JARIR MARKETING COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
AND INDEPENDENT AUDITORS' REPORT

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FOR THE YEAR ENDED DECEMBER 31, 2015

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INDEPENDENT AUDITORS' REPORT

February 3, 2016

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, 2015 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, 2015 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.

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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**	**2015**	**2014**
Current assets			
Cash and cash equivalents	3	**109,622**	128,031
Accounts receivable	4	**152,738**	140,619
Inventories	5	**792,591**	817,120
Prepayments and other assets	6	**163,849**	196,631
Total current assets		**1,218,800**	1,282,401
Non-current assets			
Available for sale investment	7	**27,951**	27,951
Investment properties	8	**33,041**	34,777
Property and equipment	9	**1,131,200**	1,018,597
Total non-current assets		**1,192,192**	1,081,325
Total assets		**2,410,992**	2,363,726
Liabilities			
Current liabilities			
Current portion of bank borrowings and term loans	10	**25,000**	100,000
Liabilities against capital leases		**462**	462
Accounts payable	11	**583,631**	612,640
Accrued expenses and other liabilities	12	**112,431**	85,619
Employees' incentive program		**2,256**	1,178
Deferred revenues	13	**22,341**	20,808
Zakat payable	14	**30,166**	25,483
Total current liabilities		**776,287**	846,190
Non-current liabilities			
Bank borrowings and term loans	10	**-**	25,000
Liabilities against capital leases		**12,243**	12,705
Employees' termination benefits	15	**71,317**	63,226
Employees' incentive program		**31,164**	33,246
Deferred revenues	13	**16,384**	23,333
Total non-current liabilities		**131,108**	157,510
Total liabilities		**907,395**	1,003,700
Shareholders' equity			
Share capital	17	**900,000**	900,000
Statutory reserve	18	**222,709**	139,862
Retained earnings		**380,888**	320,164
Total shareholders' equity		**1,503,597**	1,360,026
Total liabilities and shareholders' equity		**2,410,992**	2,363,726
Commitments and contingencies	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, 2015	2014
Sales		**6,375,378**	5,698,723
Cost of sales		**(5,403,347)**	(4,812,246)
Gross profit		**972,031**	886,477
Operating expenses			
General and administrative	16,19	**(87,169)**	(89,187)
Selling and marketing	20	**(76,162)**	(70,476)
Income from operations		**808,700**	726,814
Other income (expenses)			
Other income	16	**45,519**	43,531
Financial charges		**(2,267)**	(4,835)
Income before zakat		**851,952**	765,510
Zakat	14	**(23,481)**	(20,146)
Net income for the year		**828,471**	745,364
Earnings per share (Saudi Riyals):			
• Income from operations	21	**8.99**	8.08
• Non-operating income	21	**0.48**	0.43
• Net income for the year	21	**9.21**	8.28

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, 2015	2014
Cash flow from operating activities			
Net income for the year		**828,471**	745,364
Adjustments for non-cash items			
Depreciation	8,9	**32,520**	30,901
Reversal of provision for doubtful debts, net		**(1,985)**	(190)
(Reversal of) provision for slow moving inventories	5	**(67)**	3,328
Amortization of deferred revenue		**(6,860)**	(6,772)
Loss (gain) on sale of property and equipment		**63**	(1,248)
Provision for employees' incentive program		**-**	13,463
Provision for zakat	14	**23,481**	20,146
Provision for employees' termination benefits	15	**12,150**	10,771
Changes in working capital			
Accounts receivable		**(10,134)**	(3,859)
Inventories		**24,596**	(48,958)
Prepayments and other current assets		**32,782**	(17,032)
Accounts payable		**(29,009)**	85,212
Accrued expenses and other current liabilities		**26,812**	1,649
Deferred revenues		**982**	1,130
Employees' incentive program paid		**(1,004)**	-
Zakat paid	14	**(18,798)**	(21,539)
Employees' termination benefits paid	15	**(4,059)**	(3,621)
Net cash generated from operating activities		**909,941**	808,745
Cash flow from investing activities			
Additions to investment properties	8	**(572)**	(2,162)
Additions to property and equipment	9	**(142,883)**	(82,654)
Proceeds from sale of property and equipment		**5**	1,260
Net cash utilized in investing activities		**(143,450)**	(83,556)
Cash flow from financing activities			
Repayments of bank borrowings and term loans	10	**(100,000)**	(125,000)
Dividends paid	22	**(684,900)**	(558,000)
Net cash utilized in financing activities		**(784,900)**	(683,000)
Net change in cash and cash equivalents		**(18,409)**	42,189
Cash and cash equivalents at beginning of year		**128,031**	85,842
Cash and cash equivalents at end of year	3	**109,622**	128,031

