JARIR MARKETING COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
AND INDEPENDENT AUDITORS' REPORT

JARIR MARKETING COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

pwc

INDEPENDENT AUDITORS' REPORT February 4, 2015

To the Shareholders of Jarir Marketing Company
(A Saudi Joint Stock Company)

Scope of audit

We have audited the accompanying consolidated balance sheet of Jarir Marketing Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2014 and the 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 the consolidated financial statements. These consolidated financial statements, which were prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all information and explanations which we required, are the responsibility of the Group'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 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 misstatement. 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 policies 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, such consolidated financial statements taken as a whole:

- Present fairly, in all material respects, the financial position of the Group as of December 31, 2014 and the results of its operations and its cash flows for the year then ended in conformity with accounting standards generally accepted in Saudi Arabia appropriate to the circumstances of the Group; and

- Comply, in all material respects, with the requirements of the Regulations for Companies and the Company's By-laws with respect to the preparation and presentation of consolidated financial statements.

PricewaterhouseCoopers

By: ____________________
Khalid A. Mahdhar
License Number 368

PricewaterhouseCoopers, License No. 25,
Kingdom Tower, P.O. Box 8282, Riyadh 11482, Kingdom of Saudi Arabia
T: +966 (11) 211-0400, F: +966 (11) 211-0401, www.pwc.com/middle-east

JARIR MARKETING COMPANY
(A Saudi Joint Stock Company)
Consolidated balance sheet
(All amounts in Saudi Riyals thousands unless otherwise stated)

		As at December 31,	
Assets	**Notes**	**2014**	**2013**
Current assets			
Cash and cash equivalents	3	**128,031**	85,842
Accounts receivable	4	**203,969**	136,570
Inventories	5	**817,120**	771,490
Prepayments and other assets	6	**231,697**	179,599
Total current assets		**1,380,817**	1,173,501
Non-current assets			
Available for sale investment	7	**27,951**	27,951
Investment property	8	**4,955**	5,433
Property and equipment	9	**1,048,419**	994,038
Total non-current assets		**1,081,325**	1,027,422
Total assets		**2,462,142**	2,200,923
Liabilities			
Current liabilities			
Current portion of bank borrowings and term loans	10	**100,000**	125,000
Liabilities against capital leases		**462**	462
Accounts payable	11	**711,056**	527,428
Accrued expenses and other liabilities	12	**85,619**	83,970
Employees' incentive program		**1,178**	-
Deferred revenues	13	**20,808**	19,128
Zakat payable	14	**25,483**	26,876
Total current liabilities		**944,606**	782,864
Non-current liabilities			
Bank borrowings and term loans	10	**25,000**	125,000
Liabilities against capital leases		**12,705**	13,167
Employees' termination benefits	15	**63,226**	56,076
Employees' incentive program		**33,246**	20,961
Deferred revenues	13	**23,333**	30,193
Total non-current liabilities		**157,510**	245,397
Total liabilities		**1,102,116**	1,028,261
Shareholders' equity			
Share capital	1,17	**900,000**	900,000
Statutory reserve	18	**139,862**	65,326
Retained earnings		**320,164**	207,336
Total shareholders' equity		**1,360,026**	1,172,662
Total liabilities and shareholders' equity		**2,462,142**	2,200,923
Contingencies and commitments	24,25		

The notes on pages 6 to 20 form an integral part of these consolidated financial statements.

JARIR MARKETING COMPANY
(A Saudi Joint Stock Company)
Consolidated statement of income
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	Year ended December 31, 2014	2013
Sales		**5,698,723**	5,242,666
Cost of sales		**(4,812,246)**	(4,448,310)
Gross profit		**886,477**	794,356
Operating expenses			
General and administrative	16,19	**(89,187)**	(82,891)
Selling and marketing	20	**(70,476)**	(63,436)
Income from operations		**726,814**	648,029
Other income (expenses)			
Other income	16	**43,531**	33,234
Financial charges		**(4,835)**	(6,809)
Income before zakat		**765,510**	674,454
Zakat	14	**(20,146)**	(21,191)
Net income for the year		**745,364**	653,263
Earnings per share (Saudi Riyals):			
• Income from operations	1,21	**8.08**	7.20
• Non-operating income	1,21	**0.43**	0.29
• Net income for the year	1,21	**8.28**	7.26
• Weighted average number of shares (thousand shares)	1,21	**90,000**	90,000

The notes on pages 6 to 20 form an integral part of these consolidated financial statements.

