JARIR MARKETING COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT FOR THE YEAR ENDED DECEMBER 31, 2011

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Deloitte.

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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") as of December 31, 2011, 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 auditing standards generally accepted 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 referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2011, and the consolidated results of its operations and its cash flows for the year then ended in conformity with accounting standards generally accepted 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.

Bakr A. Abulkhair
License No. 101

Rabie Awal 15, 1433H
February 7, 2012

JARIR MARKETING CO.
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2011

	Notes	2011 SR'000	2010 SR'000
ASSETS			
Current assets			
Cash and cash equivalent		**59,772**	52,282
Accounts receivable, net	4	**243,494**	211,848
Inventories, net	5	**600,855**	543,049
Prepaid expenses and other assets		**38,934**	35,671
Total current assets		**943,055**	842,850
Non-current assets			
Investment property	6	**6,664**	7,633
Available for sale investment	7	**27,951**	27,951
Property and equipment, net	8	**742,054**	555,018
Total non-current assets		**776,669**	590,602
TOTAL ASSETS		**1,719,724**	1,433,452
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Due to banks	10	**157**	50,111
Current portion of long-term loans	14	**66,667**	-
Accounts payable	11	**463,520**	350,904
Employees' incentive program – current portion		**29,466**	22,617
Deferred revenues	12	**9,584**	8,035
Accrued expenses and other liabilities		**74,833**	54,846
Provision for zakat	13	**19,604**	14,569
Total current liabilities		**663,831**	501,082
Non-current liabilities			
Long-term loans	14	**108,333**	100,000
Provision for end-of-service indemnities	15	**40,051**	34,270
Employees' incentive program		**934**	518
Total non-current liabilities		**149,318**	134,788
Total liabilities		**813,149**	635,870
Shareholders' equity			
Capital	1	**600,000**	400,000
Statutory reserve	17	**51,299**	77,471
Retained earnings		**255,276**	320,111
Total shareholders' equity		**906,575**	797,582
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,719,724**	1,433,452

The accompanying notes 1 to 28 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, 2011

	Notes	**2011 SR'000**	2010 SR'000
Sales		**4,147,314**	3,014,565
Cost of sales		**(3,513,690)**	(2,512,987)
Gross profit		**633,624**	501,578
General and administrative expenses	18	**(67,970)**	(55,790)
Selling and distribution expenses	19	**(59,123)**	(50,107)
Operating income		**506,531**	395,681
Other income		**29,920**	28,895
Financing charges		**(6,685)**	(11,414)
Income before zakat		**529,766**	413,162
Provision for zakat	13	**(16,773)**	(12,418)
NET INCOME FOR THE YEAR		**512,993**	400,744
Earnings per share from:	20		
Operating income (Saudi Riyal)		**8.44**	6.59
Net income (Saudi Riyal)		**8.55**	6.68

The accompanying notes 1 to 28 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, 2011

	2011 SR'000	2010 SR'000
OPERATING ACTIVITIES		
Income before zakat	**529,766**	413,162
Adjustments for:		
Depreciation	**21,182**	19,678
Provision for doubtful debts	**34,386**	(4,079)
Provision for slow-moving inventories	**18,993**	-
Gain on sale of property and equipment	**(73)**	(66)
Employees' incentive program	**7,265**	4,925
Provision for end of service indemnities	**7,749**	8,282
Changes in operating assets and liabilities:		
Accounts receivable	**(66,032)**	(26,586)
Inventories	**(76,799)**	(121,625)
Prepaid expenses and other assets	**(3,263)**	1,170
Accounts payable	**112,616**	73,843
Accrued expenses and other liabilities	**19,987**	10,001
Deferred revenues	**1,549**	(2,846)
Cash generated from operations	**607,326**	375,859
Zakat paid	**(11,738)**	(10,347)
End-of-service indemnities paid	**(1,968)**	(1,041)
Net cash from operating activities	**593,620**	364,471
INVESTING ACTIVITIES		
Additions to property and equipment	**(207,336)**	(38,974)
Proceeds from sale of property and equipment	**160**	68
Net cash used in investing activities	**(207,176)**	(38,906)
FINANCING ACTIVITIES		
Due to banks	**(49,954)**	13,057
Long-term loans	**75,000**	-
Dividends paid	**(404,000)**	(326,000)
NET CASH USED IN FINANCING ACTIVITIES	**(378,954)**	(312,943)
Net change in cash and cash equivalent	**7,490**	12,622
Cash and cash equivalent, beginning of the year	**52,282**	39,660
CASH AND CASH EQUIVALENT, END OF THE YEAR	**59,772**	52,282
Non-Cash Transaction:		
Transferred to share capital from retained earnings and statutory reserve	**200,000**	-

