



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

**FINANCIAL STATEMENTS AND AUDITORS' REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2011**

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

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<b>INDEX</b>	<b>PAGE</b>
Auditors' report	1
Balance sheet	2
Statement of income	3
Statement of cash flows	4
Statement of changes in shareholders' equity	5
Notes to the financial statements	6 – 19

## 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, 2011, and the related statements of income, cash flows and changes in shareholders' equity for the year then ended, and notes 1 to 23 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, 2011, 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.



Bakr Abdullah Abulkhair  
License No. 101  
Rabi Al Awal 29, 1433  
February 21, 2012



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

**BALANCE SHEET**  
**AS AT DECEMBER 31, 2011**

<b>ASSETS</b>	<b>Notes</b>	<b>2011</b> <b>SR</b>	<b>2010</b> <b>SR</b>
<b>Current assets</b>			
Cash on hand and at banks		<b>43,619,168</b>	45,235,906
Inventories, net	3	<b>311,353,260</b>	285,275,732
Prepayments and other receivables	4	<b>105,464,896</b>	88,744,498
<b>Total current assets</b>		<b>460,437,324</b>	419,256,136
<b>Non-current assets</b>			
Investments in subsidiaries and others	6	<b>118,945,249</b>	105,190,508
Property and equipment, net	7	<b>1,024,756,613</b>	908,287,156
Projects in progress	8	<b>58,260,734</b>	39,442,923
Intangible assets, net		<b>13,215,328</b>	14,553,832
<b>Total non-current assets</b>		<b>1,215,177,924</b>	1,067,474,419
<b>TOTAL ASSETS</b>		<b>1,675,615,248</b>	1,486,730,555
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Short-term loans and Murabahas	9 (a)	<b>61,432,944</b>	70,998,374
Current portion of long-term loans and Murabahas	9 (b)	<b>103,346,089</b>	100,728,483
Trade payables		<b>694,779,387</b>	584,530,665
Other payables and accrued expenses	10	<b>83,062,487</b>	73,949,270
<b>Total current liabilities</b>		<b>942,620,907</b>	830,206,792
<b>Non-current liabilities</b>			
End-of-service indemnities		<b>35,461,372</b>	28,883,519
Long-term loans and Murabahas	9 (b)	<b>166,230,587</b>	179,120,194
<b>Total non-current liabilities</b>		<b>201,691,959</b>	208,003,713
<b>Total liabilities</b>		<b>1,144,312,866</b>	1,038,210,505
<b>Shareholders' equity</b>			
Share capital	1	<b>225,000,000</b>	225,000,000
Statutory reserve	12	<b>56,982,411</b>	41,974,094
Voluntary reserve	13	<b>12,453,336</b>	12,453,336
Retained earnings		<b>236,667,477</b>	169,092,620
Unrealized gains from investments in available-for-sale securities		<b>199,158</b>	-
<b>Total shareholders' equity</b>		<b>531,302,382</b>	448,520,050
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>1,675,615,248</b>	1,486,730,555

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, 2011**

	<b>Notes</b>	<b>2011</b> <b>SR</b>	2010 SR
<b>Revenues</b>			
Sales		<b>3,942,797,390</b>	3,422,444,665
Rent	5	<b>148,115,441</b>	96,315,465
<b>Total revenues</b>		<b>4,090,912,831</b>	3,518,760,130
<b>Cost of revenues</b>			
		<b>(3,767,767,726)</b>	(3,240,486,195)
<b>Gross profit</b>		<b>323,145,105</b>	278,273,935
Selling and distribution expenses	16	<b>(115,020,839)</b>	(88,445,583)
General and administrative expenses	17	<b>(50,502,628)</b>	(43,236,678)
Provision for impairment of property and equipment		-	(1,500,000)
<b>Income from continued main operations</b>		<b>157,621,638</b>	145,091,674
Company's share in the net profit of the associated company	6	<b>12,655,583</b>	14,458,932
Finance charges		<b>(12,516,125)</b>	(3,976,677)
Other income (losses), net	18	<b>(4,177,922)</b>	10,473,431
<b>Income before zakat</b>		<b>153,583,174</b>	166,047,360
Zakat		<b>(3,500,000)</b>	(4,118,748)
<b>NET INCOME</b>		<b>150,083,174</b>	161,928,612
<b>Earnings per share</b>			
	14		
From continued main operations		<b>7.01</b>	6.45
From net income		<b>6.67</b>	7.20