JARIR MARKETING COMPANY
(A Saudi Joint Stock Company)
Consolidated statement of cash flows
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	Year ended December 31, 2014	2013
Cash flow from operating activities			
Net income for the year		**745,364**	653,263
Adjustments for non-cash items			
Depreciation	8,9	**30,901**	20,953
Reversal of provision for doubtful debts and other assets		**(4,166)**	(17,496)
Provision for slow moving inventories	5	**3,328**	6,644
Amortization of deferred revenue		**(6,772)**	(3,364)
Gain on sale of property and equipment		**(1,248)**	(3,445)
Provision for zakat	14	**20,146**	21,191
Provision for employees' termination benefits	15	**10,771**	11,824
Provision for employees' incentive program		**13,463**	10,342
Changes in working capital			
Accounts receivable		**(67,209)**	138,721
Inventories		**(48,958)**	(52,216)
Prepayments and other current assets		**(48,122)**	(141,597)
Accounts payable		**183,628**	(41,361)
Accrued expenses and other current liabilities		**1,649**	6,527
Deferred revenues		**1,130**	1,888
Zakat paid	14	**(21,539)**	(17,734)
Employees' termination benefits paid	15	**(3,621)**	(2,743)
Net cash generated from operating activities		**808,745**	591,397
Cash flow from investing activities			
Additions to property and equipment	9	**(84,816)**	(218,347)
Proceeds from sale of property and equipment		**1,260**	75,806
Net cash utilized in investing activities		**(83,556)**	(142,541)
Cash flow from financing activities			
Repayments of bank borrowings and term loans	10	**(125,000)**	(16,918)
Proceeds from bank borrowings and term loans	10	**-**	50,000
Dividends paid	22	**(558,000)**	(507,000)
Net cash utilized in financing activities		**(683,000)**	(473,918)
Net change in cash and cash equivalents		**42,189**	(25,062)
Cash and cash equivalents at beginning of year		**85,842**	110,904
Cash and cash equivalents at end of year	3	**128,031**	85,842
Non-cash transactions:			
Adjustment to additions in property and equipment with corresponding effect to capital lease obligation		**-**	13,629
Adjustment to gain on sale of property and equipment with corresponding effect to deferred revenues		**-**	36,966
Transfer to share capital from retained earnings and statutory reserve		**-**	300,000

The notes on pages 6 to 20 form an integral part of these consolidated financial statements.

JARIR MARKETING COMPANY
(A Saudi Joint Stock Company)
Consolidated statement of changes in shareholders' equity
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	Share capital	Statutory reserve	Retained earnings	Total
January 1, 2014		**900,000**	**65,326**	**207,336**	**1,172,662**
Net income for the year		-	-	**745,364**	**745,364**
Transfer to statutory reserve	18	-	**74,536**	**(74,536)**	-
Dividends	22	-	-	**(558,000)**	**(558,000)**
December 31, 2014		**900,000**	**139,862**	**320,164**	**1,360,026**
January 1, 2013		600,000	108,281	318,118	1,026,399
Increase in share capital	1	300,000	(108,281)	(191,719)	-
Net income for the year		-	-	653,263	653,263
Transfer to statutory reserve	18	-	65,326	(65,326)	-
Dividends	22	-	-	(507,000)	(507,000)
December 31, 2013		900,000	65,326	207,336	1,172,662

The notes on pages 6 to 20 form an integral part of these consolidated financial statements.

(All amounts in Saudi Riyals thousands unless otherwise stated)

1. General information

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, 2014, the Company had 40 showrooms (2013:37 showrooms) including wholesale outlets in the Kingdom of Saudi Arabia and the other Gulf countries, in addition to real estate investments in the Arab Republic of Egypt through Jarir Egypt Financial Leasing Company SAE.

