8 Millions

9. LOANS AND MURABAHA

Loans and murabaha comprised the following as of December 31:

a) Short-term loans and 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 as in December 31, 2007 was SR 227 million. These facilities are secured by personal guarantees from one of the major shareholders.

b) Long-term loans and murabaha

	Current	2007	Total	2006
	SR	Non-current	SR	SR
	SR	SR	SR	SR
Al Rajhi Bank–Murabaha (1)	6,384,387	23,427,139	29,811,526	34,363,443
Saudi Industrial Development Fund Loan (2)	600,000	1,843,500	2,443,500	2,843,500
	6,984,387	25,270,639	32,255,026	37,206,943

- (1) Al Rajhi Bank – Murabaha balance amounted SR 29,811,526 as at December 31, 2007 represents L-T Murabaha Loan granted to the Company to finance the purchase of land in Dammam. This loan is evidenced by installment purchase agreement amounted to SR 48,490,637 which includes SR 10,309,034 as profit for the bank. Murabaha Loan is payable on ten semi-annual installments at SR 4,467,247 each starting from February 2007. The Murabaha is secured by issuing a promissory note amounted to SR 44,672,477 and registering the land in the name of Al-Rajhi Bank.

ABDULLAH AL-OTHAIM MARKETS COMPANY
(PREVIOUSLY KNOWN AS ABDULLAH SALEH AL-OTHAIM MARKETS COMPANY)
(CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2007

(2) The Saudi Industrial Development Fund loan amounted to SR 2,843,500 at December 31, 2007 represents commitment related to repayment of loan due on Al-Ariaf for Illumination Units; whereas Abdullah Al-Othaim Markets Company bought the factory and committed to repay outstanding amounts due on Al-Ariaf factory based on the agreement of transferring obligations agreed and approved by Saudi Industrial Development Fund on October 19, 2005; The loan was scheduled to be paid on 16 semi-annual installments starting from 2006 at SR 400,000 each except for the last installment which will be SR 243,500.

c) On December 31, 2007, the Company has unutilized facilities from local banks amounted to SR 227 millions (SR 47 millions, 2006).

10. OTHER PAYABLES AND ACCRUALS

	2007 SR	2006 SR
Advances from customers	5,853,900	7,243,358
Employee accruals	10,038,614	7,245,332
Coupons	6,782,757	4,196,075
Deposits from others	4,467,639	1,654,495
Provision for zakat (Note 11)	1,771,232	1,473,247
Ektisab points	6,365,581	4,586,295
Others	1,359,159	6,300,658
	36,638,882	32,699,460

11. ZAKAT

The principal elements of the Zakat base are as follows:

	2007 SR	2006 SR
Capital	225,000,000	225,000,000
Statutory reserve	5,824,464	-
Income before zakat	61,526,591	59,619,970
Long-term loans and Murabaha	44,361,240	43,219,145
Non-current assets	(453,212,015)	(388,005,570)
	(116,499,720)	(60,166,455)

As the zakat base is negative, zakat provision is computed based on adjusted net income.

ABDULLAH AL-OTHAIM MARKETS COMPANY
(PREVIOUSLY KNOWN AS ABDULLAH SALEH AL-OTHAIM MARKETS COMPANY)
(CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2007

The movement in Zakat provision is as follows:

	2007 SR	2006 SR
Balance, January 1	1,473,247	1,329,216
Payments during the year	(1,450,026)	(1,231,302)
Provision for the year	1,748,011	1,579,998
Recoveries from previous years	-	(106,751)
(Over) under provided in previous years	-	(97,914)
Balance, December 31	1,771,232	1,473,247

The Company finalized its assessment and obtained final clearance certificate up to 2006.

12. STATUTORT RESERVE

In accordance with the requirements of Saudi Companies Act and the company's articles of association, the company must take reserve at 10 percent of annual net profit until this reserve reaches 50 percent of the paid up capital. This reserve is not subject to distribution as dividends.

13. SELLING AND DISTRIBUTION EXPENSES

	2007 SR	2006 SR
Salaries and benefits	14,681,669	10,170,026
Advertising	11,462,197	11,554,983
Depreciation and amortization	3,667,579	2,954,075
Rent	2,675,052	2,710,148
Utilities	1,425,426	1,421,738
Repairs and maintenance	1,119,325	1,087,040
Fuel & Supplies	488,529	1,011,932
Other	3,261,510	4,000,668
	38,781,287	34,910,610

ABDULLAH AL-OTHAIM MARKETS COMPANY
(PREVIOUSLY KNOWN AS ABDULLAH SALEH AL-OTHAIM MARKETS COMPANY)
(CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2007

14. GENERAL AND ADMINISTRATIVE EXPENSES

	2007 SR	2006 SR
Salaries and benefits	38,023,580	31,945,952
Depreciation and amortization	8,100,315	5,692,898
Rent	1,956,285	1,333,879
Utilities	1,528,945	1,189,952
Repairs and maintenance	1,331,653	1,516,195
Fuel & supplies	1,262,704	1,901,422
Professional fees	402,967	1,000,880
Insurance	727,469	416,118
Other	2,195,681	1,962,288
	55,529,599	46,959,584

15. OTHER INCOME

	2007 SR	2006 SR
Income from sale of empty boxes and pallets	1,666,747	1,443,768
Gain on sale of property and equipment	15,790	23,957
Other income	2,930,179	1,376,667
	4,612,716	2,844,392

16. EARNINGS PER SHARE

Earnings per share are calculated based on Net income for the period divided by the weighted average number of shares during the period.

ABDULLAH AL-OTHAIM MARKETS COMPANY
(PREVIOUSLY KNOWN AS ABDULLAH SALEH AL-OTHAIM MARKETS COMPANY)
(CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2007

17. COMMITMENTS AND CONTINGENCIES

- a) At December 31, 2007 the Company had the following commitments and contingencies:

	2007	2006
	SR	SR
Letters of credit	1,535,341	12,993,866
Letters of guarantee	13,869,926	18,498,502

- 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:

	2007	2006
	SR	SR
Less than one year	34,323,382	45,140,394
More than one year, but less than five years	111,607,728	132,335,162
More than five years, but less than twenty three years	167,157,630	125,041,618

18. Cash Dividends

The General Assembly approved on its annual meeting held on December 31, 2007 to pay cash dividends of SR 16,220,895, which represents the profits earned from the fourth quarter 2007 as well as the balance of retained earnings up to September 30, 2007. Also, The Company distributed SR 45 million as cash dividends on September 13, 2007 before the conversion to a Saudi closed joint stock company.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments carried on the balance sheet principally include cash and cash equivalents, accounts receivable, accounts payable and accrued expenses.

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. Prepayment and accounts receivable are carried net of provision for doubtful debts, if any.

ABDULLAH AL-OTHAIM MARKETS COMPANY
(PREVIOUSLY KNOWN AS ABDULLAH SALEH AL-OTHAIM MARKETS COMPANY)
(CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2007

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.

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.

20. COMPARATIVE FIGURES

Certain figures for 2006 have been reclassified to conform with the presentation for year 2007.