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, 2011**

	2011 SR	2010 SR
<b>OPERATING ACTIVITIES</b>		
Income before Zakat	153,583,174	166,047,360
Adjustments:		
Depreciation	73,976,900	49,199,117
Amortization of intangible assets	1,338,504	446,168
Income from sale of property and equipment	(749,181)	(987,646)
Provision for impairment of property and equipment	-	1,500,000
Company's share in the net profit of the associated company	(12,655,583)	(14,458,932)
End-of-service indemnities	6,577,853	7,011,123
Changes in working capital:		
Inventories	(26,077,528)	(65,055,228)
Prepayments and other receivables	(16,720,398)	1,254,220
Trade payables, other payables and accrued expenses	119,574,359	120,586,020
Zakat paid	(3,712,420)	(2,119,255)
<b>Net cash from operating activities</b>	<b>295,135,680</b>	<b>263,422,947</b>
<b>INVESTING ACTIVITIES</b>		
Investments in subsidiaries and others	(900,000)	-
Additions to property, equipment and projects in progress	(209,666,747)	(277,923,790)
Intangible assets	-	(15,000,000)
Cash dividends received from an associated company	-	8,500,000
Proceeds from sale of property and equipment	1,151,760	1,253,368
<b>Net cash used in investing activities</b>	<b>(209,414,987)</b>	<b>(283,170,422)</b>
<b>FINANCING ACTIVITIES</b>		
Loans and Murabahas	(19,837,431)	13,972,373
Cash dividends	(67,500,000)	(56,250,000)
<b>Net cash used in financing activities</b>	<b>(87,337,431)</b>	<b>(42,277,627)</b>
<b>Net change in cash on hand and at banks</b>	<b>(1,616,738)</b>	<b>(62,025,102)</b>
Cash on hand and at banks at January 1	45,235,906	107,261,008
<b>CASH ON HAND AND AT BANKS AT DECEMBER 31</b>	<b>43,619,168</b>	<b>45,235,906</b>
<b>Non cash transactions:</b>		
Property and equipment transferred from projects in progress (Note 7)	18,231,505	374,116,488
Unrealized gains from investments in available-for-sale securities	199,158	-

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, 2011**

	Note	Share capital SR	Statutory reserve SR	Voluntary reserve SR	Retained earnings SR	Unrealized gains from investments in available-for- sale securities	Total SR
Balance, January 1, 2010		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	12	-	16,192,861	-	(16,192,861)	-	-
Cash Dividends	15	-	-	-	(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
Net income for 2011		-	-	-	150,083,174	-	-
Transferred to statutory reserve	12	-	15,008,317	-	(15,008,317)	-	-
Unrealized gains from investments in available-for-sale securities		-	-	-	-	199,158	199,158
Cash Dividends	15	-	-	-	(67,500,000)	-	(67,500,000)
Balance, December 31, 2011		<b>225,000,000</b>	<b>56,982,411</b>	<b>12,453,336</b>	<b>236,667,477</b>	<b>199,158</b>	<b>531,302,382</b>

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, 2011**

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**1. ORGANIZATION AND ACTIVITY**

Abdullah Al-Othaim Markets Company is a Saudi Joint Stock company registered in Riyadh on Rajab 7, 1400 (May 21, 1980) 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, 1428 (corresponding to September 15, 2007).

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

The Company's main activity 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 June 18, 2011 to acquire the rest of the shares of "Abdulla Al-Othaim Real Estate Investment & Development Company" (an associated Company), amounting to 53,753,500 shares. The deal will be financed by issuing 7,253,303 new shares of Abdulla Al-Othaim Markets Company for the other shareholders of the target company. The agreed share price of Abdulla Al-Othaim Markets Company between the two parties was SAR 97.75 which represents the market closing price on 18/6/2011. Accordingly, the swap rate would be one share of Abdulla Al-Othaim Markets Company against 7.4109 shares of Abdulla Al-Othaim Real Estate Investment & Development Company.

This agreement is subject to the consent of the regulatory authorities and the general assembly of the shareholders of the company.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements have been prepared in accordance with standard of financial reporting issued by the Saudi Organization of Certified Public Accountants. The significant accounting policies applied by the Company in the preparation of the financial statements, and summarized below, are consistent with the policies of the annual audited financial statements for the year ended December 31, 2010.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011 (CONTINUED)**

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**Use of estimates**

The preparation of the financial statements in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia 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 reporting period. 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 available-for-sale securities which is stated at fair value and the investment in the associated company which is accounted for using equity method.