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 24, 1435H (corresponding to November 27, 2013) the shareholders resolved to increase the share capital of the Company from Saudi Riyals 600 million to Saudi Riyals 900 million by granting one share for two shares held, by transferring from statutory reserve Saudi Riyals 108 million and Saudi Riyals 192 million from retained earnings. As a result, the number of shares increased to 90 million shares with a par value of Saudi Riyals 10 each. The legal procedures relating to increase in share capital were completed during the year ended December 31, 2013.

The accompanying consolidated financial statements include the accounts of the Company and the following subsidiaries:

Subsidiaries	Country of incorporation	Direct and indirect ownership as at December 31,	
		2014	2013
		%	%
United Company for Office Supplies and Stationeries WLL	Qatar	100	100
Jarir Trading Company LLC	Abu Dhabi	100	100
United Bookstore	Abu Dhabi	100	100
Jarir Bookstore	Kuwait	100	100
Jarir Egypt Financial Leasing Company – SAE	Egypt	100	100

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

These consolidated financial statements were authorized for issue by the Company's Board of Directors on February 4, 2015.

2. Summary of significant accounting policies

Significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

The accompanying consolidated financial statements have been prepared under the historical cost convention, as modified by revaluation of available-for-sale investments to fair value, on the accrual basis of accounting and in compliance with accounting standards promulgated by Saudi Organization for Certified Public Accountants ("SOCPA").

The consolidated financial statements include the assets, liabilities and the results of operations of the Company and its subsidiaries (the "Group"). A subsidiary is a company in which the Group has, directly or indirectly, long term investment comprising an interest of more than 50% in the voting capital or over which it exerts a practical control. A subsidiary company is consolidated from the date on which the Group obtains a practical control until the date such control ceases. Significant balances and transactions, including unrealized gains or losses on transactions, between the Group companies have been eliminated in the consolidated financial statements.

2.2 Critical accounting estimates and judgments

The preparation of consolidated financial statements in conformity with generally accepted accounting standards requires the use of estimates and assumptions that affect the reported balances of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. The estimates and assumptions that have a risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Provision for doubtful debts

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

(b) Provision for inventory obsolescence

Provision for inventory obsolescence is maintained at a level considered adequate to provide for potential loss on inventory items. The level of allowance is determined and guided by the Company's policy and other factors affecting the obsolescence of inventory items. An evaluation of inventories, designed to identify potential charges to provision, is performed on a continuous basis throughout the year. Management uses judgment based on the best available facts and circumstances, including but not limited to evaluation of individual inventory items' future utilization. The amount and timing of recorded expenses for any period would therefore differ based on the judgments or estimates made. An increase in provision for inventory obsolescence would increase the Company's recorded expenses and decrease current assets.

2.3 Cash and cash equivalents

Cash and cash equivalents include cash in hand and with banks and other short-term highly liquid investments with maturities of three months or less from the purchase date.

2.4 Accounts receivable

Accounts receivable are carried at original invoice amount less provision for doubtful debts. A provision against doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Such provisions are charged to the consolidated statement of income and reported under "General and administrative expenses". When an account receivable is uncollectible, it is written-off against the provision for doubtful debts. Any subsequent recoveries of amounts previously written-off are credited against "General and administrative expenses" in the consolidated statement of income.

2.5 Inventories

Inventories are carried at the lower of cost or net realizable value. Cost is determined using weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.6 Investments

a) Investment in available for sale investments

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity are classified as available for sale. Such investments are included in non-current assets unless management has expressed intention of holding the investment for less than twelve months from the balance sheet date, in which case they are included in current assets. After initial recognition, investments purchased neither with the intention of being held to maturity nor for trading purposes are re-measured at fair value as follows:

(i) Fair values of quoted securities are based on available market prices at the reporting date adjusted for any restriction on the transfer or sale of such investments; and
(ii) Fair values of unquoted securities are based on a reasonable estimate determined by reference to the current market value of other similar quoted investment securities or is based on the expected discounted cash flows. Where fair values cannot be reliably estimated, the Group records such investments at cost.

Unrealized gains and losses are reported as a separate component of shareholders' equity until the investment is derecognized or the investment is determined to be impaired.

b) Investment property

Property held to earn rentals 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 and impairment loses, if any. 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 year in which they are incurred. Land is not depreciated. Investment properties are depreciated on a straight line basis over their estimated useful lives.

