JARIR MARKETING COMPANY
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD AND YEAR
ENDED DECEMBER 31, 2015 AND REVIEW REPORT

JARIR MARKETING COMPANY
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD AND YEAR ENDED DECEMBER 31, 2015

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REVIEW REPORT

January 18, 2016

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

Scope of review

We have reviewed the accompanying interim 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 interim consolidated statement of income for the three-month period and year ended December 31, 2015, and the interim consolidated statements of cash flows and changes in shareholders' equity for the year then ended and the related notes from (1) to (8) which form an integral part of these interim consolidated financial statements. These interim consolidated financial statements are the responsibility of the Group's management and have been prepared by them and submitted to us together with all the information and explanations which we required.

We conducted our review in accordance with the standard of Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. The scope of such review is substantially less than an audit conducted in accordance with auditing standards generally accepted in Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Review conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements for them to be in conformity with accounting standards generally accepted in Saudi Arabia.

PricewaterhouseCoopers

By: ____________
Omar M. Al Sagga
License Number 369

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

	Note	As at December 31, 2015 (Unaudited)	2014 (Audited)
Assets			
Current assets			
Cash and cash equivalents		**109,622**	128,031
Accounts receivable		**152,738**	140,619
Inventories		**792,591**	817,120
Prepayments and other assets		**163,849**	196,631
Total current assets		**1,218,800**	1,282,401
Non-current assets			
Available for sale investment		**27,951**	27,951
Investment property		**33,041**	34,777
Property and equipment		**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		**25,000**	100,000
Liabilities against capital leases		**462**	462
Accounts payable		**583,631**	612,640
Accrued expenses and other liabilities		**112,431**	85,619
Employees' incentives program		**2,256**	1,178
Deferred revenues		**22,341**	20,808
Zakat payable		**30,166**	25,483
Total current liabilities		**776,287**	846,190
Non-current liabilities			
Bank borrowings and term loans		**-**	25,000
Liabilities against capital leases		**12,243**	12,705
Employees' termination benefits		**71,317**	63,226
Employees' incentives program		**31,164**	33,246
Deferred revenues		**16,384**	23,333
Total non-current liabilities		**131,108**	157,510
Total liabilities		**907,395**	1,003,700
Shareholders' equity			
Share capital		**900,000**	900,000
Statutory reserve	3	**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	7		

The notes on pages 6 to 12 form an integral part of these interim consolidated financial statements.

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

	Note	Three-month period ended December 31,		Year ended December 31,	
		2015	2014	2015	2014
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Sales		**1,524,054**	1,584,201	**6,375,378**	5,698,723
Cost of sales		**(1,280,316)**	(1,343,807)	**(5,403,347)**	(4,812,246)
Gross profit		**243,738**	240,394	**972,031**	886,477
Operating expenses					
General and administrative		**(20,582)**	(21,615)	**(87,169)**	(89,187)
Selling and marketing		**(25,251)**	(26,251)	**(76,162)**	(70,476)
Income from operations		**197,905**	192,528	**808,700**	726,814
Other income (expenses)					
Other income		**13,636**	15,500	**45,519**	43,531
Financial charges		**(249)**	(936)	**(2,267)**	(4,835)
Income before zakat		**211,292**	207,092	**851,952**	765,510
Zakat		**(3,200)**	(1,287)	**(23,481)**	(20,146)
Net income		**208,092**	205,805	**828,471**	745,364
Earnings per share (Saudi Riyals):					
• Income from operations	4	**2.20**	2.14	**8.99**	8.08
• Non-operating income	4	**0.15**	0.16	**0.48**	0.43
• Net income	4	**2.31**	2.29	**9.21**	8.28

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

	Year ended December 31,	
	2015	2014
	(Unaudited)	(Audited)
Cash flow from operating activities		
Net income for the year	828,471	745,364
Adjustments for non-cash items		
Depreciation	31,378	30,901
Reversal of provision for doubtful debts	(1,985)	(4,166)
(Reversal of) provision for slow moving inventories	(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' incentives program	-	13,463
Provision for employees' termination benefits	12,150	10,771
Provision for zakat	23,481	20,146
Changes in working capital		
Accounts receivable	(10,134)	117
Inventories	24,596	(48,958)
Prepayments and other assets	32,782	(17,032)
Accounts payable	(29,009)	85,212
Accrued expenses and other liabilities	26,812	1,649
Deferred revenues	982	1,130
Zakat paid	(18,798)	(21,539)
Employees' incentives program paid	(1,004)	-
Employees' termination benefits paid	(4,059)	(3,621)
Net cash generated from operating activities	908,799	808,745
Cash flow from investing activities		
Additions to property and equipment	(142,313)	(84,816)
Proceeds from sale of property and equipment	5	1,260
Net cash utilized in investing activities	(142,308)	(83,556)
Cash flow from financing activities		
Repayments of bank borrowings and term loans	(100,000)	(125,000)
Dividends paid	(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	109,622	128,031

The notes on pages 6 to 12 form an integral part of these interim consolidated financial statements.

