Deloitte.

Deloitte & Touche
Bakr Abulkhair & Co.
Public Accountants
P.O. Box 213
Riyadh 11411
Kingdom of Saudi Arabia

Tel: +966 (0) 1 282 8400
Fax: +966 (0) 1 293 0880
www.deloitte.com

License No. 96
Head Office: Riyadh

AUDITORS' REPORT

To the shareholders
Jarir Marketing Company
(A Saudi Joint Stock Company)
Riyadh, Saudi Arabia

Scope of Audit

We have audited the accompanying consolidated balance sheet of Jarir Marketing Company – A Saudi Joint Stock Company (the "Company") as of December 31, 2012, and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended, and the notes from 1 to 27 which form an integral part of these consolidated 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 consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting standards used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2012, and the consolidated 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 these relate to the preparation and presentation of these consolidated financial statements.

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License No. 101
Rabi Al-Awal 24, 1434H
February 5, 2013

JARIR MARKETING COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2012

JARIR MARKETING CO.
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2012

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JARIR MARKETING CO.
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2012

	Notes	2012 SR'000	2011 SR'000
ASSETS			
Current assets			
Cash and bank balances		**110,904**	59,772
Accounts receivable, net	4	**257,795**	243,494
Inventories, net	5	**725,918**	600,855
Prepaid expenses and other assets		**38,002**	38,934
Total current assets		**1,132,619**	943,055
Non-current assets			
Investment property	6	**6,343**	6,664
Investment available for sale	7	**27,951**	27,951
Property and equipment, net	8	**814,136**	742,054
Total non-current assets		**848,430**	776,669
TOTAL ASSETS		**1,981,049**	1,719,724
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Due to banks	9	**251**	157
Long-term loans - Current portion	13	**16,667**	66,667
Accounts payable	10	**568,789**	463,520
Employees' incentive program – current portion		**-**	29,466
Deferred revenues	11	**10,467**	9,584
Accrued expenses and other liabilities		**77,443**	74,833
Provision for zakat	12	**23,419**	19,604
Total current liabilities		**697,036**	663,831
Non-current liabilities			
Long-term loans	13	**200,000**	108,333
Provision for end-of-service indemnities	14	**46,995**	40,051
Employees' incentive program		**10,619**	934
Total non-current liabilities		**257,614**	149,318
Total liabilities		**954,650**	813,149
Shareholders' equity			
Capital	1	**600,000**	600,000
Statutory reserve	16	**108,281**	51,299
Retained earnings		**318,118**	255,276
Total shareholders' equity		**1,026,399**	906,575
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,981,049**	1,719,724

The accompanying notes 1 to 27 form an integral part of these consolidated financial statements.

JARIR MARKETING CO.
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2012

	Notes	2012 SR'000	2011 SR'000
Sales		4,634,216	4,147,314
Cost of sales		(3,940,110)	(3,513,690)
Gross profit		694,106	633,624
General and administrative expenses	17	(73,354)	(67,970)
Selling and distribution expenses	18	(58,761)	(59,123)
Operating income		561,991	506,531
Other income		31,573	29,920
Finance charges		(5,350)	(6,685)
Income before zakat		588,214	529,766
Provision for zakat	12	(18,390)	(16,773)
NET INCOME FOR THE YEAR		569,824	512,993
Earnings per share from:	19		
Operating income (Saudi Riyal)		9.37	8.44
Net income (Saudi Riyal)		9.50	8.55

The accompanying notes 1 to 27 form an integral part of these consolidated financial statements.