2.7 Property and equipment

Property and equipment are carried at cost less accumulated depreciation except land and capital work in progress which are recorded at cost. Depreciation is charged to the consolidated statement of income, using the straight-line method to allocate the costs of the related assets to their residual values over the following estimated useful lives:

	Number of years
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

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the consolidated statement of income.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the consolidated statement of income as and when incurred. Major renewals and improvements, if any, are capitalized and the assets so replaced are retired.

2.8 Impairment of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset 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 carrying amount 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 carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
c) For assets carried at amortized cost, impairment is based on estimated cash flows that are discounted at the original effective special commission rate.

2.9 Loans and borrowings

Borrowings are recognized at the proceeds received, net of transaction costs incurred, if any. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of those assets. Other borrowing costs are charged to the income statement.

2.10 Accounts payable and accruals

Liabilities are recognized for amounts to be paid for goods and services received, whether or not billed to the Group.

2.11 Provisions

Provisions are recognized when; the Group has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

2.12 Zakat

The Company is subject to zakat in accordance with the regulations of the Department of Zakat and Income Tax (the "DZIT"). Provision for zakat for the Company is charged to the consolidated statement of income. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Foreign subsidiaries are subject to income taxes in their respective countries of domicile. Such income taxes are charged to the consolidated statement of income.

2.13 Employees' termination benefits

Employees' termination benefits required by Saudi Labor and Workman Law are accrued by the Group and charged to the consolidated statement of income. The liability is calculated; as the current value of the vested benefits to which the employee is entitled, should the employee leave at the balance sheet date. Termination payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia.

2.14 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 dependent on 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 is adjustable against payments which will be made upon vesting takes place. 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.

2.15 Deferred revenues

Revenues that will benefit future periods are deferred, while revenues that are not of benefit beyond the current period are credited to the consolidated statement of income.

2.16 Sales

Sales are recognized upon delivery of products and customer acceptance, if any. Sales are shown net of discounts, if any.

2.17 Costs and expenses

2.17.1 Cost of sales

Represent the cost of revenues incurred during the year, and include the costs of goods ready for sale, direct labor, other overheads and occupancy related to the revenues recognized.

2.17.2 Selling and marketing expenses

Represent expenses resulting from the Company's management efforts with regard to the marketing function or the selling and distribution function. Selling and marketing expenses include direct and indirect costs not specifically part of cost of revenues. Allocations between selling and marketing expenses and cost of revenues, when required, are made on a consistent basis.

2.17.3 General and administrative expenses

Represent expenses relating to the administration and not to the revenue earning function or the selling and distribution functions. General and administrative expenses include direct and indirect costs not specifically part of cost of revenues. Allocations between general and administrative expenses and cost of revenues, when required, are made on a consistent basis.

(All amounts in Saudi Riyals thousands unless otherwise stated)

2.18 Operating and capital leases

Lease agreements are classified as capital leases if the lease agreement transfers substantially all the risks and rewards incidental to ownership of an asset. The Group accounts for property and equipment acquired under capital leases by recording the assets and the related liabilities. These amounts are determined on the basis of the present value of minimum lease payments. Financial charges are allocated to the lease term in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation on assets under capital leases is charged to income applying the straight-line method at the rates applicable to the related assets. Leases other than capital leases are classified as operating leases whereby the expenses and the revenues associated with the operating leases are recognized in the consolidated statement of income on a straight-line basis over the terms of the leases.

2.19 Foreign currency translation

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of income.

At the subsidiary level, transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated statement of income.

At the consolidation level, financial statements of foreign subsidiaries are translated into the Group's presentation currency using the exchange rate at each balance sheet date for assets and liabilities, and the average exchange rate for each year for revenues and expenses. Components of equity, other than retained earnings, are translated at the rate ruling at the date of occurrence of each component. Translation adjustments, if material, are recorded as a separate component of equity.

2.20 Segment reporting

(a) Business segment

A business segment is group of assets, operations or entities:

(i) engaged in revenue producing activities;
(ii) results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and
(iii) financial information is separately available.

(b) Geographical segment

A geographical segment is group of assets, operations or entities engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments.

