

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

FINANCIAL STATEMENTS AND AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2008

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

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Scope of Audit

We have audited the balance sheet of Abdullah Al-Othaim Markets Company (a Saudi Joint Stock Company) as of December 31, 2008, and the related statements of income, changes in 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.

Unqualified Opinion

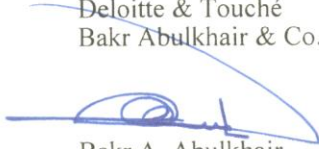
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2008, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting standards appropriate to the nature of the Company.

Emphasis of Matters

As disclosed in note No. (1) a ministerial decree No. 227/Q was issued on Ramadan 3, 1428 corresponding to September 15, 2007 to announce the conversion of the company from limited liability company to closed joint stock company. Accordingly the first fiscal year of the Company starts from the date of the ministerial decree (September 15, 2007) till December 31 2008. The accompanying financial statements were prepared for management use only and cover the period from January 1, 2008 till December 31, 2008.

As disclosed in note No. 5 to the accompanying financial statements, the associated company account is in debit for SR 57,413,119.

Deloitte & Touché
Bakr Abulkhair & Co.



Bakr A. Abulkhair
(License No. 101)

Safar 26, 1430
February 21, 2009

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

BALANCE SHEET
AS OF DECEMBER 31, 2008

		2008	2007
	Note	SR	SR
ASSETS			
Current assets			
Cash and bank balances		26,694,549	18,022,921
Inventories	3	216,915,046	207,531,069
Prepayments and other receivables	4	77,882,031	57,278,871
Due from related parties	5	57,413,119	86,241,578
Total current assets		378,904,745	369,074,439
Non-current assets			
Investment in associated company	6	89,609,090	85,000,000
Property and equipment	7	365,883,639	313,633,283
Projects in progress	8	246,302,423	54,578,732
Total non-current assets		701,795,152	453,212,015
TOTAL ASSETS		1,080,699,897	822,286,454
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Murabaha and short term loans	9	262,777,052	77,501,509
Current portion of murabaha and long term loans	9	13,290,699	6,984,387
Trade payables		426,526,512	388,872,005
Due to related parties	5	8,540,414	38,110,496
Accruals and other payables	10	45,664,637	36,638,882
Total current liabilities		756,799,314	548,107,279
Non-current liabilities			
End-of-service indemnities		16,034,543	12,106,214
Murabaha and long term loans	9	8,797,044	25,270,639
Total non-current liabilities		24,831,587	37,376,853
Total liabilities		781,630,901	585,484,132
Shareholders' equity			
Share capital	1	225,000,000	225,000,000
Statutory reserve	12	18,028,989	11,802,322
Retained earnings		56,040,007	-
Total shareholders' equity		299,068,996	236,802,322
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,080,699,897	822,286,454

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, 2008

	Note	2008 SR	2007 SR
Revenues			
Sales		2,855,483,816	2,274,003,672
Rent		59,463,802	46,135,835
Total revenues		2,914,947,618	2,320,139,507
Cost of revenues		(2,731,482,053)	(2,162,240,942)
Gross profit		183,465,565	157,898,565
Selling and distribution expenses	13	(54,626,202)	(42,532,226)
General and administrative expenses	14	(68,931,895)	(55,529,599)
Income from main operations		59,907,468	59,836,740
Company's share in the net profit of associated company		4,609,090	-
Finance charges, net		(2,718,689)	(2,922,865)
Other income		2,218,805	4,612,716
Income before zakat		64,016,674	61,526,591
Zakat	11	(1,750,000)	(1,748,011)
NET INCOME		62,266,674	59,778,580
Earnings per share:			
From main operations	16	2.66	2.66
From net income	16	2.77	2.66

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, 2008

	Note	Share capital SR	Statutory reserve SR	Retained earnings SR	Total SR
January 1, 2007		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	12	-	5,977,858	(5,977,858)	-
Dividends	18	-	-	(61,220,895)	(61,220,895)
December 31, 2007		225,000,000	11,802,322	-	236,802,322
Net income for 2008		-	-	62,266,674	62,266,674
Transferred to statutory reserve	12	-	6,226,667	(6,226,667)	-
December 31, 2008		225,000,000	18,028,989	56,040,007	299,068,996

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, 2008

	2008 SR	2007 SR
OPERATING ACTIVITIES		
Income before zakat	64,016,674	61,526,591
Adjustments on net income before zakat:		
Depreciation	37,363,724	29,881,786
Amortization	-	617,167
Gain from sale of property and equipment	(431,047)	(15,790)
Company's share in the net profit of associated company	(4,609,090)	-
End-of-service indemnities	3,928,329	6,094,012
Changes in operating assets and liabilities:		
Prepayments and other receivables	(20,603,160)	(22,885,476)
Inventories	(9,383,977)	(62,011,223)
Accruals and other payables	46,641,660	166,983,673
Zakat paid	(1,711,398)	(1,450,026)
Related parties	(372,109)	(101,471,260)
Net cash from operating activities	114,839,606	77,269,454
INVESTING ACTIVITIES		
Additions to property and equipment and projects in progress	(282,873,603)	(96,533,365)
Proceeds from sale of property and equipment	1,597,365	471,734
Net cash used in investing activities	(281,276,238)	(96,061,631)
FINANCING ACTIVITIES		
Murabaha and loans	175,108,260	14,772,041
Net cash from financing activities	175,108,260	14,772,041
Net change in cash	8,671,628	(4,020,136)
Cash and bank, January 1	18,022,921	22,043,057
CASH AND BANK, DECEMBER 31	26,694,549	18,022,921
Non cash transactions:		
Dividends settled in Holding Company current account (Note 18)	-	(61,220,895)
Transfer of property and equipment to related parties at net book value	369,514	372,023

