

JARIR MARKETING COMPANY
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND
AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2013

JARIR MARKETING CO.
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2013

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AUDITORS' REPORT

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

Scope of Audit

We have audited the accompanying consolidated balance sheet of Jarir Marketing Company (a Saudi joint stock Company) (the "Company") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2013, and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended, and the notes from 1 to 28 which form an integral part of these consolidated financial statements as prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all the necessary information and explanations. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting standards used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified Opinion

In our opinion, the consolidated financial statements, taken as a whole, present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2013, and the consolidated results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the nature of the Company, and comply with the relevant provisions of the Regulations for Companies and the Company's bylaws as these relate to the preparation and presentation of these consolidated financial statements.

Deloitte & Touche
Bakr Abulkhair & Co.

Waleed Bin Moha'd. Sobahi
Certified Public Accountant
License No. 378

Rabi Al Thani 4, 1435
February 4, 2014



JARIR MARKETING CO.
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2013

	Notes	2013 SR'000	2012 SR'000
ASSETS			
Current assets			
Cash and bank balances		85,842	110,904
Accounts receivable, net	4	256,928	257,795
Inventories, net	5	771,490	725,918
Prepaid expenses and other assets	6	59,241	38,002
Total current assets		1,173,501	1,132,619
Non-current assets			
Investment property	7	5,433	6,343
Available for sale investments	8	27,951	27,951
Property and equipment, net	9	994,038	814,136
Total non-current assets		1,027,422	848,430
TOTAL ASSETS		2,200,923	1,981,049
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Due to banks	10	-	251
Current portion of long-term loans	14	125,000	16,667
Current portion of capital lease obligation		462	-
Accounts payable	11	527,428	568,789
Current portion of deferred revenue	12	19,128	10,467
Accrued expenses and other liabilities		83,970	77,443
Provision for zakat	13	26,876	23,419
Total current liabilities		782,864	697,036
Non-current liabilities			
Long-term loans	14	125,000	200,000
Capital lease obligation		13,167	-
Deferred revenue	12	30,193	-
Provision for end-of-service indemnities	15	56,076	46,995
Employees' incentive program		20,961	10,619
Total non-current liabilities		245,397	257,614
Total liabilities		1,028,261	954,650
Shareholders' equity			
Capital	1	900,000	600,000
Statutory reserve	17	65,326	108,281
Retained earnings		207,336	318,118
Total shareholders' equity		1,172,662	1,026,399
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,200,923	1,981,049

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

JARIR MARKETING CO.
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2013

	Notes	2013 SR'000	2012 SR'000
Sales		5,242,666	4,634,216
Cost of sales		(4,448,310)	(3,940,110)
Gross profit		794,356	694,106
General and administrative expenses	18	(82,891)	(73,354)
Selling and distribution expenses	19	(63,436)	(58,761)
Operating income		648,029	561,991
Other income		33,234	31,573
Finance charges		(6,809)	(5,350)
Income before Zakat		674,454	588,214
Provision for Zakat	13	(21,191)	(18,390)
NET INCOME FOR THE YEAR		653,263	569,824
Earnings per share from:	20		
Operating income (Saudi Riyal) - restated		7.20	6.24
Net income (Saudi Riyal) - restated		7.26	6.33

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

JARIR MARKETING CO.
(SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	2013 SR'000	2012 SR'000
OPERATING ACTIVITIES		
Income before zakat	674,454	588,214
Adjustments for:		
Depreciation	20,953	21,618
(Reversal) / provision for doubtful debts – net	(17,496)	19,675
Provision for slow moving inventories	6,644	33,206
Gain on sale of property and equipment	(6,809)	(249)
Employees' incentive program	10,342	3,366
Provision for end of service indemnities	11,824	9,289
Changes in operating assets and liabilities:		
Accounts receivable	18,363	(33,976)
Inventories	(52,216)	(158,269)
Prepaid expenses and other assets	(21,239)	932
Accounts payable	(41,361)	105,269
Accrued expenses and other liabilities	6,527	2,610
Deferred revenues	1,888	883
Cash generated from operations	611,874	592,568
Zakat paid	(17,734)	(14,575)
End-of-service indemnities paid	(2,743)	(2,345)
Employees' incentive program paid	-	(23,147)
Net cash from operating activities	591,397	552,501
INVESTING ACTIVITIES		
Additions to property and equipment	(218,347)	(93,402)
Proceeds from sale of property and equipment	75,806	272
Net cash used in investing activities	(142,541)	(93,130)
FINANCING ACTIVITIES		
Due to banks	(251)	94
Long-term loans	33,333	41,667
Dividends paid	(507,000)	(450,000)
Net cash used in financing activities	(473,918)	(408,239)
Net change in cash and bank balances	(25,062)	51,132
Cash and bank balances, beginning of the year	110,904	59,772
CASH AND BANK BALANCES, END OF THE YEAR	85,842	110,904
NON-CASH TRANSACTION:		
Adjustment to additions to 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 accompanying notes form an integral part of these consolidated financial statements.