3. Cash and cash equivalents

	2014	2013
Cash in hand	**3,754**	2,971
Cash at bank	**124,277**	82,871
	128,031	85,842

(All amounts in Saudi Riyals thousands unless otherwise stated)

4. Accounts receivable

	2014	2013
Trade	**216,886**	149,833
Less: provision for doubtful debts	**(12,917)**	(13,263)
	203,969	136,570

Movement in provision for doubtful debts is as follows:

	2014	2013
January 1	**13,263**	13,569
Additions	**24**	156
Write-offs	**(156)**	(132)
Reversals	**(214)**	(330)
December 31	**12,917**	13,263

5. Inventories

	2014	2013
Computers and related supplies and programs	**334,386**	297,783
Gifts and digital systems	**196,903**	215,905
Office supplies	**138,856**	120,011
School supplies	**78,397**	99,824
Books	**77,370**	71,398
Video games	**70,288**	43,969
Engineering and technical supplies	**21,875**	20,675
Goods in transit	**6,049**	5,643
Others	**9,904**	9,862
	934,028	885,070
Less: provision for slow moving inventories	**(116,908)**	(113,580)
	817,120	771,490

Movement in provision for slow moving inventories is as follows:

	2014	2013
January 1	**113,580**	106,936
Additions	**3,328**	6,644
December 31	**116,908**	113,580

(All amounts in Saudi Riyals thousands unless otherwise stated)

6. Prepayments and other current assets

	2014	2013
Advances to suppliers	**114,947**	88,084
Prepaid rentals	**54,086**	47,091
Claims on vendors	**41,047**	43,477
Less: Provision for doubtful claims on vendors	**(37,841)**	(41,963)
	3,206	1,514
Employees receivable	**33,714**	24,808
Less: Provision for doubtful employee receivables	**(2,262)**	(2,071)
	31,452	22,737
Prepaid employees' benefits	**8,630**	7,728
Other	**22,471**	15,585
Less: Provision for doubtful other assets	**(3,095)**	(3,140)
	19,376	12,445
	231,697	179,599

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. This investment is accounted for at cost.

8. Investment property

	2014	2013
Cost		
At the beginning and end of year	**8,929**	8,929
Depreciation		
January 1	**(3,496)**	(2,586)
Charge for the year	**(478)**	(910)
December 31	**4,955**	5,433

(All amounts in Saudi Riyals thousands unless otherwise stated)

9. Property and equipment

	January 1, 2014	Additions	Disposals	Transfers	December 31, 2014
Cost					
Land	**634,567**	12	-	-	**634,579**
Buildings	**277,440**	24,150	-	-	**301,590**
Machinery and equipment	**9,407**	1,157	(26)	-	**10,538**
Furniture and fixtures	**91,549**	3,495	(27)	5,458	**100,475**
Motor vehicles	**17,836**	2,089	(2,563)	-	**17,362**
Computer hardware and software	**30,113**	2,495	(54)	937	**33,491**
Leasehold improvements	**33,530**	3,630	-	17,412	**54,572**
Construction and other work in progress	**85,851**	47,788	-	(23,807)	**109,832**
Capital lease obligation	**13,860**	-	-	-	**13,860**
	1,194,153	84,816	(2,670)	-	**1,276,299**
Accumulated depreciation					
Buildings	**(67,131)**	(9,095)	-	-	**(76,226)**
Machinery and equipment	**(7,497)**	(603)	26	-	**(8,074)**
Furniture and fixtures	**(61,171)**	(5,651)	18	-	**(66,804)**
Motor vehicles	**(14,062)**	(2,112)	2,563	-	**(13,611)**
Computer hardware and software	**(23,449)**	(2,420)	51	-	**(25,818)**
Leasehold improvements	**(26,574)**	(10,080)	-	-	**(36,654)**
Capital lease obligation	**(231)**	(462)	-	-	**(693)**
	(200,115)	(30,423)	2,658	-	**(227,880)**
	994,038				**1,048,419**