The accompanying notes 1 to 28 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, 2011

	Note	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, 2010		400,000	37,397	13,000	272,441	722,838
Net income for the year		-	-	-	400,744	400,744
Transferred to statutory reserve	17	-	40,074	-	(40,074)	-
Transferred to retained earnings		-	-	(13,000)	13,000	-
Dividends paid	25	-	-	-	(326,000)	(326,000)
Balance at December 31, 2010		400,000	77,471	-	320,111	797,582
Transferred to capital	1	**200,000**	**(77,471)**	-	**(122,529)**	-
Net Income for the year		-	-	-	**512,993**	**512,993**
Transferred to statutory reserve	17	-	**51,299**	-	**(51,299)**	-
Dividends paid	25	-	-	-	**(404,000)**	**(404,000)**
Balance at December 31, 2011		**600,000**	**51,299**	-	**255,276**	**906,575**

The accompanying notes 1 to 28 form an integral part of these consolidated financial statements.

1. 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, 2011, the Company had 35 showrooms (2010: 33 showrooms) in the Kingdom of Saudi Arabia and the GCC, in addition to investment in property 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 includes purchase of residential and commercial buildings and the acquisition of land to construct buildings for sale or lease for the interest of the Company.

On Muharram 30, 1433H (corresponding to December 25, 2011) the shareholders resolved to increase the share capital of the company from SR 400 million to SR 600 million by granting one share for each two shares, by transferring from statutory reserve SR 77 million and SR 123 million from retained earnings, following this increase the Company's capital became SR 600 million divided into 60 million shares of SR 10 each.

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

Subsidiary	Country of registration	Direct and indirect ownership %*
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.

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 subsidiary company is 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 except for the measurement at fair value of derivative financial instruments.

Use of estimates
The preparation of the consolidated financial statements in conformity with generally accounting principles 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 and it is re-estimated based on analysis of the collectible amounts 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 is determined on the moving weighted average cost basis.

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 decline in value considered to be other than temporary is 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 Company is classified as investment property. Investment property is recorded at historical cost, net of accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset's carrying amount will flow to the Company and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance costs are charged to the consolidated statement of income during the financial period in which they are incurred. Land is not depreciated. Investment properties are depreciated on a straight line basis over their estimated useful lives.

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:

	Years
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.

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 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 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.

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

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 Company's General Assembly decided in its extraordinary meeting to transfer this reserve to retained earnings.

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 consolidated financial statements of the Company. Incentive compensation accrued under the Program is classified under current and non-current liability. The portion of the Program vesting on December 31, 2011 is shown under current liabilities. Compensation charges are expensed throughout the vesting period. The amount recognized in the 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.

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 consolidated statement of income.

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.

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 administration expenses.

4. ACCOUNTS RECEIVABLE, NET

	2011 SR'000	2010 SR'000
Trade receivables	**128,690**	124,062
Advances to suppliers	**105,676**	63,230
Claims on vendors	**42,253**	30,637
Employees receivable	**16,259**	12,944
Others	**8,874**	4,847
	301,752	235,720
Less: Provision for doubtful debts	**(58,258)**	(23,872)
	243,494	211,848

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

	2011 SR	2010 SR
January 1	**23,872**	27,951
Provision for the year	**34,764**	-
Write-off during the year	**(86)**	(92)
Reversal of the provision	**(292)**	(3,987)
December 31	**58,258**	23,872

