

JARIR MARKETING CO.
(SAUDI JOINT STOCK COMPANY)

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AND AUDITORS' REVIEW REPORT
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2012**

JARIR MARKETING CO.
(SAUDI JOINT STOCK COMPANY)

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REVIEW
REPORT
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2012**

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AUDITORS' REVIEW REPORT

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

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 June 30, 2012, and the related interim consolidated statement of income for three and six months periods ended June 30, 2012 and interim consolidated statements of cash flows and changes in shareholders' equity for the six-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 the accounting standards generally accepted in the Kingdom of Saudi Arabia.

Deloitte & Touche
Bakr Abulkhair & Co.



Bakr A. Abulkhair
License No. 101
Sha'ban 28, 1433
July 18, 2012



JARIR MARKETING CO.
(SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED BALANCE SHEET (Unaudited)

	June 30, 2012	June 30, 2011
Notes	SR'000	SR'000
ASSETS		
Current assets		
Cash and bank balances	45,328	36,818
Accounts receivable, net	254,170	190,010
Inventories, net	651,627	573,585
Prepaid expenses and other assets	41,793	45,054
Total current assets	992,918	845,467
Non-current assets		
Investment property	6,537	7,492
Investments available for sale	27,951	27,951
Property and equipment, net	774,435	594,980
Total non-current assets	808,923	630,423
TOTAL ASSETS	1,801,841	1,475,890
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Due to banks	103,108	36,916
Current portion of long-term loan	66,667	-
Accounts payable	441,018	388,632
Employees' incentive program – current portion	-	26,818
Accrued expenses and other liabilities	87,353	51,869
Deferred revenues	12,681	11,566
Provision for zakat	14,224	10,474
Total current liabilities	725,051	526,275
Non-current liabilities		
Long-term loan	75,000	66,667
Provision for end-of-service indemnities	42,962	37,365
Employees' incentive program	9,045	708
Total non-current liabilities	127,007	104,740
Total liabilities	852,058	631,015
Shareholders' equity		
Capital	1 600,000	400,000
Statutory reserve	5 78,420	101,002
Retained earnings	271,363	343,873
Total shareholders' equity	949,783	844,875
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,801,841	1,475,890

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)

	For the three-months period ended June 30,		For the six-months period ended June 30,	
	2012 SR'000	2011 SR'000	2012 SR'000	2011 SR'000
Sales	1,065,833	968,259	2,262,039	1,913,884
Cost of sales	(928,544)	(840,459)	(1,934,561)	(1,623,405)
Gross profit	137,289	127,800	327,478	290,479
General and administrative expenses	(18,003)	(17,134)	(37,023)	(32,793)
Selling and distribution expenses	(13,119)	(13,447)	(23,514)	(24,940)
Operating income	106,167	97,219	266,941	232,746
Other income	6,701	7,724	15,687	15,113
Finance charges	(1,291)	(2,312)	(2,225)	(4,946)
Income before zakat	111,577	102,631	280,403	242,913
Provision for zakat	(4,597)	(4,110)	(9,195)	(7,620)
NET INCOME FOR THE PERIOD	106,980	98,521	271,208	235,293
Earnings per shares from:				
Operating income for the period (Saudi Riyals)	1.77	1.62	4.45	3.88
Net income for the period (Saudi Riyals)	1.78	1.64	4.52	3.92

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JARIR MARKETING CO.
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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