	January 1, 2013	Additions	Disposals	Transfers	December 31, 2013
Cost					
Land	518,397	131,029	(14,859)	-	634,567
Buildings	254,087	2,054	(27,600)	48,899	277,440
Machinery and equipment	7,883	266	(13)	1,271	9,407
Furniture and fixtures	78,124	5,733	(352)	8,044	91,549
Motor vehicles	16,851	1,183	(198)	-	17,836
Computer hardware and software	26,741	2,499	(322)	1,195	30,113
Leasehold improvements	33,365	-	-	165	33,530
Construction and other work in progress	70,984	75,352	(911)	(59,574)	85,851
Capital lease obligation	-	13,860	-	-	13,860
	1,006,432	231,976	(44,255)	-	1,194,153
Accumulated depreciation					
Buildings	(70,521)	(7,970)	11,360	-	(67,131)
Machinery and equipment	(6,999)	(511)	13	-	(7,497)
Furniture and fixtures	(56,172)	(5,331)	332	-	(61,171)
Motor vehicles	(12,432)	(1,828)	198	-	(14,062)
Computer hardware and software	(22,095)	(1,675)	321	-	(23,449)
Leasehold improvements	(24,077)	(2,497)	-	-	(26,574)
Capital lease obligation	-	(231)	-	-	(231)
	(192,296)	(20,043)	12,224	-	(200,115)
	814,136				994,038

As at December 31, 2014, property and equipment include lands and buildings amounting to Saudi Riyals 91.8 million (2013: Saudi Riyals 140 million) which are registered under the name of related parties and others and the beneficial ownership has been transferred to the Group.

(All amounts in Saudi Riyals thousands unless otherwise stated)

Depreciation charge for the year is allocated as follows:

	Note	2014	2013
Cost of sales		**27,205**	17,036
General and administrative expenses	19	**2,986**	2,790
Selling and marketing expenses	20	**232**	217
		30,423	20,043

10. Bank borrowings and term loans

	2014	2013
January 1	**250,000**	216,918
Additions	**-**	50,000
Payments	**(125,000)**	(16,918)
December 31	**125,000**	250,000
Less: Current maturity shown under current liabilities	**(100,000)**	(125,000)
	25,000	125,000

During 2011, the Company obtained Tawaruq long-term loan amounting to Saudi Riyals 75 million from a local commercial bank. During 2012 and 2013, the Company obtained additional amount of Saudi Riyals 25 million and 50 million, respectively under the same facility. The loan is repayable in six equal quarterly installments of Saudi Riyals 25 million each commencing on March 25, 2014 and the last installment is due for payment on June 23, 2015. The loan is secured against promissory note and carries agreed commission rate with the Bank.

During 2012, the Company obtained Tawaruq long-term loan amounting to Saudi Riyals 100 million from a local commercial bank. The loan is repayable in four semi-annual installments of Saudi Riyals 25 million each commencing on August 5, 2014 and the last installment is due for payment on January 30, 2016. The loan is secured against promissory note and carries agreed commission rate with the Bank.

Maturity profile of bank borrowings at December 31, as per contractual arrangement is as follows:

	2014	2013
2014	**-**	125,000
2015	**100,000**	100,000
2016	**25,000**	25,000
	125,000	250,000

11. Accounts payable

	2014	2013
Trade payables	**609,371**	465,415
Advances from customers	**54,624**	22,591
Employees	**12,936**	5,331
Other	**34,125**	34,091
	711,056	527,428

12. Accrued expenses and other current liabilities

	2014	2013
Accrued bonus and commission	**52,133**	47,437
Accrued salaries, wages and benefits	**28,262**	30,848
Other	**5,224**	5,685
	85,619	83,970

(All amounts in Saudi Riyals thousands unless otherwise stated)

13. Deferred revenues

	Notes	2014	2013
Gain on sale and lease back	13.1	**30,193**	36,966
Rental income	13.2	**13,948**	12,355
		44,141	49,321
Current maturity shown under current liabilities		**20,808**	19,128
		23,333	30,193

13.1 Gain on sale and lease back

The gain on sale and leaseback represents the sale of land and buildings at the net book value of Saudi Riyals 31 million for the proceeds of Saudi Riyals 71 million resulting in a gain of Saudi Riyals 40 million. This gain is amortized over the lease term. During 2014, Saudi Riyals 6.8 million have been amortized and credited to the consolidated statement of income.

13.2 Rental income

Rental income represents amounts received from rental activity but not earned as at December 31, 2014 and 2013. Such amounts will be recognized as revenue in the subsequent year.