5. INVENTORIES, NET

	2011 SR'000	2010 SR'000
Computers and related supplies and programs	**211,442**	256,194
Gifts and digital systems	**130,647**	55,393
Office supplies	**127,328**	98,718
Books	**67,671**	62,098
School supplies	**64,872**	66,120
Video games	**33,267**	23,426
Engineering and technical supplies	**18,045**	16,103
Goods in transit	**3,963**	5,357
Others	**17,350**	14,377
	674,585	597,786
Less: Provision for slow moving inventories	**(73,730)**	(54,737)
	600,855	543,049

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

	2011 SR	2010 SR
January 1	**54,737**	54,737
Provision for the year	**18,993**	-
December 31	**73,730**	54,737

6. INVESTMENT PROPERTY

	2011 SR'000	2010 SR'000
Cost:		
At the beginning and end of the year	**8,929**	8,929
Depreciation:		
At the beginning of the year	**1,296**	1,016
Charge for the year	**969**	280
At the end of the year	**2,265**	1,296
Net book value as at December 31	**6,664**	7,633

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. As at December 31, 2011 the Group's share amounting to SR 27,951 thousand (2010: 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.

8. PROPERTY AND EQUIPMENT, NET

	Land SR'000	Buildings SR'000	Machinery and equipment SR'000	Furniture and fixtures SR'000	Motor vehicles SR'000	Computer hardware and software SR'000	Leasehold improvements SR'000	Construction and other work in progress SR'000	Total SR'000
Cost									
Beginning of the year	346,664	196,717	7,449	69,446	13,157	22,759	21,711	28,844	706,747
Additions	**132,539**	**28,612**	**32**	**3,978**	**1,485**	**1,015**	**1,336**	**38,339**	**207,336**
Disposals	-	-	**(6)**	**(91)**	**(369)**	**(74)**	-	-	**(540)**
Transfers	-	-	-	**48**	-	**45**	-	**(93)**	-
End of the year	**479,203**	**225,329**	**7,475**	**73,381**	**14,273**	**23,745**	**23,047**	**67,090**	**913,543**
Depreciation									
Beginning of the year	-	55,674	5,950	47,205	9,534	19,209	14,157	-	151,729
Charge for the year	-	**6,855**	**505**	**4,507**	**1,856**	**1,428**	**5,062**	-	**20,213**
Disposals	-	-	**(6)**	**(79)**	**(297)**	**(71)**	-	-	**(453)**
End of the year	-	**62,529**	**6,449**	**51,633**	**11,093**	**20,566**	**19,219**	-	**171,489**
Net book amounts									
At December 31, 2011	**479,203**	**162,800**	**1,026**	**21,748**	**3,180**	**3,179**	**3,828**	**67,090**	**742,054**
At December 31, 2010	346,664	141,043	1,499	22,241	3,623	3,550	7,554	28,844	555,018

Depreciation charge for the year is allocated as follows:

	2011 SR'000	2010 SR'000
Cost of sales	**18,190**	17,575
General and administration expenses (note 18)	**1,865**	1,624
Selling and distribution expenses (note 19)	**158**	199
	20,213	19,398

9. FINANCIAL DERIVATIVE

At December 31, 2010, the Company had two commission rate swap agreements with a notional amount of SR 150 million and SR 100 million respectively. As per the terms of the agreements, the Company paid a fixed rate of interest of 3.62% and 3.50% respectively and received a variable rate equal to three month Saudi inter Bank offer rate on the notional amount if the rate remains between 2% to 6% and 0% to 6%, respectively. The swap was used to hedge the exposure to changes in the interest rates of the Company's borrowings. The fair value of these agreements, which did not qualify for hedge accounting in accordance with generally accepted accounting standards, and the decline therein during the year 2010 and 2011, was recorded in the consolidated statement of income.

The above mentioned two swap agreements matured on June 15, 2011 and June 18, 2011 respectively.