**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 in subsidiaries and others**

Investment in subsidiaries was stated at cost. The subsidiaries did not engage in any commercial activities from inception date and up to financial statements date. No audited financial statements were issued for these companies as at December 31, 2011.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011 (CONTINUED)**

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Investments in companies which are less than 20% owned and where the fair value is not readily determinable are stated at cost. Appropriate provision is made for any other than temporary impairment in the value of these investments. Income is reported upon declaration.

Investments in securities are classified in the balance sheet as investments available for sale at fair value. Unrealized gains or losses are reported in the equity. Realized gains or losses on disposal of investments in securities available for sale are reported in the income statement. Dividends from investments available for sale are reported in the income statement.

If the fair value is not available, these investments are stated at cost. Cost is adjusted to reflect any other than temporary impairment in the value.

**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**  
**FOR THE YEAR ENDED DECEMBER 31, 2011 (CONTINUED)**

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**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 cost**

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 represent costs incurred for the purpose of using rented stores (key money). 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.

**Accounting for lease agreements**

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011 (CONTINUED)**

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**End-of-service indemnities**

End-of-service indemnities are provided in accordance with the Saudi Arabian Labor Law and are reduced by the payments to employees. 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. INVENTORIES, Net**

	2011 SR	2010 SR
Goods in main warehouses	96,285,893	90,596,523
Goods in branches	215,067,367	194,679,209
	<b>311,353,260</b>	<b>285,275,732</b>

**4. PREPAYMENTS AND OTHER RECEIVABLES**

	2011 SR	2010 SR
Prepaid expenses *	<b>67,844,079</b>	62,585,763
Advance payments to suppliers	<b>16,407,151</b>	16,566,222
Store rent receivable	<b>4,066,828</b>	1,694,522
Employees' receivables	<b>1,798,121</b>	1,949,131
Margin on letters of credit and letters of guarantees	<b>8,869,905</b>	1,620,240
Other	<b>6,478,812</b>	4,328,620
	<b>105,464,896</b>	88,744,498

\* Prepayments include an amount of SR 21.4 million (December 31, 2010: SR 26.2 million) which represents prepaid rents to a related party against early payment discount.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011 (CONTINUED)**

**5. RELATED PARTY TRANSACTIONS**

During the period, 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.

<b>Company's name</b>	<b>Relationship</b>
AlOthaim Holding Company	Founding Shareholder
Abdullah AlOthaim Real Estate Investment and Development Co.	Associated Company
Dar Alkhuyool Contracting Co.	Affiliated Company

The significant transactions and related amounts are as follows:

<b>Transactions</b>	<b>2011 SR</b>	<b>2010 SR</b>
Rent expenses	<b>9,923,481</b>	6,777,395
Rent income	<b>37,445,958</b>	4,141,860
Construction works contracts	-	88,112,186
Purchase / Transfer of property and equipment	-	98,279,788

Rent income includes SR 34.9 million rents of a shopping mall leased to a related party.

**6. INVESTMENTS IN SUBSIDIARIES AND OTHERS**

Investments consist of the following:

	<b>Note</b>	<b>2011 SR</b>	<b>2010 SR</b>
Investments in available-for-sale securities		<b>699,158</b>	-
Investment in non-consolidated subsidiaries	A	<b>400,000</b>	-
Investments in an associated company	B	<b>114,446,091</b>	101,790,508
Investment in National Laboratories Co.	C	<b>3,400,000</b>	3,400,000
		<b>118,945,249</b>	105,190,508

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011 (CONTINUED)**

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**a) Investments in non-consolidated subsidiaries**

During the year, the Company has established limited liability companies in the Kingdom of Saudi Arabia. These companies are fully owned, directly and indirectly, by the Company. The investment in these companies was stated at cost since audited financial statements for these companies have not been issued.