JARIR MARKETING CO.
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

	2012 SR'000	2011 SR'000
OPERATING ACTIVITIES		
Income before zakat	**588,214**	529,766
Adjustments for:		
Depreciation	**21,618**	21,182
Provision for doubtful debts	**19,675**	34,386
Provision for slow-moving inventories	**33,206**	18,993
Gain on sale of property and equipment	**(249)**	(73)
Employees' incentive program	**3,366**	7,265
Provision for end of service indemnities	**9,289**	7,749
Changes in operating assets and liabilities:		
Accounts receivable	**(33,976)**	(66,032)
Inventories	**(158,269)**	(76,799)
Prepaid expenses and other assets	**932**	(3,263)
Accounts payable	**105,269**	112,616
Accrued expenses and other liabilities	**2,610**	19,987
Deferred revenues	**883**	1,549
Cash generated from operations	**592,568**	607,326
Zakat paid	**(14,575)**	(11,738)
End-of-service indemnities paid	**(2,345)**	(1,968)
Employees' incentive program paid	**(23,147)**	-
Net cash from operating activities	**552,501**	593,620
INVESTING ACTIVITIES		
Additions to property and equipment	**(93,402)**	(207,336)
Proceeds from sale of property and equipment	**272**	160
Net cash used in investing activities	**(93,130)**	(207,176)
FINANCING ACTIVITIES		
Due to banks	**94**	(49,954)
Long-term loans	**41,667**	75,000
Dividends paid	**(450,000)**	(404,000)
Net cash used in financing activities	**(408,239)**	(378,954)
Net change in cash and bank balances	**51,132**	7,490
Cash and bank balances, beginning of the year	**59,772**	52,282
CASH AND BANK BALANCES, END OF THE YEAR	**110,904**	59,772
Non-cash transaction:		
Transferred to share capital from retained earnings and statutory reserve	-	200,000

The accompanying notes 1 to 27 form an integral part of these consolidated financial statements.

JARIR MARKETING CO.
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2012

	Notes	Capital SR'000	Statutory reserve SR'000	Retained earnings SR'000	Total SR'000
Balance at January 1, 2011		400,000	77,471	320,111	797,582
Transferred to capital	1	200,000	(77,471)	(122,529)	-
Net income for the year		-	-	512,993	512,993
Transferred to statutory reserve	16	-	51,299	(51,299)	-
Dividends paid	20	-	-	(404,000)	(404,000)
Balance at December 31, 2011		600,000	51,299	255,276	906,575
Net Income for the year		-	-	**569,824**	**569,824**
Transferred to statutory reserve	16	-	**56,982**	**(56,982)**	-
Dividends paid	20	-	-	**(450,000)**	**(450,000)**
Balance at December 31, 2012		**600,000**	**108,281**	**318,118**	**1,026,399**

The accompanying notes 1 to 27 form an integral part of these consolidated financial statements.

1. FORMATION AND ACTIVITIES

Jarir Marketing Company (the "Company") is a Saudi joint stock company formed pursuant to the resolution of the Ministry of Commerce and Industry No. 1193 dated Rajab 11, 1421H (corresponding to October 8, 2000) and registered in Riyadh, Kingdom of Saudi Arabia under Commercial Registration No. 1010032264 dated Shaa'ban 18, 1400H (corresponding to July 1, 1980).

The Company's registered office is based in Riyadh. As at December 31, 2012, the Company had 37 showrooms (2011: 35 showrooms) including wholesale outlets in the Kingdom of Saudi Arabia and the GCC, in addition to real estate investment in the Arab Republic of Egypt.

The objectives of the Company and its subsidiaries include; retail and wholesale trading in office and school supplies, children's toys, books, educational aids, office furniture, engineering equipment, computer and computer systems, maintenance of computers, sports and scout equipment and paper. It also include purchase of residential and commercial buildings and the acquisition of land to construct buildings for sale or lease for the interest of the Company.

On Muharram 30, 1433H (corresponding to December 25, 2011) the shareholders resolved to increase the share capital of the company from SR 400 million to SR 600 million by granting one share for each two shares, by transferring from statutory reserve SR 77 million and SR 123 million from retained earnings, following this increase the Company's capital became SR 600 million divided into 60 million shares of SR 10 each.

The subsidiary companies incorporated into these consolidated financial statements are as follows:

Subsidiary	Country of registration	Direct and indirect ownership %*
United Company for Office Supplies and Stationeries WLL	Qatar	100%
Jarir Trading Company LLC	Abu Dhabi	100%
United Bookshop	Abu Dhabi	100%
Jarir Bookstore	Kuwait	100%
Jarir Egypt Financial Leasing Co. SAE	Egypt	100%

* Certain ownership interests in the subsidiaries are registered in the name of trustees who have formally assigned their shares to the Company.

2. BASIS OF CONSOLIDATION

- These accompanying consolidated financial statements include the assets, liabilities and results of operations of the Company and its subsidiaries listed in Note 1 above.

