

**JARIR MARKETING CO.**  
**(SAUDI JOINT STOCK COMPANY)**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
AND AUDITORS' REVIEW REPORT  
FOR THE THREE MONTH PERIOD ENDED MARCH 31,  
2012**

**JARIR MARKETING CO.**  
**(SAUDI JOINT STOCK COMPANY)**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND  
AUDITORS' REVIEW REPORT  
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2012**

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## AUDITORS' REVIEW REPORT

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

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### Scope of Review

We have reviewed the accompanying interim consolidated balance sheet of Jarir Marketing Co. (a Saudi joint stock company) (the "Company") as at March 31, 2012, and the related interim consolidated statements of income, cash flows and changes in shareholders' equity for the three month period then ended including the related notes from 1 to 10 which form an integral part of these interim consolidated financial statements. These interim consolidated financial statements are the responsibility of the Company's management, and have been prepared by them and presented to us with all the information and explanations which we required.

We conducted our limited review in accordance with the standard on review of interim financial reporting issued by the Saudi Organization for Certified Public Accountants. A limited review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

### Review Results

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

Deloitte & Touche  
Bakr Abulkhair & Co.

Bakr A. Abulkhair  
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Jumada Al-Awal 26, 1433  
April 18, 2012



**JARIR MARKETING CO.**  
(SAUDI JOINT STOCK COMPANY)

**INTERIM CONSOLIDATED BALANCE SHEET (Unaudited)**

	Note	March 31, 2012 SR'000	March 31, 2011 SR'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances		49,744	89,332
Accounts receivable, net		232,960	204,535
Inventories, net		604,029	421,361
Prepaid expenses and other assets		48,709	37,713
<b>Total current assets</b>		<b>935,442</b>	<b>752,941</b>
<b>Non-current assets</b>			
Investment property		6,600	7,562
Investment available for sale		27,951	27,951
Property and equipment, net		750,274	581,539
<b>Total non-current assets</b>		<b>784,825</b>	<b>617,052</b>
<b>TOTAL ASSETS</b>		<b>1,720,267</b>	<b>1,369,993</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Current portion of long term loans		66,667	16,667
Accounts payable		402,704	267,602
Employees' incentive program – current portion		29,488	24,324
Accrued expenses and other liabilities		76,890	60,144
Deferred revenues		10,876	9,021
Provision for zakat		24,202	18,079
<b>Total current liabilities</b>		<b>610,827</b>	<b>395,837</b>
<b>Non-current liabilities</b>			
Long-term loans		91,667	83,333
Provision for end-of-service indemnities		41,190	35,866
Employees' incentive program		1,780	603
<b>Total non-current liabilities</b>		<b>134,637</b>	<b>119,802</b>
<b>Total liabilities</b>		<b>745,464</b>	<b>515,639</b>
<b>Shareholders' equity</b>			
Capital	1	600,000	400,000
Statutory reserve	5	67,722	91,148
Retained earnings		307,081	363,206
<b>Total shareholders' equity</b>		<b>974,803</b>	<b>854,354</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>1,720,267</b>	<b>1,369,993</b>

The accompanying notes form an integral part of these interim consolidated financial statements

**JARIR MARKETING CO.**  
(SAUDI JOINT STOCK COMPANY)

**INTERIM CONSOLIDATED STATEMENT OF INCOME (Unaudited)**

	<b>For the three month period ended March 31, 2012 SR'000</b>	<b>For the three month period ended March 31, 2011 SR'000</b>
Sales	1,196,206	945,625
Cost of sales	<b>(1,006,017)</b>	<b>(782,946)</b>
<b>Gross profit</b>	<b>190,189</b>	<b>162,679</b>
General and administrative expenses	<b>(19,020)</b>	<b>(15,659)</b>
Selling and distribution expenses	<b>(10,395)</b>	<b>(11,493)</b>
<b>Operating income</b>	<b>160,774</b>	<b>135,527</b>
Other income	<b>8,986</b>	<b>7,389</b>
Finance charges	<b>(934)</b>	<b>(2,634)</b>
<b>Income before zakat</b>	<b>168,826</b>	<b>140,282</b>
Provision for zakat	<b>(4,598)</b>	<b>(3,510)</b>
<b>NET INCOME FOR THE PERIOD</b>	<b>164,228</b>	<b>136,772</b>
<b>Earnings per share from:</b>		
Operating income for the period (Saudi Riyal)	<b>2.68</b>	<b>2.26</b>
Net income for the period (Saudi Riyal)	<b>2.74</b>	<b>2.28</b>

The accompanying notes form an integral part of these interim consolidated financial statements