	<b>Capital</b>	<b>2011</b>
	<b>SR</b>	<b>SR</b>
Haley Holding Co.	<b>100,000</b>	<b>100,000</b>
Universal Marketing Center Co.	<b>100,000</b>	<b>100,000</b>
Seven Services Co.	<b>100,000</b>	<b>100,000</b>
Bayt Alwatan Co.	<b>100,000</b>	<b>100,000</b>
		<b>400,000</b>

**b) Investment in an associated company**

	<b>2011</b>	2010
	<b>SR</b>	SR
Balance, January 1	<b>101,790,508</b>	95,831,576
Company's share in the net profits	<b>12,655,583</b>	14,458,932
Cash Dividends received	-	(8,500,000)
Balance, December 31	<b>114,446,091</b>	101,790,508

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.

- c)** The Company has invested 6% of the share capital of National Laboratories Company "Maamel" (a limited liability company) registered in Dammam city.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011 (CONTINUED)**

**7. 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
<b>Cost</b>								
January 1, 2011	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
Additions	<b>119,649,620</b>	<b>24,179,116</b>	<b>4,102,135</b>	<b>6,285,973</b>	<b>14,031,012</b>	<b>11,024,958</b>	<b>11,576,122</b>	<b>190,848,936</b>
Disposals	-	<b>(1,515,292)</b>	-	<b>(1,704,551)</b>	<b>(3,846,473)</b>	<b>(4,671,049)</b>	<b>(46,494)</b>	<b>(11,783,859)</b>
<b>December 31, 2011</b>	<b>318,838,660</b>	<b>188,067,334</b>	<b>484,368,323</b>	<b>52,312,989</b>	<b>80,754,810</b>	<b>112,059,566</b>	<b>108,936,778</b>	<b>1,345,338,460</b>
<b>Accumulated depreciation</b>								
January 1, 2011	-	66,109,899	32,437,559	30,285,727	34,994,222	60,980,276	32,178,544	257,986,227
Charged for the year	-	<b>15,826,600</b>	<b>26,522,948</b>	<b>6,744,526</b>	<b>5,115,032</b>	<b>9,948,760</b>	<b>9,819,034</b>	<b>73,976,900</b>
Disposals	-	<b>(1,335,636)</b>	-	<b>(1,565,404)</b>	<b>(3,795,674)</b>	<b>(4,650,417)</b>	<b>(34,149)</b>	<b>(11,381,280)</b>
<b>December 31, 2011</b>	-	<b>81,600,863</b>	<b>58,960,507</b>	<b>35,464,849</b>	<b>36,313,580</b>	<b>66,278,619</b>	<b>41,963,429</b>	<b>320,581,847</b>
<b>Net book value</b>								
December 31, 2011	<b>318,838,660</b>	<b>106,466,471</b>	<b>425,407,816</b>	<b>16,848,140</b>	<b>44,441,230</b>	<b>45,780,947</b>	<b>66,973,349</b>	<b>1,024,756,613</b>
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

- During August 2011, the Company has purchased investment land in Riyadh for an amount of SR 119.4 million for building warehouses, a shopping mall and investment in residential and office buildings. The approved for this transaction from the Company's Board of Director dated August 13 and 16, 2011. The title deeds of the land were transferred to the name of Company.
- On March 29, 2010, the Company has purchased an investment land in Medina from a related party, for an amount of SR 98 million for building a shopping mall project and the investment in residential and office buildings. The approval for this transaction was granted in the second shareholders' ordinary general assembly meeting held on April 7, 2010. Some title deeds of the land were transferred to the name of the Company while other title deeds amounting to SR 37 million are still under progress.
- Land mentioned above amounting to SR 165 million is mortgaged to a local bank as collateral against bank facilities (Note 9b). No capital commitments associated with these projects existed as at the balance sheet date. (2010: SR 64 million).
- Additions include an amount of SR 18,231,505 which was transferred from projects in progress (2010: SR 374,116,488) Note 8.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011 (CONTINUED)**

**8. PROJECTS IN PROGRESS**

Projects in progress mainly represent costs for constructing a shopping mall in Dammam City which was completed at the end of year 2010, in addition to contractors' bills for establishing and developing new stores. Commitments related to projects in progress as at December 31, 2011 amounted to SR 17.3 million (December 31, 2010: SR 11.3 million).

During the year, projects amounting SAR 18,231,505 million were transferred to property and equipment (2010: SAR 374,116,488). Note 7.