  The subsidiary company is that in which the Company has, direct or indirect long term investment, comprising an interest of more than 50% in the voting capital and over which it exercises practical control. The subsidiary company is consolidated from the date the Company obtains control until such control ceases.

- All inter-group accounts and transactions as well as realized gains (losses) on these transactions are eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated 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:

Accounting convention
The consolidated financial statements are prepared under the historical cost convention.

Use of estimates
The preparation of the consolidated financial statements in conformity with generally accepted accounting principles in the Kingdom of Saudi Arabia requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of sales and expenses during the reporting year. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates.

Accounts receivable
Accounts receivable are stated in the consolidated balance sheet at net realizable value after deducting provision for doubtful debts which is re-estimated based on the analysis of the collectability of the accounts receivable balances at the end of the year of the consolidated financial statements.

Inventories
Inventories are stated at the lower of cost or net realizable value. Cost of inventory is determined based on the moving weighted average method.

Investments

a) ***Investments available for sale***
Investments that are bought neither with the intention of being held to maturity nor for trading purposes, are stated at fair value and included under non-current assets unless they will be sold in the next fiscal year. Changes in the fair value are credited or charged to the consolidated statement of changes in shareholders' equity. Any other than temporary decline in investment value will be charged to the consolidated statement of income. Investment income is recognized when declared.

Fair value is determined by reference to market value if an active market exists or there are other indicators that enable the determination of fair value in an objective manner, otherwise cost is considered to be the fair value.

b) ***Investment property***
Property held for long-term rental yields or for capital appreciation or both, which is not occupied by the Group is classified as investment property. Investment property is recorded at historical cost, net of accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset's carrying amount will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance costs are charged to the consolidated statement of income during the financial period in which they are incurred. Land is not depreciated. Investment properties are depreciated on a straight line basis over their estimated useful lives.

Property and equipment
Property and equipment are stated at cost net of accumulated depreciation except for land which is recorded at cost. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided using the straight-line method based on the estimated useful lives of the various classes of assets. The estimated useful lives of the principal classes of assets are as follows:

	Years
Buildings	25-33
Machinery and equipment	5-13.33
Furniture and fixtures	5-10
Motor vehicles	4
Computer hardware and software	5
Leasehold improvements	3

Accounts payable and accrued expenses
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the suppliers or not.

Provisions

a) Provision for end-of-service indemnities
Provision for end-of-service indemnities, required by Saudi Arabian Labour Law, are provided in the consolidated financial statements based on the employees' length of service.

b) Other provision
Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and may be measured reliably.

Revenue
- Sales are recognized upon the delivery of goods to customers net of discount.
- Other income is recognized when earned except rental income which is recognized on straight line method over the term of the lease.

Cost of sales
Cost of sales includes direct cost of goods sold as well as expenses related to purchasing, warehousing, showrooms and other related expenses in addition to promotional products.

Impairment and un-collectability of financial assets
An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, any impairment loss is recognized in the consolidated statement of income. Impairment is determined as follows:

a) For assets carried at fair value, impairment is the difference between the cost and fair value, less any impairment loss previously recognized in the consolidated statement of income.

b) For assets carried at cost, impairment is the difference between the cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

c) For assets carried at amortized cost, impairment is based on estimated cash flows that are discounted at the original effective special commission rate.

Operating leases
Operating leases payments are recognized as expense in the consolidated statement of income on the straight line basis over the lease term.

Employees' incentive program
The Group has established an employees' incentive program (the Program) whereby the Group grants selected employees the right to receive incentive cash compensation at the end of a vesting period if specified conditions are met. The amount of compensation is tied to the growth in net income as reported in the consolidated financial statements of the Group. Incentive compensation accrued under the Program is classified under current and non-current liability and adjustable against payments which will be made upon vesting takes place. However, compensation charges are expensed throughout the vesting period. The amount recognized in the consolidated balance sheet as Employee's Incentive Program is the present value of the expected future payments as provided by the Program resulting from employees' service in the current and prior periods.

Zakat

The Company is subject to the Regulations of the Department of Zakat and Income Tax in the Kingdom of Saudi Arabia. Zakat is provided on an accruals basis. The Zakat charge is computed on the Zakat base. Any differences in the estimate is recorded when the final assessment is approved at which time the provision is cleared.