**JARIR-MARKETING CO.**  
(SAUDI JOINT STOCK COMPANY)

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)**

	<b>For the three month period ended March 31, 2012 SR'000</b>	<b>For the three month period ended March 31, 2011 SR'000</b>
<b>OPERATING ACTIVITIES</b>		
Net income for the period	164,228	136,772
Adjustments for:		
Depreciation	4,839	4,884
Gain on sale of property and equipment	(25)	-
Employees' incentive program	868	1,792
Provision for end of service indemnities, net	1,139	1,596
Provision for zakat	4,598	3,510
Changes in Operating Assets and Liabilities:		
Accounts receivable, net	10,534	7,313
Inventories, net	(3,174)	121,688
Prepaid expenses and other assets	(9,775)	(2,042)
Accounts payable	(60,816)	(83,302)
Accrued expenses and other liabilities	2,057	5,298
Deferred revenues	1,292	986
<b>Net cash from operating activities</b>	<b>115,765</b>	<b>198,495</b>
<b>INVESTING ACTIVITIES</b>		
Additions to property and equipment	(12,998)	(31,334)
Proceeds from sale of property and equipment	28	-
<b>Net cash used in investing activities</b>	<b>(12,970)</b>	<b>(31,334)</b>
<b>FINANCING ACTIVITIES</b>		
Long-term loans	(16,823)	(50,111)
Dividends paid	(96,000)	(80,000)
<b>Net cash used in financing activities</b>	<b>(112,823)</b>	<b>(130,111)</b>
Net change in cash and bank balances	(10,028)	37,050
Cash and bank balances, beginning of the period	59,772	52,282
<b>CASH AND BANK BALANCES, END OF THE PERIOD</b>	<b>49,744</b>	<b>89,332</b>

The accompanying notes form an integral part of these interim consolidated financial statements

**JARIR MARKETING CO.**  
(SAUDI JOINT STOCK COMPANY)

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2012**

	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
Net income for the period	-	-	136,772	136,772
Transferred to statutory reserve	-	13,677	(13,677)	-
Dividends paid	-	-	(80,000)	(80,000)
Balance at March 31, 2011	400,000	91,148	363,206	854,354
Balance at January 1, 2012	600,000	51,299	255,276	906,575
Net income for the period	-	-	164,228	164,228
Transferred to statutory reserve	-	16,423	(16,423)	-
Dividends paid	-	-	(96,000)	(96,000)
Balance at March 31, 2012	600,000	67,722	307,081	974,803

The accompanying notes form an integral part of these interim consolidated financial statements

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2012**

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**1. FORMATION AND ACTIVITIES**

Jarir Marketing Co. (the "Company") was incorporated as a Saudi joint stock company pursuant to the resolution of the Ministry of Commerce No. 1193 dated Rajab 11, 1421 H., (corresponding to October 8, 2000) and operates under commercial registration No. 1010032264.

The Company's registered office is based in Riyadh. As at March 31, 2012, the Company had 35 showrooms (2011: 33 showrooms) in the Kingdom of Saudi Arabia and the GCC, in addition to investment in property 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 toys, books, educational aids, office furniture, engineering equipment, computers and computer systems, maintenance of computers, sports and scout equipment and paper. It also includes, 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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The interim consolidated financial statements have been prepared in accordance with the Standard of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. The significant accounting policies applied by the Company, which are summarized below, are consistent with those stated in the annual audited consolidated financial statements for the year ended December 31, 2011. The interim consolidated financial statements and the accompanying notes should be read in conjunction with the annual audited consolidated financial statements and its related notes for the year ended December 31, 2011.

**Use of estimates**

The preparation of the interim consolidated financial statements in conformity with accounting principles generally accepted 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 interim consolidated financial statements and the reported amounts of sales and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates.



**JARIR MARKETING CO.**  
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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2012**

**Accounting convention**

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

**Basis of consolidation**

The accompanying interim consolidated financial statements for the period ended March 31, 2012 include the accounts of Jarir Marketing Co. and the following subsidiaries:

<u>Company</u>	<u>Country of incorporation</u>	<u>Ownership %</u>
United Company for Office Supplies and Stationeries WLL	Qatar	100
Jarir Trading Co. LLC	Abu Dhabi	100
The United Bookstore	Abu Dhabi	100
Jarir Book Store	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 Jarir Marketing Co.

An investee company is classified as a consolidated subsidiary based on the degree of effective control exercised by the Company compared to other shareholders. All material inter-company balances and transactions that took place between the Company and its Subsidiaries have been eliminated when preparing the interim consolidated financial statements.

**Revenue**

- Sales are recognized upon delivery of goods to customers net of discount.
- Rental income is recognized on accrual basis over the period of lease contracts.

**Cost of sales**

Cost of sales includes purchasing, warehousing and showroom expenses in addition to promotional products.

**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.

**Inventories**

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2012**

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**Property and equipment**

Property and equipment are stated at cost net of accumulated depreciation. Repair and maintenance expenses are considered expenses, and improvement expenses are considered capital expenses. 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:

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

**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 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 interim 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 period. Exchange differences arising from such translations, if material, are included as a separate line item under the shareholders' equity.