**9. LOANS AND MURABAHAS**

a) Short-term Murabahas

The Company has facilities from local commercial banks in the form of short-term murabaha to finance working capital. Unutilized balance of these murabaha loans as at December 31, 2011 amounted to SR 178.6 million (December 31, 2010: SR 169 million).

b) Long term Loans and Murabahas:

	<b>December 31, 2011</b>		
	<b>Current portion SR</b>	<b>Non-current portion SR</b>	<b>Total SR</b>
Saudi Industrial Development Fund Loan	<b>400,000</b>	<b>243,500</b>	<b>643,500</b>
Bank Al Bilad Loan	<b>53,001,644</b>	<b>74,987,087</b>	<b>127,998,731</b>
Saudi Hollandi Bank Loans	<b>34,666,667</b>	<b>91,000,000</b>	<b>125,666,667</b>
Saudi British Bank Loan	<b>15,277,778</b>	-	<b>15,277,778</b>
	<b>103,346,089</b>	<b>166,230,587</b>	<b>269,576,676</b>

	<b>December 31, 2010</b>		
	<b>Current portion SR</b>	<b>Non-current Portion SR</b>	<b>Total SR</b>
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	31,550,856	34,000,000	65,550,856
Saudi Hollandi Bank Loans	16,666,667	15,277,777	31,944,444
	<b>100,728,483</b>	<b>179,120,194</b>	<b>279,848,677</b>

These facilities are secured by personal guarantees of one of the shareholders and mortgage of title deeds owned by the Company with a book value of SR 165 million as at December 31, 2011 (December 31, 2010: SR 64 million).

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011 (CONTINUED)**

**10. OTHER PAYABLES AND ACCRUED EXPENSES**

	2011 SR	2010 SR
Employee dues	<b>33,531,219</b>	28,361,658
Advances from tenants	<b>5,202,911</b>	6,447,910
Coupons	<b>11,923,456</b>	12,857,465
Deferred revenues - Iktissab customers points	<b>11,524,339</b>	8,940,031
Deposits from others	<b>4,024,569</b>	4,697,717
Zakat provision (Note 12)	<b>4,301,273</b>	4,513,693
Accrued utilities expenses	<b>5,056,021</b>	5,237,522
Others	<b>7,498,699</b>	2,893,274
	<b>83,062,487</b>	73,949,270

**11. ZAKAT**

The principal elements of the Zakat base are as follows:

	2011 SR	2010 SR
Shareholders' equity beginning of the year	<b>381,020,050</b>	286,591,438
Income before zakat	<b>153,583,174</b>	166,047,360
Long-term Liabilities	<b>305,038,048</b>	308,732,196
Non-current assets	<b>(1,215,177,924)</b>	(1,067,474,419)

Some figures were adjusted to arrive at Zakat base.

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

The movement in zakat provision is as follows:

	2011 SR	2010 SR
Balance, January 1	<b>4,513,693</b>	2,514,200
Payments during the year	<b>( 3,712,420 )</b>	(2,119,255)
Provision for the year	<b>3,500,000</b>	4,118,748
Balance, December 31	<b>4,301,273</b>	4,513,693

The Company received the final assessment for 2007. The Company has also filed its zakat returns for 2008, 2009 and 2010 which are still under review by DZIT.

**12. 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 reaches 50% of the share capital. This reserve is not available for dividend distribution.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011 (CONTINUED)**

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**13. 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% from year 2008 net income and appropriated it for the expansion of the Company's operations.

**14. EARNINGS PER SHARE**

Earnings per share are calculated based on net income for the period and income from continuous main operations for the period divided by the weighted average number of shares for the year ended December 31, 2011 and 2010 amounting to 22.5 million shares.

**15. DIVIDENDS**

In its meeting held on March 28, 2011, the shareholders' General Assembly approved the distribution of cash dividends of SR 67.5 million, which represents SR 3 per share for the year ended December 31, 2010.