Foreign currency translation

Foreign currency transactions are translated into Saudi Riyals at exchange rates prevailing at transaction dates. Monetary assets and liabilities in foreign currencies at the consolidated balance sheet date are translated into Saudi Riyals at the exchange rates prevailing at that date. Gains and losses from settlements and translation of foreign currency transactions are included in the consolidated statement of income.

Assets and liabilities stated in the financial statements of the consolidated subsidiaries and denominated in foreign currencies have been translated into Saudi Riyals at exchange rates prevailing at the balance sheet date. Revenues and expenses of the consolidated subsidiaries and denominated in foreign currencies have been translated into Saudi Riyals at average exchange rates during the year. Exchange differences arising from such translations, if material, are included as a separate line item under the shareholders' equity.

Offsetting financial instruments

Financial assets and liabilities are offset and reported net in the consolidated balance sheet when there is a legally enforceable right to set off the recognised amounts and when the Group intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographical segment), which is subject to risks and rewards that are different from those of other segments.

Expenses

General and administrative expenses include direct and indirect expenses not specifically part of cost of sales in accordance with generally accepted accounting standards. Allocations between general and administrative expenses and cost of sales, when required, are made on a consistent basis.

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.

4. ACCOUNTS RECEIVABLE, NET

	2012 SR'000	2011 SR'000
Trade receivables	**144,745**	128,690
Advances to suppliers	**102,725**	105,676
Claims on vendors	**61,694**	42,253
Employees receivable	**17,896**	16,259
Others	**8,668**	8,874
	335,728	301,752
Less: Provision for doubtful debts	**(77,933)**	(58,258)
	257,795	243,494

The movement in the provision for doubtful receivables is as follows:

	2012 SR	2011 SR
January 1	**58,258**	23,872
Provision for the year	**20,264**	34,764
Write-off during the year	**(373)**	(86)
Reversal of the provision	**(216)**	(292)
December 31	**77,933**	58,258

5. INVENTORIES, NET

	2012 SR'000	2011 SR'000
Computers and related supplies and programs	**298,194**	211,442
Gifts and digital systems	**168,159**	130,647
Office supplies	**135,372**	127,328
Books	**67,603**	67,671
School supplies	**87,901**	64,872
Video games	**33,008**	33,267
Engineering and technical supplies	**19,662**	18,045
Goods in transit	**6,659**	3,963
Others	**16,296**	17,350
	832,854	674,585
Less: Provision for slow moving inventories	**(106,936)**	(73,730)
	725,918	600,855

The movement in the provision for slow-moving inventories is as follows:

	2012 **SR**	2011 SR
January 1	**73,730**	54,737
Provision for the year	**33,206**	18,993
December 31	**106,936**	73,730

6. INVESTMENT PROPERTY

	2012 **SR'000**	2011 SR'000
Cost:		
At the beginning and end of the year	**8,929**	8,929
Depreciation:		
At the beginning of the year	**2,265**	1,296
Charge for the year	**321**	969
At the end of the year	**2,586**	2,265
Net book value as at December 31	**6,343**	6,664

7. AVAILABLE FOR SALE INVESTMENT

Available for sale Investment represents a subscription of 1.26% of share capital in a Saudi Closed Joint Stock Company namely Kinan International Real Estate Development Company. As at December 31, 2012 the Group's share amounting to SR 27,951 thousand (2011: SR 27,951 thousand) comprise of a subscription in capital amounting to SR 21,402 thousand and a share premium amounting to SR 6,549 thousand.