14. Zakat matters

Zakat is calculated at 2.5% on the higher of approximate zakat base or adjusted net income. Zakat is calculated based on the standalone financial statements of Jarir Marketing Company.

14.1 Component of zakat base

The significant components of the zakat base of the Company under zakat regulations are as follows:

	Note	2014	2013
Components of zakat base			
Shareholders' equity at beginning of year		**1,172,662**	1,026,399
Provisions at beginning of year		**240,051**	202,316
Long-term borrowings		**125,000**	216,667
Adjusted net income for the year	14.2	**790,874**	689,477
Property and equipment, as adjusted		**(996,610)**	(1,021,989)
Employees' incentive program		**-**	10,619
Capital lease obligation		**13,167**	-
Dividends paid		**(558,000)**	(318,118)
Available for sale investment		**(27,951)**	-
Investment in subsidiaries		**(85,897)**	-
Zakat base		**673,296**	805,371

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.

14.2 Adjusted net income

	2014	2013
Income before zakat	**765,510**	674,454
Adjustment:		
Provisions during the year	**25,364**	15,023
Adjusted net income for year	**790,874**	689,477

(All amounts in Saudi Riyals thousands unless otherwise stated)

14.3 Provision for zakat

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

	2014	2013
January 1	**26,876**	23,419
Provisions	**20,146**	21,191
Payments	**(21,539)**	(17,734)
December 31	**25,483**	26,876

14.4 Status of final assessments

The DZIT has finalized the assessments for the Company through the years 2010. Zakat returns for the years ended December 31, 2011, 2012 and 2013 are still under review of the DZIT.

15. Employees' termination benefits

	2014	2013
January 1	**56,076**	46,995
Provisions	**10,771**	11,824
Payments	**(3,621)**	(2,743)
December 31	**63,226**	56,076

16. Related party matters

16.1 Related parties transactions

Significant transactions with related parties in the ordinary course of business included in the consolidated financial statements are summarized below:

		2014	2013
Board of directors	Salaries, benefits and remunerations	**21,375**	20,619
Shareholders and parties related to the board of directors	Supporting services	**50,768**	67,649
Affiliates	Rental income	**7,183**	7,108

16.2 Related parties balance

Significant year end balance arising from transactions with related parties are as follows:

(i) Payable to related parties

		2014	2013
Shareholders and parties related to the board of directors	Supporting services	**1,980**	1,749

(All amounts in Saudi Riyals thousands unless otherwise stated)

17. Share capital

The share capital of the Company as of December 31, 2014 comprises of 90 million shares stated at Saudi Riyals 10 per share.

18. Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company transfers 10% of the net income for the year to a statutory reserve until such reserve equals 50% of its share capital. The statutory reserve in the accompanying consolidated financial statements is the statutory reserve of the Company. This reserve currently is not available for distribution to the shareholders of the Company.

19. General and administrative expenses

	Note	2014	2013
Salaries, wages and benefits		**72,250**	67,338
Depreciation	9	**2,986**	2,790
Maintenance		**2,321**	2,366
Professional services		**1,606**	1,510
Utilities		**1,952**	1,238
Rentals		**484**	495
Other		**7,588**	7,154
		89,187	82,891

20. Selling and marketing expenses

	Note	2014	2013
Salaries, wages and benefits		**32,245**	28,248
Advertising		**37,163**	34,063
Depreciation	9	**232**	217
Other		**836**	908
		70,476	63,436

21. Earnings per share

Earnings per share has been calculated by dividing income from operations, non-operating income and net income for the years ended December 31, 2014 and 2013 by 90 million shares.

22. Dividends

Based on pre-approval of the General Assembly, the Board of Directors, in their meetings held on February 4, 2014, April 16, 2014, July 15, 2014 and October 22, 2014 resolved to distribute interim cash dividends amounting to Saudi Riyals 126 million, Saudi Riyals 162 million, Saudi Riyals 108 million and Saudi Riyals 162 million respectively, which were paid to the shareholders during the year ended December 31, 2014.

