

JARIR MARKETING CO.
(SAUDI JOINT STOCK COMPANY)

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AND AUDITORS' REVIEW REPORT
FOR THE NINE-MONTH PERIOD ENDED
SEPTEMBER 30, 2010**

JARIR MARKETING CO.
(SAUDI JOINT STOCK COMPANY)

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND
AUDITORS' REVIEW REPORT
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2010**

INDEX	PAGE
Auditors' review report	1
Interim consolidated balance sheet	2
Interim consolidated statement of income	3
Interim consolidated statement of cash flows	4
Interim consolidated statement of shareholders' equity	5
Notes to the interim consolidated financial statements	6 – 12

AUDITORS' REVIEW REPORT

Tel : +966 (1) 4630018
Fax : +966 (1) 4630865
www.deloitte.com
Head Office: Riyadh

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) as at September 30, 2010, and the related consolidated statements of income, cash flows and shareholders' equity for the nine-month period then ended, and its related notes. These interim consolidated financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standard of auditing applicable to interim financial reporting issued by the Saudi Organization for Certified Public Accountants. A review of Interim consolidated financial information 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 generally accepted auditing standards, 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 generally accepted accounting standards.

Deloitte & Touche
Bakr Abulkhair & Co.



Bakr A. Abulkhair
License No. 101

Dhu Al-Qa'adah 9, 1431
October 17, 2010



JARIR MARKETING CO.
(SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED BALANCE SHEET (Unaudited)

	September 30, 2010 SR'000	September 30, 2009 SR'000
ASSETS		
Current assets		
Cash	54,047	31,245
Accounts receivable, net	254,861	217,590
Inventories, net	426,253	382,699
Prepaid expenses and others	36,788	31,380
Total current assets	771,949	662,914
Non-current assets		
Investments in leased property	7,702	7,983
Investments available for sale	27,951	27,951
Property and equipment, net	556,421	534,286
Total non-current assets	592,074	570,220
TOTAL ASSETS	1,364,023	1,233,134
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Due to banks	125,322	76,632
Accounts payable	319,064	224,343
Accrued expenses and others	58,915	44,573
Deferred revenues	7,577	9,871
Total current liabilities	510,878	355,419
Non-current liabilities		
Long-term debt	25,000	150,000
Provision for end-of-service indemnities	31,921	27,712
Employees' incentive program	22,260	12,631
Total non-current liabilities	79,181	190,343
Total liabilities	590,059	545,762
Shareholders' equity		
Capital	400,000	400,000
Statutory reserve (Note 5)	67,110	27,051
Reserve for employees' future social welfare / stock option scheme	-	13,000
Retained earnings	306,854	247,321
Total shareholders' equity	773,964	687,372
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,364,023	1,233,134

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)

	Three-month period ended September 30		Nine-month period ended September 30	
	2010 SR'000	2009 SR'000	2010 SR'000	2009 SR'000
Sales	735,323	595,801	2,202,768	1,830,822
Cost of sales	(608,482)	(475,267)	(1,834,144)	(1,481,317)
Gross profit	126,841	120,534	368,624	349,505
Selling and distribution expenses	(11,961)	(13,802)	(34,193)	(32,269)
General and administrative expenses	(12,252)	(12,574)	(39,523)	(37,035)
Operating income	102,628	94,158	294,908	280,201
Other income	6,325	2,922	20,183	9,133
Financing charges	(2,984)	(3,447)	(8,548)	(10,089)
Income before zakat	105,969	93,633	306,543	279,245
Provision for zakat	(3,100)	(2,990)	(9,418)	(8,740)
NET INCOME FOR THE PERIOD	102,869	90,643	297,125	270,505
Earnings per share (Note 7):				
Operating income (Saudi Riyal)	2.57	2.35	7.37	7.01
Net income for the period (Saudi Riyal)	2.57	2.27	7.43	6.76

JARIR MARKETING CO.
(SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

	For the nine-month period ended	
	2010	2009
	SR'000	SR'000
OPERATING ACTIVITIES		
Net income	297,125	270,505
Adjustments for:		
Depreciation	14,643	12,698
Gain on sale of property and equipment	(28)	(322)
Employees' incentive program	4,050	3,282
Provision for end of service indemnities, net	4,891	3,834
Changes in operating assets and liabilities:		
Accounts receivable, net	(73,678)	(54,414)
Inventories, net	(4,829)	8,133
Prepaid expenses and others	56	(4,809)
Accounts payable	42,003	34,199
Accrued expenses and others	1,572	(6,340)
Deferred revenues	(3,304)	132
Net cash from operating activities	282,501	266,898
INVESTING ACTIVITIES		
Additions to property and equipment	(35,410)	(24,849)
Proceeds from sale of property and equipment	29	328
Net cash used in investing activities	(35,381)	(24,521)
FINANCING ACTIVITIES		
Due to banks	13,267	34,605
Dividends paid	(246,000)	(270,000)
Net cash used in financing activities	(232,733)	(235,395)
Net change in cash	14,387	6,982
Cash, beginning of the period	39,660	24,263
CASH, END OF THE PERIOD	54,047	31,245