**Employees' incentive program**

The Company has established an employees' incentive program (the Program) whereby the Company 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 financial statements of the Company. Incentive compensation accrued under the Program is classified under current and non-current liability as no payments will be made until vesting takes place. However, compensation charges are expensed throughout the vesting period. The amount recognized in the interim 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.

**End-of-service indemnities**

End-of-service indemnities, required by Saudi Arabian Labour Law, are provided in the interim consolidated financial statements based on the employees' length of service.

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2012**

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**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 difference in the estimate is recorded when the final assessment is approved at which time the provision is cleared.

**Accounts receivable**

Accounts receivable are stated in the interim 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 period of the interim consolidated financial statements.

**Operating lease**

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

**Accounts payable and accrued expenses**

Liabilities are recognized for amounts to be paid in the future for goods or services received whether billed by suppliers or not.

**Impairment and uncollectibility 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 interim 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 interim 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.

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2012**

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**Derivative financial instruments and hedge accounting**

The Company uses derivative financial instruments to hedge the exposure to certain portions of commission rate risks arising from financing activities. The Company designates these as cash flow hedges. The use of financial derivatives is governed by the Company's policies approved by the Board of Directors, and consistent with the Company's risk management strategy. The Company does not use derivative financial instruments for speculative purposes. Derivative financial instruments are measured at fair value on the contract date and are re-measured to fair value at subsequent reporting dates. If the financial instruments do not qualify for hedge accounting in accordance with generally accepted accounting standards, the change in the fair value of the derivative financial instruments is recorded in the interim consolidated statement of income.

**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 interim consolidated statement of changes in shareholders' equity. Any other than temporary decline in investment value will be charged to the interim 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 Company 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 Company 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 interim 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.

**3. PERIOD ADJUSTMENTS**

All adjustments that the Company's management believes are material for the interim consolidated financial statements to fairly present its consolidated financial position and results of operations have been incorporated. The results of operations for the interim financial period may not indicate accurately the actual results for the yearly operations.

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2012**

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**4. FINANCIAL DERIVATIVE**

At March 31, 2011, the Company had two commission rate swap agreements with a notional amount of SR 150 million and SR 100 million respectively. As per the terms of agreements, the Company paid a fixed rate of interest of 3.62% and 3.50% respectively and received a variable rate equal to three month Saudi inter Bank offer rate on the notional amount if the rate remains between 2% to 6% and 0% to 6%, respectively. The swap was used to hedge the exposure to changes in the interest rates of the Company's borrowings. The fair value of these agreements, which did not qualify for hedge accounting in accordance with generally accepted accounting standards, and the decline therein during the year 2011, was recorded in the interim consolidated statement of income.

The above mentioned two swaps agreements were matured on June 15, 2011 and June 18, 2011 respectively.

**5. STATUTORY RESERVE**

In accordance with the Regulations for Companies in Saudi Arabia and the Company's Articles of Association, 10 percent of net income shall be transferred to statutory reserve until the reserve equals 50 percent of the share capital. This reserve which is estimated on quarterly basis and adjusted for the actual amount at year end, is currently not available for dividend distribution to shareholders.

**6. SEGMENT INFORMATION**

The Company has two major operating segments namely, wholesale and retail. The segmental information for the period ended March 31, 2012 and 2011 are as follows:

**A) Business segment**

	Retail SR millions	Wholesale SR millions	Total SR millions
<b>March 31, 2012</b>			
Total assets	1,493	227	1,720
Sales	1,070	126	1,196
Net income	142	22	164
<b>March 31, 2011</b>			
Total assets	1,196	174	1,370
Sales	827	119	946
Net income	117	20	137

The Company's activity in different geographic areas for the period ended March 31, 2012 and 2011 is as follows:

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2012**

**B) Geographical Segment**

	Kingdom of Saudi Arabia SR millions	Gulf Countries and Egypt SR millions	Total SR millions
<b>March 31, 2012</b>			
Sales	1,115	81	1,196
Net income	147	17	164
<b>March 31, 2011</b>			
Sales	867	79	946
Net income	121	16	137

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

**7. EARNINGS PER SHARE**

Earnings per share is computed by dividing each of the operating income and the net income for the period by the weighted average number of shares outstanding at the end of the period 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 period 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.

**8. COMMITMENTS AND CONTINGENCIES**

The commitments and contingencies are as follows:

	<b>March 31, 2012 SR</b>	March 31, 2011 SR
Letter of credits	<b>63,304,363</b>	59,274,669
Letter of guarantees	<b>11,180,252</b>	10,725,561

**9. DIVIDENDS**

The Board of Directors in their meeting held on February 7, 2011 resolved to distribute interim cash dividends amounting to SR 80 million which were paid to the shareholders during the three month period ended March 31, 2011.

The Board of Directors in their meeting held on February 7, 2012 resolved to distribute interim cash dividends amounting to SR 96 million which were paid to the shareholders during the three month period ended March 31, 2012.

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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2012**

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**10. APPROVAL OF FINANCIAL STATEMENTS**

These interim consolidated financial statements were approved by the Board of Directors on April 18, 2012.