Based on pre-approval of the General Assembly, the Board of Directors, in their meeting held on February 5, 2013, April 16, 2013, July 15, 2013 and October 22, 2013, resolved to distribute interim cash dividends amounting to Saudi Riyals 111 million, Saudi Riyals 144 million, Saudi Riyals 102 million and Saudi Riyals 150 million, respectively, which were paid to the shareholders during the year ended December 31, 2013.

23. Segment information

a) Operating segment

The Group has two major operating segments namely, wholesale and retail. The segmental information for the years ended December 31, was as follows:

	Retail	Wholesale	Total
2014	Saudi Riyals in millions		
Sales	**5,243**	**456**	**5,699**
Net income	**684**	**61**	**745**
Financial charges	**5**	**-**	**5**
Depreciation	**29**	**2**	**31**
Property and equipment	**1,033**	**15**	**1,048**
Total assets	**2,200**	**262**	**2,462**
2013			
Sales	4,829	414	5,243
Net income	602	51	653
Financial charges	7	-	7
Depreciation	18	3	21
Property and equipment	979	15	994
Total assets	1,943	258	2,201

b) Geographical Segment

The Group has two major geographical segments namely, Saudi Arabia and other Gulf countries and Egypt. The Group's activity in different geographic areas for the years ended December 31 was as follows:

	Kingdom of Saudi Arabia	Other Gulf Countries and Egypt	Total
2014	Saudi Riyals in millions		
Sales	**5,249**	**450**	**5,699**
Net income	**684**	**61**	**745**
Financial charges	**5**	**-**	**5**
Depreciation	**30**	**1**	**31**
Property and equipment	**996**	**52**	**1,048**
Total assets	**2,219**	**243**	**2,462**
2013			
Sales	4,863	380	5,243
Net income	586	67	653
Financial charges	7	-	7
Depreciation	19	2	21
Property and equipment	953	41	994
Total assets	2,007	194	2,201

24. Contingencies

	2014	2013
	Saudi Riyals in millions	
Letter of credits	**122.9**	15.5
Letter of guarantees	**8.5**	56.0

Operating leases commitments have been disclosed in note 25.

25. Operating leases

The Group has various operating leases for its offices, warehouses and production facilities. Rental expenses for the year ended December 31, 2014 amounted to Saudi Riyals 70.4 million (2013: Saudi Riyals 47.8 million). Future rental commitments at December 31, under these operating leases are as follows:

Years ending December 31:	2014	2013
2014	**-**	51,583
2015	**68,324**	48,200
2016	**68,400**	48,151
2017	**67,709**	46,622
2018	**47,324**	31,568
2019	**36,769**	-
	288,526	226,124

Operating leases for rental income with terms expiring within one year and in excess of one year as of December 31, are as follows:

Years ending December 31:	2014	2013
2014	**-**	34,554
2015	**35,900**	22,239
2016	**24,698**	14,080
2017	**17,450**	9,441
2018	**8,352**	5,794
2019	**5,260**	-
	91,660	86,108

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risks and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by senior management under policies approved by the board of directors. Senior management identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The most important types of risk are credit risk, currency risk and fair value and cash flow interest rate risks.

Financial instruments carried on the consolidated balance sheet include cash and cash equivalents, accounts receivable, investments and certain other assets, bank borrowings and term loans, accounts payable and certain other liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial assets and liabilities are offset and net amounts reported in the consolidated financial statements, when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

26.1 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals, US dollars and Euros.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The Group also has investments in foreign subsidiaries whose net assets are exposed to currency translation risk.

26.2 Fair value and cash flow interest rate risk

Fair value and cash flow interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial positions and cash flows. The Group's interest rate risks arise mainly from bank borrowings and term loans which are at floating rate of interest. The Group manages its cash flows by controlling the timing between cash inflows and outflows.

26.3 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. The Group has no significant concentration of credit risk. Cash is placed with banks with sound credit ratings. Accounts receivable are carried net of provision for doubtful debts.

26.4 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. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments.

26.5 Fair value

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 Group's financial instruments are compiled under the historical cost convention, except for available for sale investments which are carried at fair values, differences can arise between the book values and fair value estimates. Management believes that the fair values of the Group financial assets and liabilities are not materially different from their carrying values.

27. Comparative figures

Certain reclassifications have been made to the 2013 consolidated financial statements to conform with the current year presentation.