JARIR MARKETING CO.
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2013

	Notes	Capital SR'000	Statutory reserve SR'000	Retained earnings SR'000	Total SR'000
Balance at January 1, 2012		600,000	51,299	255,276	906,575
Net income for the year		-	-	569,824	569,824
Transfer to statutory reserve	17	-	56,982	(56,982)	-
Dividends paid	21	-	-	(450,000)	(450,000)
Balance at December 31, 2012		600,000	108,281	318,118	1,026,399
Increase in capital	1	300,000	(108,281)	(191,719)	-
Net income for the year		-	-	653,263	653,263
Transfer to statutory reserve	17	-	65,326	(65,326)	-
Dividends paid	21	-	-	(507,000)	(507,000)
Balance at December 31, 2013		900,000	65,326	207,336	1,172,662

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

JARIR MARKETING CO.
(SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

1. FORMATION AND ACTIVITIES

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

The Company's registered office is based in Riyadh. As at December 31, 2013, the Company had 37 showrooms (2012: 37 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's toys, books, educational aids, office furniture, engineering equipment, computer and computer systems, maintenance of computers, sports and scout equipment and paper. It also include purchase of residential and commercial buildings and the acquisition of land to construct buildings for sale or lease for the interest of the Company.

On Muharram 24, 1435H (corresponding to November 27, 2013) the shareholders resolved to increase the share capital of the Company from SR 600 million to SR 900 million by granting one share for each two shares, by transferring from statutory reserve SR 108 million and SR 192 million from retained earnings, following this increase the Company's capital became SR 900 million divided into 90 million shares of SR 10 each. The legal procedures relating to increase in share capital has been completed by end of December 31, 2013.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

2. BASIS OF CONSOLIDATION

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in compliance with the accounting standards issued by the Saudi Organization for Certified Public Accountants. The following is a summary of significant accounting policies applied by the Company:

Accounting convention

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

Use of estimates

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

Accounts receivable

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

Inventories

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

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 consolidated statement of changes in shareholders' equity. Any other than temporary decline in investment value will be charged to the consolidated statement of income. Investment income is recognized when declared.

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

b) Investment property

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

Property and equipment

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

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

Accounts payable and accrued expenses

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

Provisions

a) Provision for end-of-service indemnities

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

b) Other provision

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

Revenue

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

Cost of sales

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

Impairment and un-collectability of financial assets

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

- a) For assets carried at fair value, impairment is the difference between the cost and fair value, less any impairment loss previously recognized in the consolidated statement of income.
- b) For assets carried at cost, impairment is the difference between the cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.
- c) For assets carried at amortized cost, impairment is based on estimated cash flows that are discounted at the original effective special commission rate.

Lease

Assets held under capital leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a capital lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation using the effective interest rate method. Finance expenses are recognized immediately in consolidated statement of income, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the lease term.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

Employees' incentive program

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

Zakat

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

Foreign currency translation

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

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

Offsetting financial instruments

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

Segment reporting

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

Expenses

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

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

4. ACCOUNTS RECEIVABLE, NET

	2013 SR'000	2012 SR'000
Trade receivables	149,833	144,745
Advances to suppliers	88,084	102,725
Claims on vendors	43,477	61,694
Employees receivable	24,808	17,896
Others	11,163	8,668
	<u>317,365</u>	<u>335,728</u>
Less: Provision for doubtful debts	(60,437)	(77,933)
	<u>256,928</u>	<u>257,795</u>