JARIR MARKETING CO.
(SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (Unaudited)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2010

	Capital SR'000	Statutory reserve SR'000	Reserve for employees' future social welfare/stock option scheme SR'000	Retained earnings SR'000	Total SR'000
Balance at January 1, 2009	300,000	90,644	13,000	283,223	686,867
Net income for the period	-	-	-	270,505	270,505
Transferred to capital	100,000	(90,644)	-	(9,356)	-
Transferred to statutory reserve	-	27,051	-	(27,051)	-
Dividends paid	-	-	-	(270,000)	(270,000)
Balance at September 30, 2009	400,000	27,051	13,000	247,321	687,372
Balance at January 1, 2010	400,000	37,397	13,000	272,442	722,839
Net income for the period	-	-	-	297,125	297,125
Transferred to retained earnings	-	-	(13,000)	13,000	-
Transferred to statutory reserve	-	29,713	-	(29,713)	-
Dividends paid	-	-	-	(246,000)	(246,000)
Balance at September 30, 2010	400,000	67,110	-	306,854	773,964

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2010**

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 September 30, 2010, the Company had 28 retail showrooms (2009: 26 showrooms) 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, sports and scout equipment, 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 and maintenance of computers.

On Jumad Al-Thani 10, 1430 H. (corresponding to June 3, 2009) the shareholders resolved to increase the share capital of the Company from SR 300 million to SR 400 million by granting one share for each three shares, by transferring from statutory reserve and retained earnings, following this increase the company's capital became SR 400 million divided into 40 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, 2009. 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, 2009.

Use of estimates

The preparation of interim consolidated financial statements by management requires the use of estimates and assumptions that could affect the interim consolidated balance sheet and interim consolidated statement of income. Actual results ultimately may differ from those estimates.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2010

Accounting convention

The interim consolidated financial statements are prepared under the historical cost convention, except for the measurement of investments available for sale which are recorded at fair value.

Basis of consolidation

The accompanying interim consolidated financial statements for the nine-months period ended September 30, 2010 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 Bookstore	Kuwait	100
Jarir Egypt Financial Leasing Co. SAE	Egypt	100

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

Selling and distribution expenses principally comprise of costs incurred in the distribution and sale of the Company's products. All other expenses are classified as general and administrative expenses.

General and administrative expenses include direct and indirect 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.

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2010**

Inventories

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

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 audited financial statements of the Company. Incentive compensation accrued under the Program is classified as non-current liability as no payments will be made until vesting takes place on December 31, 2011 and thereafter. 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2010

End-of-service indemnities

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

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 (if any) 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.

Reserve for employees' future social welfare/stock option scheme

This reserve has been established and approved by the Company's General Assembly to be used for employees' future social welfare/stock option scheme. During the first quarter of 2010 the extraordinary assembly decided to transfer this reserve to the retained earnings.

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 NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2010**

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) Available for sale investments

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 shareholders' equity. Any other than temporary decline in investment value considered 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 on the basis of most recent financial statements, otherwise, cost is considered to be the fair value.

b) Investments in leased properties

Investments in leased properties are stated at net book value (cost less accumulated depreciation) and included under non-current assets. Land is not depreciated. Leased properties are depreciated on the straight line method 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.

4. FINANCIAL DERIVATIVE

During the second quarter of year 2008, the Company entered into hedging agreements with several local banks to hedge the cash flow risks from the fluctuation in loans rates resulting from the financing activities for an amount of SR 250 million. These agreements are based on the swap between the Company and the banks on the fixed rates against floating rates.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2010

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 nine-month period ended September 30, 2010 and 2009 are as follows:

A) Business segment

	Retail SR millions	Wholesale SR millions	Total SR millions
September 30, 2010			
Total assets	1,113	251	1,364
Sales	1,928	275	2,203
Net income	255	42	297
September 30, 2009			
Total assets	1,019	214	1,233
Sales	1,593	238	1,831
Net income	235	36	271

The Company's operations in different geographic areas for the nine-months period ended September 30, 2010 and 2009 are as follows:

B) Geographic Segment

	Kingdom of Saudi Arabia SR millions	Gulf Countries and Egypt SR millions	Total SR millions
September 30, 2010			
Sales	1,980	223	2,203
Net income	256	41	297
September 30, 2009			
Sales	1,606	225	1,831
Net income	224	47	271

Due to the nature of the Company's operations, 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 NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2010

7. EARNINGS PER SHARE

Earning 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 during the period which is 40 million shares for each of 2010 and with retroactive effective for 2009.

8. INTERIM RESULT

The interim results of operations may not be a fair indication of the results of operations in the final financial statements.

9. APPROVAL OF FINANCIAL STATEMENTS

These interim consolidated financial statements were approved by the Board of Directors on October 17, 2010.