8. PROPERTY AND EQUIPMENT, NET

	Land SR'000	Buildings SR'000	Machinery and equipment SR'000	Furniture and fixtures SR'000	Motor vehicles SR'000	Computer hardware and software SR'000	Leasehold improvements SR'000	Construction and other work in progress SR'000	Total SR'000
Cost									
Beginning of the year	479,203	225,329	7,475	73,381	14,273	23,745	23,047	67,090	913,543
Additions	**15,005**	**28,758**	**405**	**4,243**	**2,776**	**2,941**	**7,426**	**31,848**	**93,402**
Disposals	**-**	**-**	**-**	**(39)**	**(392)**	**(82)**	**-**	**-**	**(513)**
Transfers	**-**	**-**	**3**	**539**	**194**	**137**	**2,892**	**(3,765)**	**-**
End of the year	**494,208**	**254,087**	**7,883**	**78,124**	**16,851**	**26,741**	**33,365**	**95,173**	**1,006,432**
Depreciation									
Beginning of the year	-	62,529	6,449	51,633	11,093	20,566	19,219	-	171,489
Charge for the year	-	**7,992**	**550**	**4,557**	**1,731**	**1,609**	**4,858**	-	**21,297**
Disposals	-	**-**	**-**	**(18)**	**(392)**	**(80)**	**-**	-	**(490)**
End of the year	-	**70,521**	**6,999**	**56,172**	**12,432**	**22,095**	**24,077**	-	**192,296**
Net book amounts									
At December 31, 2012	**494,208**	**183,566**	**884**	**21,952**	**4,419**	**4,646**	**9,288**	**95,173**	**814,136**
At December 31, 2011	479,203	162,800	1,026	21,748	3,180	3,179	3,828	67,090	742,054

Depreciation charge for the year is allocated as follows:

	2012 SR'000	2011 SR'000
Cost of sales	**18,682**	18,190
General and administration expenses (note 17)	**2,464**	1,865
Selling and distribution expenses (note 18)	**151**	158
	21,297	20,213

9. DUE TO BANKS

As of December 31, 2012, the Company had bank facilities amounting to SR 550 million (2011: SR 478 million) in the form of Tawarug Loans, Murabaha liquidity finance, over draft, documentary credit and bank guarantees from local commercial banks, of which SR 251,000 (2011: SR 157,000 million) was utilized. These facilities are secured by promissory notes.

Funding facilities carry commission rates calculated at variable profit rates.

10. ACCOUNTS PAYABLE

	2012 **SR'000**	2011 SR'000
Trade payables	**512,677**	424,044
Advances from customers	**16,318**	14,463
Employees	**5,752**	4,100
Other	**34,042**	20,913
	568,789	463,520

11. DEFERRED REVENUES

Deferred revenues represent mainly amounts received from rental activity but not earned as at December 31, 2012 (and 2011 which has been earned during 2012). Such amounts will be recognised as revenue in the subsequent period.

12. PROVISION FOR ZAKAT

Zakat is calculated based on the standalone financial statements of Jarir Marketing Company.

Charge for the year

Zakat is computed at 2.5% on the higher of zakat base or adjusted net income.

The current year provision is based on the following:

	2012 **SR'000**	2011 SR'000
Opening equity	**906,575**	797,582
Dividends paid during the year limited to the opening balance of retained earnings	**(255,276)**	(320,111)
Opening provisions and other adjustments	**174,134**	105,088
Book value of long term assets	**(842,087)**	(820,581)
Loans	**91,667**	100,000
Employees' incentive program	**7,253**	30,400
	82,266	(107,622)
Adjusted net income for the year	**653,501**	588,630
Zakat base	**735,767**	481,008

The differences between the financial and the zakat results are mainly due to provisions, which are not allowed in the calculation of adjusted net income.

The movement in the zakat provision for the year was as follows:

	2012 SR'000	2011 SR'000
Beginning of the year	**19,604**	14,569
Provided during the year	**18,390**	16,773
Payments during the year	**(14,575)**	(11,738)
End of the year	**23,419**	19,604

Status of assessments

The Company has finalized its zakat assessments up to year ended December 31, 2007. The zakat returns for the years ended December 31, 2008, 2009, 2010 and 2011 are still under assessment of the Department of Zakat and Income Tax.

13. LONG – TERM LOANS

	2012 SR'000	2011 SR'000
Balance at January 1	**175,000**	100,000
Addition during the year	**125,000**	75,000
Payment during the year	**(83,333)**	-
Balance at December 31	**216,667**	175,000
Less: Current portion of long-term loan	**16,667**	66,667
	200,000	108,333

(i) During 2009, the Company has obtained Tawaruq long-term loan amounting to SR 100,000,000 from a local commercial bank. During 2011, the company decided to extend the grace period of the Tawaruq long-term loan for another one year to be repayable in six equal quarterly installments of SR 16.66 million each commenced on January 2, 2012 and the last installment is due for payment on March 30, 2013. The loan is secured against promissory note and carried agreed commission rate with the Bank.