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, 2015		900,000	139,862	320,164	**1,360,026**
Net income for the year		-	-	828,471	**828,471**
Transfer to statutory reserve	18	-	82,847	(82,847)	-
Dividends	22	-	-	(684,900)	**(684,900)**
December 31, 2015		**900,000**	**222,709**	**380,888**	**1,503,597**
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

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, 2015, the Company had 44 showrooms (2014:40 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.

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,	
		2015	2014
		%	%
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 3, 2016.

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, if determinable, 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 slow moving inventories

Provision for slow moving inventories 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 slow moving inventories. 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 slow moving inventories would increase the Company's recorded expenses and decrease current assets.

(c) Estimated useful life of property and equipment

Management assesses useful lives and residual value of property and equipment on intended use of assets and the economic lives of the assets. Subsequent changes in circumstances such as technological advances could result in the actual useful lives or residual values differing from the initial estimates. Management has reviewed the residual value and useful lives of major property and equipment and determined that no adjustment is necessary.

2.3 Cash and cash equivalents

Cash and cash equivalents include cash in hand and with banks and other short-term highly liquid investments, if any, 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.

(All amounts in Saudi Riyals thousands unless otherwise stated)

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.

As at December 31, 2015 and 2014, available for sale investment represent investment in a Saudi entity.

b) Investment properties

Properties held to earn rentals or for capital appreciation or both, which are not occupied by the Group are classified as investment properties. Investment properties are recorded at historical cost, net of accumulated depreciation and impairment loses, if any except land and capital work in progress which are recorded at costs and other directly attributable costs. When ready for use, capital work in progress is transferred to investment property. Historical costs include 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 of 25 - 33 years.

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 costs and other directly attributable costs. When ready for use, capital work in progress is transferred to the appropriate property and equipment category as applicable. Depreciation on property and equipment, other than land and capital work in progress, 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 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

a) Tangible and intangible assets

Non-current assets other than goodwill, if any, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill, if any, is tested for impairment annually. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-current assets other than goodwill, if any, that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the consolidated statement of income. Impairment losses on goodwill, if any, are not reversible.

b) 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. For available for sale investments, impairment is the difference between the carrying amount and fair value, less any impairment loss previously recognized in the consolidated statement of income. Impairment losses recognized on equity investments classified as available for sale are not reversible.

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 consolidated statement of income.

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 and tax

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.

The Company withholds taxes with non-residents as required under Saudi Arabian Income Tax Law.

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.

Deferred revenue on rental income received in advance is recognized in the consolidated statement of income over the period of lease term.

Gains on sale and lease back assets are deferred and recognized in proportion to the amortization of the leased property except for land in which case any related deferred gains are amortized using the straight-line method over the lease term for capital lease. However, in case the lease is classified as operating lease such deferred gains are amortized using the ratio of related periodic rental charges to total lease payments during the lease term.

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 which includes the costs of goods sold, 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 related 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.

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 statement of 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

The consolidated financial statements are presented in Saudi Riyals, which is the Company's functional and Group's presentation currency. Each subsidiary in the Group determines its own functional currency, and as a result, items included in the financial statements of each subsidiary are measured using that functional currency.

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.