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

	2013 SR'000	2012 SR'000
January 1	77,933	58,258
Provision for the year	804	20,264
Write-off during the year	(142)	(373)
Reversal of the provision	(18,158)	(216)
December 31	<u>60,437</u>	<u>77,933</u>

5. INVENTORIES, NET

	2013 SR'000	2012 SR'000
Computers and related supplies and programs	297,783	298,194
Gifts and digital systems	215,905	168,159
Office supplies	120,011	135,372
School supplies	99,824	87,901
Books	71,398	67,603
Video games	43,969	33,008
Engineering and technical supplies	20,675	19,662
Goods in transit	5,643	6,659
Others	9,862	16,296
	<u>885,070</u>	<u>832,854</u>
Less: Provision for slow moving inventories	(113,580)	(106,936)
	<u>771,490</u>	<u>725,918</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

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

	2013 SR'000	2012 SR'000
January 1	106,936	73,730
Provision for the year	6,644	33,206
December 31	<u>113,580</u>	<u>106,936</u>

6. PREPAID EXPENSES AND OTHER ASSETS

	2013 SR'000	2012 SR'000
Prepaid rent	47,091	31,213
Prepaid employees' benefits	7,728	4,315
Other	4,422	2,474
	<u>59,241</u>	<u>38,002</u>

7. INVESTMENT PROPERTY

	2013 SR'000	2012 SR'000
Cost:		
At the beginning and end of the year	<u>8,929</u>	<u>8,929</u>
Depreciation:		
At the beginning of the year	2,586	2,265
Charge for the year	910	321
At the end of the year	<u>3,496</u>	<u>2,586</u>
Net book value as at December 31	<u>5,433</u>	<u>6,343</u>

8. AVAILABLE FOR SALE INVESTMENT

Available for sale Investment represents a subscription of 1.26% of share capital in a Saudi Closed Joint Stock Company namely Kinan International Real Estate Development Company. As at December 31, 2013 the Group's share amounting to SR 27,951 thousand (2012: SR 27,951 thousand) comprise of a subscription in capital amounting to SR 21,402 thousand and a share premium amounting to SR 6,549 thousand.

JARIR MARKETING CO.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

9. PROPERTY AND EQUIPMENT, NET

Cost	Lands	Buildings	Machinery and equipment	Furniture and fixtures	Motor vehicles	Computer hardware and software improvements	Leasehold improvements	Construction and other work in progress	Capital lease obligation	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Beginning of the year	518,397	254,087	7,883	78,124	16,851	26,741	33,365	70,984	-	1,006,432
Additions	131,029	2,054	266	5,733	1,183	2,499	-	75,352	13,860	231,976
Disposals	(14,859)	(27,600)	(13)	(352)	(198)	(322)	-	(911)	-	(44,255)
Transfers	-	48,899	1,271	8,044	-	1,195	165	(59,574)	-	-
End of the year	634,567	277,440	9,407	91,549	17,836	30,113	33,530	85,851	13,860	1,194,153
Depreciation										
Beginning of the year	-	70,521	6,999	56,172	12,432	22,095	24,077	-	-	192,296
Charge for the year	-	7,970	511	5,331	1,828	1,675	2,497	-	231	20,043
Disposals	-	(11,360)	(13)	(332)	(198)	(321)	-	-	-	(12,224)
End of the year	-	67,131	7,497	61,171	14,062	23,449	26,574	-	231	200,115

Net book amounts

	2013	2012
	SR'000	SR'000
At December 31, 2013	634,567	210,309
At December 31, 2012	518,397	183,566

9.1 As at December 31, 2013, property and equipment include lands and buildings amounting to SR 140 million which are registered under the name of related parties and others and the beneficial ownership has been transferred to the Company.

9.2 Depreciation charge for the year is allocated as follows:

	2013	2012
	SR'000	SR'000
Cost of sales	17,036	18,682
General and administration expenses (note 18)	2,790	2,464
Selling and distribution expenses (note 19)	217	151
	20,043	21,297

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

10. DUE TO BANKS

As of December 31, 2013, the Company had bank facilities amounting to SR 608 million (2012: SR 550 million) in the form of Tawarug Loans, Murabaha liquidity finance, over draft, documentary credit and bank guarantees from local commercial banks, of which Nil (2012: SR 251,000) was utilized. These facilities are secured by promissory notes.