10. DUE TO BANKS

As of December 31, the Company had bank facilities amounting to SR 478 million (2010: SR 593 million) in the form of Tawarug Loans, Murabaha liquidity finance, over draft, documentary credit and bank guarantees from local commercial banks, of which SR 157,000 (2010: SR 50 million) was utilized. These facilities are secured by promissory notes.

Funding facilities carry commission rates calculated at variable profit rates.

11. ACCOUNTS PAYABLE

	2011	2010
	SR'000	SR'000
Trade payables	**424,044**	317,382
Advances from customers	**14,463**	12,358
Employees	**4,100**	3,256
Other	**20,913**	17,908
	463,520	350,904

12. DEFERRED REVENUES

Deferred revenues represent mainly amounts received from rental activity but not earned as at December 31, 2011 and 2010. Such amounts will be recognised as revenue in the subsequent period.

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:

	2011 SR'000	2010 SR'000
Opening equity	**797,582**	722,838
Dividends paid during the year limited to the opening balance of retained earnings	**(320,111)**	(272,441)
Opening provisions and other adjustments	**105,088**	105,637
Book value of long term assets	**(820,581)**	(625,144)
Loans	**100,000**	100,000
Employees' incentive program	**30,400**	23,135
	(107,622)	54,025
Adjusted net income for the year	**588,630**	420,402
Zakat base	**481,008**	474,427

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:

	2011 SR'000	2010 SR'000
Beginning of the year	**14,569**	12,498
Provided during the year	**16,773**	12,418
Payments during the year	**(11,738)**	(10,347)
End of the year	**19,604**	14,569

Status of assessments

The Company has finalized its zakat assessments up to year ended December 31, 2007. The zakat returns for the years ended December 31, 2008, 2009 and 2010 are still under assessment of the Department of Zakat and Income Tax.

14. LONG – TERM LOANS

	2011 SR'000	2010 SR'000
Balance at January 1	**100,000**	100,000
Addition during the year	**75,000**	-
Balance at December 31	**175,000**	100,000
Current portion of long-term loan	**66,667**	-
	108,333	100,000

(i) During 2009, the Company has obtained Tawaruq long-term loan amounting to SR 100,000,000 from a local commercial bank. During 2010, the company decided to extend the grace period of the Tawaruq long-term loan for another one year to be repayable in six equal quarterly installments of SR 16.66 million each commenced on January 2, 2012 and the last installment is due for payment on July 2, 2014. The loan is secured against promissory note and carried agreed commission rate with the Bank.

(ii) During 2011, the Company has obtained Tawaruq long-term loan amounting to SR 75,000,000 from a local commercial bank. The loan is repayable in six equal quarterly installments of SR 12.5 million each commencing on March 25, 2014 and the last installment is due for payment on September 25, 2016. The loan is secured against promissory note and carried agreed commission rate with the Bank.

15. END-OF-SERVICE INDEMNITIES

	2011 **SR'000**	2010 SR'000
January 1	**34,270**	27,029
Provision for the year	**7,749**	8,282
Payments during the year	**(1,968)**	(1,041)
December 31	**40,051**	34,270

16. RELATED PARTY TRANSACTIONS

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

Related party	Nature of transaction	**2011** **SR'000**	2010 SR'000
Board of directors	Salaries, benefits and remunerations	**16,963**	12,822
Shareholders and parties related to the board of directors	Supporting services	**22,503**	4,292
Associate	Rent charges	**6,944**	6,321

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 distribution.

18. GENERAL AND ADMINISTRATIVE EXPENSES

	2011 SR'000	2010 SR'000
Salaries and related costs	**55,839**	45,253
Maintenance	**2,465**	2,187
Depreciation (note 8)	**1,865**	1,624
Professional fees	**949**	749
Rent	**617**	680
Provision for doubtful debts	**379**	-
Others	**5,856**	5,297
	67,970	55,790

19. SELLING AND DISTRIBUTION EXPENSES

	2011 SR'000	2010 SR'000
Salaries and related costs	**25,261**	21,915
Advertising	**31,967**	26,529
Depreciation (note 8)	**158**	199
Others	**1,737**	1,464
	59,123	50,107

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 60 million shares for 2011 and 2010. The weighted average number of shares in 2010 was 40 million shares adjusted to 60 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 30, 1433 H (corresponding to December 21, 2011) the shareholders resolved to increase the share capital of the Company from 40 million shares to 60 million shares of SR 10 each by granting one share for each two shares by transferring from statutory reserve and retained earnings.