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
YEAR ENDED DECEMBER 31, 2008

1. ORGANIZATION AND NATURE OF BUSINESS

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).

On Sha'aban 7, 1428 (August 20, 2007), the Shareholders have decided to change the legal form of the Company from limited liability company to a closed joint stock company, with all its rights and obligations and change the name of the Company from Abdullah Saleh Al-Othaim Markets Company to Abdullah Al-Othaim Markets Company. Minister of Industry and Commerce has issued his decree No. 227/Q on Ramadan 3, 1428 (September 15, 2007) to announce the conversion of the company from limited liability company into closed joint stock Company. During June 2008, the company has offered 30% of its shares to the Public. The company's capital consists of 22,500,000 shares at SR 10 par value each.

According to the company's articles of association, the first fiscal year of the company starts on the date of the ministerial decree announcement of the transformation of the Company dated Ramadan 3, 1428 (September 15, 2007) and ends on December 31 of the following year, which falls on December 31, 2008. The accompanying financial statements cover the period from January 1, 2008 to December 31, 2008

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:

ABDULLAH AL-OTHAIM MARKETS COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2008

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.

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.

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.

ABDULLAH AL-OTHAIM MARKETS COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2008

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 lease hold improvements and buildings constructed on leased lands 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

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.

ABDULLAH AL-OTHAIM MARKETS COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2008

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.

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.

3. INVENTORIES

	2008	2007
	SR	SR
Main warehouses inventory	63,527,864	82,875,520
Branches inventory	153,387,182	124,655,549
	216,915,046	207,531,069

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2008

4. PREPAYMENTS AND OTHER RECEIVABLES

	2008	2007
	SR	SR
Advance payments to suppliers	33,330,764	25,969,807
Prepaid expenses	29,611,639	20,395,144
Store rent receivable	2,765,147	4,910,104
Margin on letter of credit and letter of guarantees	4,511,174	86,084
Employees	2,896,928	1,721,056
Other	4,766,379	4,196,676
	77,882,031	57,278,871

5. 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.

		2008	2007
		SR	SR
Due from related parties:			
Abdullah Al-Othaim Investment and Real Estate Development Company	Associated Company	57,413,119	-
Al Othaim Holding Company	Shareholder	-	86,241,578
		57,413,119	86,241,578
Due to related parties:			
Dar Alkhuyool Contracting Co.	Associated Company	8,280,941	12,967,579
Al-Othaim Holding Company	Shareholder	259,473	-
Abdullah Al-Othaim Investment and Real Estate Development Company	Associated Company	-	25,142,917
		8,540,414	38,110,496

ABDULLAH AL-OTHAIM MARKETS COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2008

The significant transactions and related amounts are as follows:

Transactions	2008 SR	2007 SR
Finance charges on related parties current accounts	8,277,330	5,484,846
Rent expenses	(5,778,861)	1,279,967
Rent income	6,373,689	3,496,461
Construction works	(20,395,890)	(26,706,611)

6. INVESTMENT IN ASSOCIATED COMPANY

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.

The investment details as of December 31, 2008 are as follows:

	2008 SR	2007 SR
Company share in capital	85,000,000	85,000,000
Company share in the net income for the period	4,609,090	-
	89,609,090	85,000,000

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED YEAR ENDED DECEMBER 31, 2008

7. PROPERTY AND EQUIPMENT

	Land SR	Machinery and equipment SR	Buildings SR	Vehicles SR	Computers SR	Furniture and fixtures SR	Leasehold improvements SR	Total SR
Cost								
January 1, 2008	74,032,252	84,596,255	97,485,207	28,049,197	45,971,083	85,212,210	52,608,417	467,954,621
Additions	-	28,178,580	7,846,642	17,426,999	8,360,576	10,110,579	19,226,536	91,149,912
Disposals	-	(527,244)	-	(1,141,698)	(509,650)	(467,850)	(277,862)	(2,924,304)
December 31, 2008	74,032,252	112,247,591	105,331,849	44,334,498	53,822,009	94,854,939	71,557,091	556,180,229
Depreciation								
January 1, 2008	-	36,399,336	11,553,951	15,846,346	29,961,498	48,353,915	12,206,292	154,321,338
Additions	-	7,749,523	5,568,769	4,038,765	5,482,750	7,476,753	7,047,164	37,363,724
Disposals	-	(182,187)	-	(704,515)	(207,704)	(212,951)	(81,115)	(1,388,472)
December 31, 2008	-	43,966,672	17,122,720	19,180,596	35,236,544	55,617,717	19,172,341	190,296,590
Net book value								
December 31, 2008	74,032,252	68,280,919	88,209,129	25,153,902	18,585,465	39,237,222	52,384,750	365,883,639
December 31, 2007	74,032,252	48,196,919	85,931,256	12,202,851	16,009,585	36,858,295	40,402,125	313,633,283