(All amounts in Saudi Riyals thousands unless otherwise stated)

2.20 Segment reporting

(a) Operating segment

An operating 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

	2015	2014
Cash at bank	105,599	124,277
Cash in hand	4,023	3,754
	109,622	128,031

4. Accounts receivable

	2015	2014
Trade	163,599	153,536
Less: provision for doubtful debts	(10,861)	(12,917)
	152,738	140,619

Movement in provision for doubtful debts is as follows:

	2015	2014
January 1	12,917	13,263
Additions	47	24
Write-offs	(71)	(156)
Reversals	(2,032)	(214)
December 31	10,861	12,917

5. Inventories

	2015	2014
Computers and related supplies and programs	275,115	334,386
Gifts and digital systems	238,978	196,903
Office supplies	135,074	138,856
School supplies	80,486	78,397
Books	77,085	77,370
Video games	67,575	70,288
Engineering and technical supplies	23,654	21,875
Goods in transit	3,708	6,049
Others	7,757	9,904
	909,432	934,028
Less: provision for slow moving inventories	(116,841)	(116,908)
	792,591	817,120

(All amounts in Saudi Riyals thousands unless otherwise stated)

Movement in provision for slow moving inventories is as follows:

	2015	2014
January 1	**116,908**	113,580
(Reversals) / Additions	**(67)**	3,328
December 31	**116,841**	116,908

6. Prepayments and other current assets

	2015	2014
Prepaid rentals	**60,688**	54,086
Advances to suppliers	**43,569**	87,886
Employees receivable	**24,953**	27,555
Less: Provision for doubtful employee receivables	**(2,393)**	(2,262)
	22,560	25,293
Prepaid employees' benefits	**21,331**	15,187
Claims on vendors	**3,540**	3,206
Other	**16,187**	14,068
Less: Provision for doubtful other assets	**(4,026)**	(3,095)
	12,161	10,973
	163,849	196,631

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 properties

	January 1, 2015	Additions	Transfers	December 31, 2015
Cost				
Buildings	8,929	572	12,162	**21,663**
Construction and other work in progress	29,822	-	(12,162)	**17,660**
	38,751	572	-	**39,323**
Accumulated depreciation				
Buildings	(3,974)	(2,308)	-	**(6,282)**
	34,777			**33,041**

	January 1, 2014	Additions	Transfers	December 31, 2014
Cost				
Buildings	8,929	-	-	8,929
Construction and other work in progress	27,660	2,162	-	29,822
	36,589	2,162	-	38,751
Accumulated depreciation				
Buildings	(3,496)	(478)	-	(3,974)
	33,093			34,777

(All amounts in Saudi Riyals thousands unless otherwise stated)

9. Property and equipment

	January 1, 2015	Additions	Disposals	Transfers	December 31, 2015
Cost					
Land	634,579	452	-	41,039	**676,070**
Buildings	301,590	7,965	-	68,998	**378,553**
Machinery and equipment	10,538	104	(600)	4	**10,046**
Furniture and fixtures	100,475	6,614	(2,905)	4,377	**108,561**
Motor vehicles	17,362	177	-	869	**18,408**
Computer hardware	33,491	2,110	(272)	4,898	**40,227**
Leasehold improvements	54,572	5,209	-	6,979	**66,760**
Construction and other work in progress (see note 16)	80,010	120,252	-	(127,164)	**73,098**
Capital lease obligation	13,860	-	-	-	**13,860**
	1,246,477	**142,883**	**(3,777)**	**-**	**1,385,583**
Accumulated depreciation					
Buildings	(76,226)	(9,218)	-	-	**(85,444)**
Machinery and equipment	(8,074)	(680)	600	-	**(8,154)**
Furniture and fixtures	(66,804)	(6,072)	2,856	-	**(70,020)**
Motor vehicles	(13,611)	(1,931)	-	-	**(15,542)**
Computer hardware	(25,818)	(3,022)	253	-	**(28,587)**
Leasehold improvements	(36,654)	(8,827)	-	-	**(45,481)**
Capital lease obligation	(693)	(462)	-	-	**(1,155)**
	(227,880)	**(30,212)**	**3,709**	**-**	**(254,383)**
	1,018,597				**1,131,200**