21. 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 segments' results and assets comprise items that are directly attributable to certain segments and items that can reasonably be allocated between two major operating segments namely, wholesale and retail. The segmental information for the year ended December 31, 2011 and 2010 are as follows:

A) Business segment

	Retail	Wholesale	Total
		SR million	
December 31, 2011			
Total assets	**1,497**	**223**	**1,720**
Sales	**3,771**	**376**	**4,147**
Net income	**466**	**47**	**513**

December 31, 2010			
Total assets	1,219	214	1,433
Sales	2,681	334	3,015
Net income	359	42	401

The Company's activity in different geographic areas for the year ended December 31, 2011 and 2010 is as follows:

B) Geographical Segment

	Kingdom of Saudi Arabia	GCC and Egypt	Total
		SR million	
December 31, 2011			
Sales	**3,828**	**319**	**4,147**
Net income	**454**	**59**	**513**
December 31, 2010			
Sales	2,716	299	3,015
Net income	348	53	401

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

22. COMMITMENTS AND CONTINGENCIES

The Company had the following commitments and contingencies at December 31, 2011:

	2011 SR million	2010 SR million
Letters of credit	**78.5**	59.2
Letters of guarantee	**10.3**	10.6

23. OPERATING LEASES

Leases as Lessor

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

Year	**2011 SR'000**	2010 SR'000
2011	-	23,989
2012	**23,782**	17,558
2013	**19,322**	13,838
2014	**14,607**	11,169
2015	**9,515**	8,165
2016	**7,054**	-
	74,280	74,719

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	**2011** **SR'000**	2010 SR'000
2011	-	42,533
2012	**42,877**	42,877
2013	**43,105**	43,105
2014	**43,768**	43,768
2015	**43,963**	43,963
2016	**44,139**	44,139
	217,852	260,385

Rent expenses on operating leases for the year amounted to SR 39 million (2010: SR 41 million) and recognized in the consolidated statement of income.

24. RISK MANAGEMENT

Interest rate risk

Interest rate risk is the uncertainty of future earnings resulting from fluctuations in interest rates. The risk arises when there is a mismatch in the assets and liabilities which are subject to interest 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 interest rate risk on its interest 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.

25. 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 and derivatives.

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. Derivatives consist of interest rate swaps.

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

26. DIVIDENDS

The Board of Directors in their meetings held on February 7, 2010, April 25, 2010, June 23, 2010 and October 17, 2010 resolved to distribute cash dividends amounting to SR 92 million, SR 92 million, SR 62 million and 80 million, respectively, which were paid to the shareholders during the year ended December 31, 2010.

The Board of Directors in their meetings held on February 7, 2011, April 24, 2011, June 16, 2011 and October 17, 2011 resolved to distribute cash dividends amounting to SR 80 million, SR 108 million, SR 80 million and 136 million, respectively, which were paid to the shareholders during the year ended December 31, 2011.

27. APPROPRIATION OF NET INCOME

The General Assembly, in its annual meeting held on March 16, 2011 approved the appropriation of the net income for the year ended December 31, 2010 as follows:

- distribution of cash dividends of SR 314 million of which SR 234 million was paid on interim basis during 2010.
- transfer 10% of net income to statutory reserve.
- payment of SR 1,500,000 as Board of Directors' remuneration.

During 2011, the Board of Directors resolved to distribute three quarterly cash dividends amounting to SR 108 million, SR 80 million and SR 136 million for the first three quarters of 2011 respectively. In its meeting held on Rabie Awal 15, 1433H (corresponding to February 7, 2012) the Board of Directors proposed cash dividends amounting to SR 96 million for the fourth quarter.

28. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The board of directors, in its meeting held Rabie Awal 15, 1433H (corresponding to February 7, 2012), has approved these consolidated financial statements.