Funding facilities carry commission rates calculated at variable profit rates.

11. ACCOUNTS PAYABLE

	2013 SR'000	2012 SR'000
Trade payables	465,415	512,677
Advances from customers	22,591	16,318
Employees	5,331	5,752
Other	34,091	34,042
	<u>527,428</u>	<u>568,789</u>

12. DEFERRED REVENUES

	2013 SR'000	2012 SR'000
Gain on sale and leaseback 12.1	36,966	-
Rental income 12.2	12,355	10,467
	<u>49,321</u>	<u>10,467</u>
Less: current portion	<u>(19,128)</u>	<u>(10,467)</u>
	<u>30,193</u>	<u>-</u>

12.1 The gain on sale and leaseback represents the sale of land and building at net book value of SR 31 million for a proceed of SR 71 million resulting in a gain of SR 40 million. This gain is amortized over the lease term. As at December 31, 2013, SR 3.4 million has been amortized and charged to statement of income.

12.2 Rental income represents amounts received from rental activity but not earned as at December 31, 2013 (and 2012 which has been earned during 2013). Such amounts will be recognised as revenue in the subsequent period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

13. PROVISION FOR ZAKAT

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

Charge for the year

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

The current year provision is based on the following:

	2013 SR'000	2012 SR'000
Opening equity	1,026,399	906,575
Dividends paid during the year limited to the opening balance of retained earnings	(318,118)	(255,276)
Opening provisions and other adjustments	202,316	174,134
Non-current assets	(1,021,989)	(842,087)
Loans	216,667	91,667
Employees' incentive program	10,619	7,253
	<u>115,894</u>	<u>82,266</u>
Adjusted net income for the year	689,477	653,501
Zakat base	<u>805,371</u>	<u>735,767</u>

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

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

	2013 SR'000	2012 SR'000
Beginning of the year	23,419	19,604
Provided during the year	21,191	18,390
Payments during the year	(17,734)	(14,575)
End of the year	<u>26,876</u>	<u>23,419</u>

Status of assessments

The Company has finalized its zakat assessments up to the year ended December 31, 2010. The zakat returns for the years ended December 31, 2011 and 2012 are still under review of the Department of Zakat and Income Tax.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

14. LONG – TERM LOANS

	2013	2012
	SR'000	SR'000
Balance at January 1	216,667	175,000
Addition during the year	50,000	125,000
Payment during the year	(16,667)	(83,333)
Balance at December 31	250,000	216,667
Less: Current portion of long-term loan	125,000	16,667
	125,000	200,000

- (i) During 2011, the Company has obtained Tawaruq long-term loan amounting to SR 75,000,000 from a local commercial bank. The Company obtained additional amount of SR 25 million and SR 50 million under the same facility on 2012 and 2013, respectively. The loan is repayable in six equal quarterly installments of SR 25 million each commencing on March 25, 2014 and the last installment is due for payment on June 25, 2016. The loan is secured against promissory note and carried agreed commission rate with the Bank.
- (ii) During 2012, the Company has obtained Tawaruq long-term loan amounting to SR 100,000,000 from a local commercial bank. The loan is repayable in four equal semi-annual installments of SR 25 million each commencing on August 1, 2014 and the last installment is due for payment on February 1, 2016. The loan is secured against promissory note and carried agreed commission rate with the Bank.

15. END-OF-SERVICE INDEMNITIES

	2013	2012
	SR'000	SR'000
January 1	46,995	40,051
Provision for the year	11,824	9,289
Payments during the year	(2,743)	(2,345)
December 31	56,076	46,995

16. RELATED PARTY TRANSACTIONS

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

Related party	Nature of transaction	2013	2012
		SR'000	SR'000
Board of directors	Salaries, benefits and remunerations	20,619	16,026
Shareholders and parties related to the board of directors	Supporting services	67,649	50,938
Associate	Rent charges	7,108	7,108