	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	30,113	2,495	(54)	937	33,491
Leasehold improvements	33,530	3,630	-	17,412	54,572
Construction and other work in progress (see note 16)	58,191	45,626	-	(23,807)	80,010
Capital lease obligation	13,860	-	-	-	13,860
	1,166,493	82,654	(2,670)	-	1,246,477
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	(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)
	966,378				1,018,597

As at December 31, 2015, property and equipment include lands amounting to Saudi Riyals 74.1 million (2014: Saudi Riyals 91.8 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:

		2015	2014
Cost of sales		28,769	27,205
General and administrative expenses	19	1,220	2,986
Selling and marketing expenses	20	223	232
		30,212	30,423

10. Bank borrowings and term loans

	2015	2014
January 1	125,000	250,000
Payments	(100,000)	(125,000)
December 31	25,000	125,000
Less: Current maturity shown under current liabilities	(25,000)	(100,000)
	-	25,000

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 was due for payment on January 30, 2016. The loan is secured against a 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:

	2015	2014
2015	-	100,000
2016	25,000	25,000
	25,000	125,000

11. Accounts payable

	2015	2014
Trade payables	500,504	546,022
Advances from customers	35,085	27,563
Employees	6,974	6,776
Other	41,068	32,279
	583,631	612,640

12. Accrued expenses and other current liabilities

	2015	2014
Accrued bonus and commission	52,093	52,133
Accrued salaries, wages and benefits	26,960	23,072
Accrued warranty charges	15,040	1,079
Accrued promotion and brokerage expenses	10,989	4,303
Other	7,349	5,032
	112,431	85,619

(All amounts in Saudi Riyals thousands unless otherwise stated)

13. Deferred revenues

	Notes	2015	2014
Gain on sale and lease back	13.1	**23,333**	30,193
Rental income	13.2	**15,392**	13,948
		38,725	44,141
Current maturity shown under current liabilities		**(22,341)**	(20,808)
		16,384	23,333

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 being amortized over the lease term. During 2015, Saudi Riyals 6.9 million (2014: Saudi Riyals 6.7 million) was 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, 2015 and 2014. 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	2015	2014
Components of zakat base			
Shareholders' equity at beginning of year		**1,360,026**	1,172,662
Provisions at beginning of year		**252,875**	240,051
Long-term borrowings		**25,000**	125,000
Adjusted net income for the year	14.2	**861,331**	790,874
Property and equipment, as adjusted		**(1,079,456)**	(996,610)
Zakat provision		**6,726**	-
Capital lease obligation		**12,705**	13,167
Dividends paid		**(684,900)**	(558,000)
Available for sale investment		**(27,951)**	(27,951)
Investment in subsidiaries		**(101,802)**	(85,897)
Approximate zakat base		**624,554**	673,296

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

	2015	2014
Income before zakat - standalone	**851,884**	765,483
Adjustments:		
Provisions during the year	**9,411**	25,364
Others	**36**	27
Adjusted net income for year	**861,331**	790,874

(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:

	2015	2014
January 1	25,483	26,876
Provisions	23,481	20,146
Payments	(18,798)	(21,539)
December 31	30,166	25,483

14.4 Status of final assessments

The DZIT has finalized the assessments for the years till 2010. Zakat returns for the years ended December 31, 2011, 2012, 2013 and 2014 are still under review by the DZIT.

15. Employees' termination benefits

	2015	2014
January 1	63,226	56,076
Provisions	12,150	10,771
Payments	(4,059)	(3,621)
December 31	71,317	63,226

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:

		2015	2014
Board of directors	Salaries, wages and benefits	24,073	21,375
Shareholders and parties related to the board of directors	Supporting services	84,145	50,768
Affiliates	Other income	7,332	7,183

16.2 Related parties balance

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

(i) Payable to related parties

		2015	2014
Shareholders and parties related to the board of directors	Supporting services	9	1,980

17. Share capital

The share capital of the Company as of December 31, 2015 comprises of 90 million shares stated at Saudi Riyals 10 per share.