(ii) During 2011, the Company has obtained Tawaruq long-term loan amounting to SR 75,000,000 from a local commercial bank. During 2012, The Company obtained additional amount of SR 25 million under the same facility. The loan is repayable in six equal quarterly installments of SR 16.7 million each commencing on March 25, 2014 and the last installment is due for payment on June 25, 2016. The loan is secured against promissory note and carried agreed commission rate with the Bank.

(iii) During 2012, the Company has obtained Tawaruq long-term loan amounting to SR 100,000,000 from a local commercial bank. The loan is repayable in four semi-annual installments of SR 25 million each commencing on February 1, 2015 and the last installment is due for payment on August 1, 2016. The loan is secured against promissory note and carried agreed commission rate with the Bank.

14. END-OF-SERVICE INDEMNITIES

	2012 SR'000	2011 SR'000
January 1	**40,051**	34,270
Provision for the year	**9,289**	7,749
Payments during the year	**(2,345)**	(1,968)
December 31	**46,995**	40,051

15. RELATED PARTY TRANSACTIONS

The following are the details of the major transactions with related parties during the year:

Related party	Nature of transaction	2012 SR'000	2011 SR'000
Board of directors	Salaries, benefits and remunerations	**16,026**	16,963
Shareholders and parties related to the board of directors	Supporting services	**50,938**	22,503
Associate	Rent charges	**7,108**	6,944

16. STATUTORY RESERVE

As required by the Saudi Arabian Regulations for Companies, 10% of the net income for the year has been transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 50% of the capital. This reserve which is estimated on a quarterly basis and adjusted at year end for the actual balance is not available for distribution.

17. GENERAL AND ADMINISTRATIVE EXPENSES

	2012 SR'000	2011 SR'000
Salaries and related costs	**56,819**	55,839
Maintenance	**2,629**	2,465
Depreciation (note 8)	**2,464**	1,865
Professional fees	**2,208**	949
Utilities	**1,319**	1,017
Rent	**630**	617
Provision for doubtful debts	**45**	379
Others	**7,240**	4,839
	73,354	67,970

18. SELLING AND DISTRIBUTION EXPENSES

	2012 SR'000	2011 SR'000
Salaries and related costs	**27,759**	25,261
Advertising	**29,295**	31,967
Depreciation (note 8)	**151**	158
Others	**1,556**	1,737
	58,761	59,123

19. EARNINGS PER SHARE

Earnings per share is computed by dividing each of the operating income and the net income for the year by the weighted average number of shares outstanding at the end of the year which is 60 million shares for 2012 and 2011. The weighted average number of shares in 2011 was 40 million shares adjusted to 60 million shares during the year for the purpose of the calculation of earnings per share of comparative financial statements, due to the fact that on Muharram 30, 1433 H (corresponding to December 21, 2011). The shareholders resolved to increase the share capital of the Company from 40 million shares to 60 million shares of SR 10 each by granting one share for each two shares by transferring from statutory reserve and retained earnings.

20. DIVIDENDS

The Board of Directors in their meetings held on February 7, 2011, April 24, 2011, June 16, 2011 and October 17, 2011 resolved to distribute cash dividends amounting to SR 80 million, SR 108 million, SR 80 million and 136 million, respectively, which were paid to the shareholders during the year ended December 31, 2011.

The Board of Directors in their meetings held on February 7, 2012, April 18, 2012, June 9, 2012 and October 16, 2012 resolved to distribute cash dividends amounting to SR 96 million, SR 132 million, SR 84 million and 138 million, respectively, which were paid to the shareholders during the year ended December 31, 2012.

21. SEGMENTAL INFORMATION

These are attributable to business and geographical segments approved by the management to be used as a basis for the financial reporting and being consistent with the internal reporting process. Transactions between business segments are conducted on an arm's length basis.