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

17. STATUTORY RESERVE

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

18. GENERAL AND ADMINISTRATIVE EXPENSES

	2013 SR'000	2012 SR'000
Salaries and related costs	67,338	56,819
Depreciation (note 9)	2,790	2,464
Maintenance	2,366	2,629
Professional fees	1,510	2,208
Utilities	1,298	1,319
Provision for doubtful debts	885	45
Rent	495	630
Others	6,209	7,240
	<u>82,891</u>	<u>73,354</u>

19. SELLING AND DISTRIBUTION EXPENSES

	2013 SR'000	2012 SR'000
Salaries and related costs	28,248	27,759
Advertising	34,063	29,295
Depreciation (note 9)	217	151
Others	908	1,556
	<u>63,436</u>	<u>58,761</u>

20. EARNINGS PER SHARE

Earnings per share is computed by dividing each of the operating income and the net income for the year by the weighted average number of shares outstanding at the end of the year which is 90 million shares for 2013 and 2012. The weighted average number of shares in 2012 was 60 million shares adjusted to 90 million shares during the year for the purpose of the calculation of earnings per share of comparative financial statements, due to the fact that on Muharram 24, 1435 H (corresponding to November 27, 2013) the shareholders resolved to increase the share capital of the Company from 60 million shares to 90 million shares of SR 10 each by granting one bonus share for each two shares by transferring from statutory reserve and retained earnings.

21. DIVIDENDS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

Based on the 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 cash dividends amounting to SR 111 million, SR 144 million, SR 102 million and SR 150 million, respectively, which were paid to the shareholders during the year ended December 31, 2013.

22. SEGMENTAL INFORMATION

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

The group has two major operating segments namely, wholesale and retail. The segmental information for the year ended December 31, 2013 and 2012 are as follows:

A) Business segment

	Retail	Wholesale	Total
	SR million		
December 31, 2013			
Total assets	1,943	258	2,201
Sales	4,829	414	5,243
Net income	602	51	653
December 31, 2012			
Total assets	1,672	309	1,981
Sales	4,205	429	4,634
Net income	510	60	570

The Group's activity in different geographic areas for the year ended December 31, 2013 and 2012 is as follows:

B) Geographical Segment

	Kingdom of Saudi Arabia	Gulf Countries and Egypt	Total
	SR million		
December 31, 2013			
Sales	4,863	380	5,243
Net income	586	67	653
December 31, 2012			
Sales	4,287	347	4,634
Net income	506	64	570

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

23. COMMITMENTS AND CONTINGENCIES

The commitments and contingencies are as follows:

	December 31, 2013	December 31, 2012
	SR million	SR million
Letters of credit	15.5	59.2
Letters of guarantee	56.0	9.1

24. OPERATING LEASES

Leases as Lessor

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

Year	2013	2012
	SR'000	SR'000
2013	-	34,539
2014	34,554	25,284
2015	22,239	17,454
2016	14,080	10,751
2017	9,441	6,996
2018	5,794	-
	86,108	95,024

Leases as Lessee

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

Year	2013	2012
	SR'000	SR'000
2013	-	44,336
2014	51,583	44,999
2015	48,200	45,194
2016	48,151	45,370
2017	46,622	45,555
2018	31,568	-
	226,124	225,454

Rent expenses on operating leases for the year amounted to SR 48 million (2012: SR 40 million) and recognized in the consolidated statement of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

25. RISK MANAGEMENT

Commission rate risk

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

Credit risk

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

Liquidity risk

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

Currency risk

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

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. Financial instruments comprise financial assets financial liabilities.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

27. APPROPRIATION OF NET INCOME

The General Assembly, in its annual meeting held on March 12, 2013 approved the appropriation of the net income for the year ended December 31, 2012 as follows:

- distribution of cash dividends of SR 465 million of which SR 354 million was paid during 2012.
- transfer 10% of net income to statutory reserve.
- payment of SR 1,350,000 as Board of Directors' remuneration.

During 2013, the Board of Directors resolved to distribute three quarterly cash dividends amounting to SR 144 million, SR 102 million and SR 150 million for the first three quarters of 2013, respectively. In its meeting held on Rabi Al Thani 4, 1435H (corresponding to February 4, 2014) the Board of Directors proposed cash dividends amounting to SR126 million for the fourth quarter.

28. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The board of directors, in its meeting held Rabi Al Thani 4, 1435H (corresponding to February 4, 2014), has approved these consolidated financial statements.