	For the six-months period ended June 30,	
	2012 SR'000	2011 SR'000
OPERATING ACTIVITIES		
Income before zakat for the period	280,403	242,913
Adjustments for:		
Depreciation	10,589	9,542
Provision for doubtful debts	6,824	23,734
Provision for slow moving inventories	6,170	6,568
Gain on sale of property and equipment	(19)	(36)
Employees' incentive program	1,736	4,391
Provision for end of service indemnities	4,087	3,813
Changes in Operating Assets and Liabilities:		
Accounts receivable	(17,500)	(1,896)
Inventories	(56,942)	(37,104)
Prepaid expenses and other assets	(2,859)	(9,383)
Accounts payable	(22,502)	37,728
Accrued expenses and other liabilities	12,520	(2,977)
Deferred revenues	3,097	3,531
Cash generated from operations	225,604	280,824
Zakat paid	(14,575)	(11,715)
End-of-services indemnities paid	(1,176)	(718)
Employees' incentive program paid	(23,091)	-
Net cash from operating activities	186,762	268,391
INVESTING ACTIVITIES		
Additions to property and equipment	(42,852)	(49,364)
Proceeds from sale of property and equipment	28	37
Net cash used in investing activities	(42,824)	(49,327)
FINANCING ACTIVITIES		
Due to banks	102,951	(13,195)
Long-term loan	(33,333)	(33,333)
Dividends paid	(228,000)	(188,000)
Net cash used in financing activities	(158,382)	(234,528)
Net change in cash and bank balances	(14,444)	(15,464)
Cash and bank balances, beginning of the period	59,772	52,282
CASH AND BANK BALANCES, END OF THE PERIOD	45,328	36,818

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 SIX-MONTHS PERIOD ENDED JUNE 30, 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	-	-	235,293	235,293
Transferred to statutory reserve	-	23,531	(23,531)	-
Dividends paid	-	-	(188,000)	(188,000)
Balance at June 30, 2011	400,000	101,002	343,873	844,875
Balance at January 1, 2012	600,000	51,299	255,276	906,575
Net income for the period	-	-	271,208	271,208
Transferred to statutory reserve	-	27,121	(27,121)	-
Dividends paid	-	-	(228,000)	(228,000)
Balance at June 30, 2012	600,000	78,420	271,363	949,783

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2012**

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 June 30, 2012, the Company had 36 showrooms (2011: 34 showrooms) including wholesale outlets in the Kingdom of Saudi Arabia and the GCC, in addition to real estate investments 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 SIX-MONTH PERIOD ENDED JUNE 30, 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 six-month ended June 30, 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 SIX-MONTH PERIOD ENDED JUNE 30, 2012**

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 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 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 SIX-MONTH PERIOD ENDED JUNE 30, 2012

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.

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.

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2012**

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 second interim financial period may not indicate accurately the actual results for the yearly operations.

4. FINANCIAL DERIVATIVE

At June 30, 2011, the Company had two commission rate swap agreements with a notional amount of SR 150 million and SR 100 million. As per the terms of agreements, the Company paid a fixed rate of interest of 3.62% and 3.50% respectively and receives a variable rate equal to three months 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2012

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 six-months ended June 30, 2012 and 2011 are as follows:

A) Business segment

	Retail SR millions	Wholesale SR millions	Total SR millions
June 30, 2012			
Total assets	1,508	294	1,802
Sales	2,079	183	2,262
Net income	250	21	271
June 30, 2011			
Total assets	1,252	224	1,476
Sales	1,744	170	1,914
Net income	217	18	235

The Company's activity in different geographic areas for the six-months ended June 30, 2012 and 2011 is as follows:

B) Geographical Segment

	Kingdom of Saudi Arabia SR millions	Gulf Countries and Egypt SR millions	Total SR millions
June 30, 2012			
Sales	2,097	165	2,262
Net income	240	31	271
June 30, 2011			
Sales	1,757	157	1,914
Net income	207	28	235

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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2012

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:

	June 30, 2012 SR	June 30, 2011 SR
Letter of credits	<u>64,319,368</u>	<u>72,145,395</u>
Letter of guarantees	<u>11,354,077</u>	<u>12,142,019</u>

9. DIVIDENDS

The Board of Directors in their meetings held on February 7, 2011 and May 20, 2011 resolved to distribute interim cash dividends amounting to SR 80 million and SR 108 million, respectively, which were paid to the shareholders during six-months period ended June 30, 2011.

The Board of Directors in their meetings held on February 7, 2012 and April 14, 2012 resolved to distribute interim cash dividends amounting to SR 96 million and SR 132 million, respectively, which were paid to the shareholders during six-months period ended June 30, 2012.

10. APPROVAL OF FINANCIAL STATEMENTS

These interim consolidated financial statements were approved by the Board of Directors on July 17, 2012.