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2008

8. PROJECTS IN PROGRESS

On 1/7/2008 one of the malls which still under construction was transferred at its net book value of SR 142.4 million from associated company to the Company according to resolution from the Board of Directors and the owners of the associated Company. Moreover the land which the project is constructed on is rented by the Company.

Other projects in progress represent the contractor's payment applications, constructing factory for filling and packing fresh food materials and building a new branches. Contingent liabilities related to projects in progress as of December 31, 2008 amounted to SR 124.6 millions.

9. 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, 2008 amounted to SR 97 million. These facilities are secured by personal guarantees from one of the major shareholders.

b) Long-term murabaha and loans:

	2008			2007
	Current SR	Non-current SR	Total SR	Total SR
Saudi Industrial Development Fund Loan	400,000	1,643,500	2,043,500	2,443,500
Arab National Bank Murabaha	12,890,699	7,153,544	20,044,243	-
Al Rajhi Bank Murabaha	-	-	-	29,811,526
	13,290,699	8,797,044	22,087,743	32,255,026

ABDULLAH AL-OTHAIM MARKETS COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2008

10. OTHER PAYABLES AND ACCRUALS

	2008	2007
	SR	SR
Advances from tenants	6,423,261	5,853,900
Employee dues	14,641,661	10,038,614
Coupons	10,540,266	6,782,757
Deposits from others	2,970,841	4,467,639
Zakat provision (Note 11)	1,809,834	1,771,232
Iktissab customers points	8,222,618	6,365,581
Others	1,056,156	1,359,159
	45,664,637	36,638,882

11. ZAKAT

The principal elements of the Zakat base are as follows:

	2008	2007
	SR	SR
Shareholders' equity beginning of the year	236,802,322	230,824,464
Income before zakat	64,016,674	61,526,591
Long-term Liabilities	38,122,286	44,361,240
Non-current assets	(701,795,152)	(453,212,015)

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

The movement in Zakat provision is as follows:

	2008	2007
	SR	SR
Balance, January 1	1,771,232	1,473,247
Payments during the year	(1,711,398)	(1,450,026)
Provision for the year	1,750,000	1,748,011
Balance, December 31	1,809,834	1,771,232

The Company finalized its assessment and obtained final clearance certificate up to 2006. The Company has also filed its zakat return for 2007 but has not yet received the related assessment from DZIT.

ABDULLAH AL-OTHAIM MARKETS COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2008

12. STATUTORY 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

	2008 SR	2007 SR
Salaries and benefits	15,996,411	14,681,669
Advertising	14,054,470	11,462,197
Depreciation and amortization	3,650,795	3,667,579
Rent	3,109,457	2,675,052
Utilities	1,993,491	1,425,426
Repairs and maintenance	1,646,241	1,119,325
Fuel & duties	1,649,400	488,529
Freight to branches	9,659,219	6,061,048
Bad debits	1,614,005	-
Other	1,252,713	951,401
	54,626,202	42,532,226

14. GENERAL AND ADMINISTRATIVE EXPENSES

	2008 SR	2007 SR
Salaries and benefits	44,565,978	38,023,580
Depreciation and amortization	9,595,314	8,100,315
Repairs and maintenance	3,450,429	1,956,285
Rent	2,730,903	1,528,945
Utilities	1,853,771	1,331,653
Fuel & duties	1,277,517	1,262,704
Insurance	816,578	727,469
Professional fees	602,436	402,967
Other	4,038,969	2,195,681
	68,931,895	55,529,599

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2008

15. SEGMENTAL INFORMATION

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

16. EARNINGS PER SHARE

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

17. COMMITMENTS AND CONTINGENCIES

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

	2008	2007
	SR	SR
Letters of credit	7,051,150	1,535,341
Letters of guarantee	17,759,926	13,869,926

- 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:

	2008	2007
	SR	SR
Less than one year	41,509,017	34,323,382
More than one year, but less than five years	133,471,683	111,607,728
More than five years, but less than twenty four years	255,662,758	167,157,630

18. CASH DIVIDENDS

On its annual meeting held on Zul Qaida 21, 1428 (December 31, 2007) the General Assembly approved cash dividends of SR 16,220,895, which represents the whole income earned from the fourth quarter of 2007 as well as the balance of retained earnings up to September 30, 2007. In addition, the shareholders approved the distribution of SR 45 million as cash dividends on September 13, 2007 before the conversion to a closed joint stock company.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2008

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.

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 2007 have been reclassified to conform with the presentation in the current year.