(All amounts in Saudi Riyals thousands unless otherwise stated)

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	2015	2014
Salaries, wages and benefits		**69,964**	72,250
Maintenance		**2,479**	2,321
Utilities		**2,065**	1,952
Membership and subscription		**2,129**	1,798
Professional services		**1,897**	1,606
Depreciation	9	**1,220**	2,986
Rentals		**749**	484
Other		**6,666**	5,790
		87,169	89,187

20. Selling and marketing expenses

	Note	2015	2014
Advertising		**46,230**	37,163
Salaries, wages and benefits		**28,479**	30,076
Depreciation	9	**223**	232
Other		**1,230**	3,005
		76,162	70,476

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, 2015 and 2014 by 90 million shares.

22. Dividends

Based on a pre-approval of the General Assembly, the Board of Directors, in their meeting held on February 4, 2015, April 16, 2015, July 14, 2015 and October 18, 2015 resolved to distribute interim cash dividends amounting to Saudi Riyals 166.5 million, Saudi Riyals 202.5 million, Saudi Riyals 131.4 million, and Saudi Riyals 184.5 million, respectively, which were paid to the shareholders during the year ended December 31, 2015.

Based on a pre-approval of the General Assembly, the Board of Directors, in their meeting 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.

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
	(Saudi Riyals in millions)		
2015			
Sales	**5,892**	**483**	**6,375**
Net income	**758**	**70**	**828**
Financial charges	**2**	**-**	**2**
Depreciation	**31**	**2**	**33**
Property and equipment	**1,118**	**13**	**1,131**
Total assets	**2,155**	**256**	**2,411**
Total liabilities	**833**	**74**	**907**
2014			
Sales	5,243	456	5,699
Net income	684	61	745
Financial charges	5	-	5
Depreciation	29	2	31
Property and equipment	1,004	15	1,019
Total assets	2,105	259	2,364
Total liabilities	909	95	1,004

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
	(Saudi Riyals in millions)		
2015			
Sales	**5,911**	**464**	**6,375**
Net income	**764**	**64**	**828**
Financial charges	**2**	**-**	**2**
Depreciation	**27**	**6**	**33**
Property and equipment	**1,062**	**69**	**1,131**
Total assets	**2,160**	**251**	**2,411**
Total liabilities	**752**	**155**	**907**
2014			
Sales	5,249	450	5,699
Net income	684	61	745
Financial charges	5	-	5
Depreciation	28	3	31
Property and equipment	967	52	1,019
Total assets	2,121	243	2,364
Total liabilities	859	145	1,004

24. Commitments and contingencies

	2015	2014
	Saudi Riyals in millions	
Letters of credit	**107.38**	122.9
Letters of guarantee	**8.50**	8.50

Operating leases commitments are disclosed in note 25.

(All amounts in Saudi Riyals thousands unless otherwise stated)

25. Operating leases

The Group has various operating leases for its offices, warehouses and production facilities. Rental expenses for the year ended December 31, 2015 amounted to Saudi Riyals 74.0 million (2014: Saudi Riyals 70.4 million). Future rental commitments at December 31, under these operating leases are as follows:

Years ending December 31:	2015	2014
2015	-	68,324
2016	**90,730**	68,400
2017	**96,185**	67,709
2018	**92,374**	47,324
2019	**91,251**	36,769
2020	**85,846**	-
	456,386	288,526

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:	2015	2014
2015	-	35,900
2016	**42,960**	24,698
2017	**32,087**	17,450
2018	**18,049**	8,352
2019	**10,037**	5,260
2020	**5,741**	-
	108,874	91,660

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. The Group's management monitors such exposures on regular basis. The Group had no significant exposure to currency risks as of December 31, 2015 and 2014.

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. The Group had no significant exposure to fair value and cash flow interest rate risks as of December 31, 2015 and 2014 as it does not carry any significant interest bearing assets or liabilities.

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 2014 consolidated financial statements to conform with the current year presentation.