The segments' results and assets comprise items that are directly attributable to certain segments and items that can reasonably be allocated between two major operating segments namely, wholesale and retail. The segmental information for the year ended December 31, 2012 and 2011 are as follows:

A) Business segment

	Retail	Wholesale	Total
		SR million	
December 31, 2012			
Total assets	**1,672**	**309**	**1,981**
Sales	**4,205**	**429**	**4,634**
Net income	**510**	**60**	**570**
December 31, 2011			
Total assets	1,497	223	1,720
Sales	3,771	376	4,147
Net income	466	47	513

The Group's activity in different geographic areas for the year ended December 31, 2012 and 2011 is as follows:

B) Geographical Segment

	Kingdom of Saudi Arabia	GCC and Egypt	Total
		SR million	
December 31, 2012			
Sales	**4,287**	**347**	**4,634**
Net income	**506**	**64**	**570**
December 31, 2011			
Sales	3,828	319	4,147
Net income	454	59	513

The Company's operating assets are primarily located in the Kingdom of Saudi Arabia.

Due to the nature of the Group's activity, it is not practical to disclose further segmental information on the Group's assets and liabilities.

22. COMMITMENTS AND CONTINGENCIES

The commitments and contingencies are as follows:

	December 31, 2012 SR million	December 31, 2011 SR million
Letters of credit	**59.2**	78.5
Letters of guarantee	**9.1**	10.3

23. OPERATING LEASES

Leases as Lessor

The future minimum lease receipts for the next five years and in aggregate are as follows:

Year	**2012 SR'000**	2011 SR'000
2012	-	23,782
2013	**34,539**	19,322
2014	**25,284**	14,607
2015	**17,454**	9,515
2016	**10,751**	7,054
2017	**6,996**	-
	95,024	74,280

Leases as Lessee

Commitments for future minimum lease payments under non-cancelable operating leases for next five years and in aggregate are as follows:

Year	**2012 SR'000**	2011 SR'000
2012	-	42,877
2013	**44,336**	43,105
2014	**44,999**	43,768
2015	**45,194**	43,963
2016	**45,370**	44,139
2017	**45,555**	-
	225,454	217,852

Rent expenses on operating leases for the year amounted to SR 40 million (2011: SR 39 million) and recognized in the consolidated statement of income.

24. RISK MANAGEMENT

Commission rate risk

Commission rate risk is the uncertainty of future earnings resulting from fluctuations in commission rates. The risk arises when there is a mismatch in the assets and liabilities which are subject to commission rate adjustment within a specified period which effect Group's financial position and cash flows. The Group manages its cash flows by controlling the timing between cash inflows and outflows. The Group is subject to commission rate risk on its commission bearing assets and liabilities, including long - term loans and due to banks.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that subject the Group to concentrations of credit risk consist primarily of cash and bank balances and trade receivables. The Group has its cash balances with a number of major high credit rated financial institutions and has a policy of limiting its balances deposited with each institution. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables. At the balance sheet date, no significant concentrations of credit risk were identified by management. The Group does not consider itself exposed to a concentration of credit risk with respect to accounts receivable.

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Group limits its liquidity risk by ensuring that bank facilities are available and trade payables are normally settled within 45 to 90 days of the date of purchase.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management monitors fluctuations in foreign currency exchange rates, and believes that the Group is not exposed to significant currency risk. The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The Group did not undertake significant transactions in currencies other than Saudi Riyals, US Dollars and Euros during the year.

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

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. Financial instruments comprise financial assets financial liabilities and derivatives.

The Group's financial assets consist of cash on hand and bank balances, receivables and investments, its financial liabilities consist of payables, certain accrued expenses and loans. Derivatives consist of interest rate swaps.

The fair values of financial instruments are not materially different from their carrying values.

26. APPROPRIATION OF NET INCOME

The General Assembly, in its annual meeting held on March 13, 2012 approved the appropriation of the net income for the year ended December 31, 2011 as follows:

- distribution of cash dividends of SR 420 million of which SR 324 million was paid on interim basis during 2011.
- transfer 10% of net income to statutory reserve.
- payment of SR 1,500,000 as Board of Directors' remuneration.

During 2012, the Board of Directors resolved to distribute three quarterly cash dividends amounting to SR 132 million, SR 84 million and SR 138 million for the first three quarters of 2012 respectively. In its meeting held on Rabi Al-Awal 24, 1434H (corresponding to February 5, 2013, 2013) the Board of Directors proposed cash dividends amounting to SR 111 million for the fourth quarter.

27. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The board of directors, in its meeting held Rabi Al-Awal 24, 1434H (corresponding to February 5, 2013), has approved these consolidated financial statements.