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

**16. SELLING AND DISTRIBUTION EXPENSES**

	<b>2011</b>	2010
	<b>SR</b>	SR
Salaries and benefits	<b>61,833,554</b>	47,466,739
Advertising and promotions	<b>19,844,875</b>	12,542,331
Depreciation and amortization	<b>10,756,633</b>	11,003,092
Rent	<b>4,953,983</b>	4,493,683
Freight to branches	<b>4,506,352</b>	1,247,809
Repairs and maintenance	<b>4,111,727</b>	3,825,312
Fuel and supplies	<b>3,040,920</b>	2,441,718
Other	<b>2,204,934</b>	1,482,966
Utilities	<b>2,758,404</b>	3,058,807
Insurance	<b>1,009,457</b>	883,126
	<b>115,020,839</b>	88,445,583

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011 (CONTINUED)**

**17. GENERAL AND ADMINISTRATIVE EXPENSES**

	2011 SR	2010 SR
Salaries and benefits	<b>36,726,206</b>	27,014,467
Depreciation and amortization	<b>3,603,332</b>	5,352,782
Rent	<b>2,976,663</b>	2,538,540
Professional fees	<b>446,375</b>	1,163,884
Utilities	<b>1,099,677</b>	1,598,600
Fees and subscription	<b>1,335,970</b>	1,410,023
Repairs and maintenance	<b>1,245,725</b>	924,149
Hospitality	<b>778,741</b>	818,386
Other	<b>1,254,696</b>	1,671,486
Fuel & supplies	<b>878,155</b>	513,904
Insurance	<b>157,088</b>	230,457
	<b>50,502,628</b>	43,236,678

**18. OTHER INCOME (EXPENSES), NET**

	2011 SR	2010 SR
Income from sale of property and equipment	<b>749,181</b>	987,646
Exceptional staff Bonus	<b>(5,892,047)</b>	-
Acquisition Advisory fees	<b>(2,600,875)</b>	-
Others, net	<b>3,565,819</b>	2,985,785
Financial and operating systems project *	<b>-</b>	6,500,000
	<b>(4,177,922)</b>	10,473,431

\* The company has signed a contract in 2007 to install and implement an ERP system to satisfy its requirements of 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 2010, the company signed an agreement with the implementer to settle outstanding claims, which resulted in excess provisions of SR 6.5 million presented as "other income".

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011 (CONTINUED)**

**19. SEGMENTAL INFORMATION**

The Company's activities are focused on retail and wholesale of food stuff and carries out its operations in the Kingdom of Saudi Arabia, in addition to constructing commercial malls and investing in their sales or leases. Some selected information was summarized as at December 31, 2011 and 2010 for each business segment.

	For The year Ended December 31,2011		
	Retail and Wholesale SR	Real Estate and Leasing SR	Total SR
Sales	<b>3,942,797,390</b>	-	<b>3,942,797,390</b>
Rent revenues	<b>84,978,990</b>	<b>63,136,451</b>	<b>148,115,441</b>
Property and equipment, net	<b>496,515,101</b>	<b>528,241,512</b>	<b>1,024,756,613</b>
Gross Profit	<b>294,840,132</b>	<b>28,304,973</b>	<b>323,145,105</b>

	For The year Ended December 31,2010		
	Retail and Wholesale SR	Real Estate and Leasing SR	Total SR
Sales	3,422,444,665	-	3,422,444,665
Rent revenues	70,806,568	25,508,897	96,315,465
Property and equipment, net	364,655,998	543,631,158	908,287,156
Gross Profit	267,902,625	10,371,310	278,273,935

**20. COMMITMENTS AND CONTINGENCIES**

- a) As at December 31 the Company had the following commitments and contingent liabilities:

	2011 SR	2010 SR
Letters of credit	<b>47,474,987</b>	19,309,537
Letters of guarantee	<b>20,668,300</b>	20,243,010
Capital commitments on projects in progress	<b>17,349,963</b>	11,266,780

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011 (CONTINUED)**

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b) Commitments against operating leases' agreements

The outstanding lease commitments of the Company related to non-cancelable long-term operating leases for the Company's branches and malls as at December 31 were as follows:

	2011	2010
	SR	SR
Less than one year	<b>46,153,869</b>	<b>38,382,439</b>
More than one year, but less than 5 years	<b>166,425,990</b>	<b>129,161,016</b>
More than 5 years, but less than 23 years	<b>268,568,645</b>	<b>251,405,848</b>

**21. 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 carried on the balance sheet include cash on hand and banks, prepayments and other receivables, trade payables, other payables and accrued expenses, loans, short and long-term 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 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.

**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.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011 (CONTINUED)**

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**22. APPROVAL OF THE FINANCIAL STATEMENTS**

Financial statements had been approved by the Board of Directors on February 21, 2012.

**23. COMPARATIVE FIGURES**

Certain figures for 2010 have been reclassified to conform with the presentation in the current year.