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

	Note	Share capital	Statutory reserve	Retained earnings	Total
January 1, 2015 (Audited)		900,000	139,862	320,164	**1,360,026**
Net income for the year		-	-	828,471	**828,471**
Transfer to statutory reserve	3	-	82,847	(82,847)	-
Dividends	5	-	-	(684,900)	**(684,900)**
December 31, 2015 (Unaudited)		**900,000**	**222,709**	**380,888**	**1,503,597**
January 1, 2014 (Audited)		900,000	65,326	207,336	1,172,662
Net income for the year		-	-	745,364	745,364
Transfer to statutory reserve	3	-	74,536	(74,536)	-
Dividends	5			(558,000)	(558,000)
December 31, 2014 (Audited)		900,000	139,862	320,164	1,360,026

The notes on pages 6 to 12 form an integral part of these interim 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 interim consolidated financial statements include the accounts of the Company and its 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 interim consolidated financial statements were authorized for issue by the Company's Board of Directors on January 18, 2016.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

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

The interim consolidated financial statements have been prepared in accordance with SOCPA's Standard on Interim Financial Reporting. The accounting policies used in the preparation of the interim consolidated financial statements are consistent with those used in the preparation of annual consolidated financial statements for the year ended December 31, 2014.

The interim 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 interim consolidated financial statements.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2014 In the opinion of management, the interim consolidated financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the period/year presented.

The Group's interim results may not be indicative of its annual results of operations.

2.2 Critical accounting estimates and judgments

The preparation of interim 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 interim 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.

In preparing these interim consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended December 31, 2014.

2.3 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 interim 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 interim consolidated statement of income.

2.4 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.

2.5 Investments

a) Investment in available for sale investments

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

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

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

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

b) Investment property

Property held to earn rentals or for capital appreciation or both, which is not occupied by the Group is classified as investment property. Investment property is recorded at historical cost, net of accumulated depreciation and impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset's carrying amount will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance costs are charged to the interim 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 of 25 – 33 years.

(All amounts in Saudi Riyals thousands unless otherwise stated)

2.6 Property and equipment

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

	Number of years
Buildings	25 - 33
Machinery and equipment	5 - 13.33
Furniture and fixtures	5 -10
Motor vehicles	4
Computer software and hardware	5
Leasehold improvements	3

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

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

2.7 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 interim consolidated statement of income. Impairment losses on goodwill, if any, are not reversible.

b) Available for sale

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

2.8 Accounts payable and accruals

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

2.9 Zakat

The Company is subject to zakat in accordance with the regulations of the Department of Zakat and Income Tax (the "DZIT"). Provision for zakat for the Company is charged to the interim 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 interim consolidated statement of income.

2.10 Employees' termination benefits

Employees' termination benefits required by Saudi Labor and Workman Law are accrued by the Group and charged to the interim 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.

2.11 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 interim 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. Compensation charges are expensed throughout the vesting period. The amount recognized in the interim consolidated balance sheet as Employee's Incentive Program is the present value of the expected future payments as provided by the Program resulting from employees' service in the current and prior periods.

2.12 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 interim consolidated statement of income.

Deferred revenue on rental income received in advance is recognized in the interim 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.

2.13 Sales

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

2.14 Costs and expenses

2.14.1 Cost of sales

Represent the cost of revenues incurred during the period which includes the costs of goods sold, direct labor, other overheads and occupancy related to the revenues recognized.

2.14.2 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.

2.14.3 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.

2.15 Operating and capital leases

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

2.16 Foreign currency translation

The interim 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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the interim 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 interim balance sheet date. All differences are taken to the interim 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 period 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 shareholders' equity.

3. Statutory reserve

In accordance with the Company's By-laws and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company sets aside 10% of its net income in each quarter to a statutory reserve until such reserve equals to one half of its share capital. This reserve is currently not available for distribution to the shareholders of the Company.

4. Earnings per share

Earnings per share has been calculated by dividing income from operations, non-operating income and net income for the periods/years ended December 31, 2015 and 2014 by 90 million shares.

5. 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, August 31, 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.

6. Segment information

a) Operating segments

The Group has two major operating segments namely, wholesale and retail. The segmental information as of and 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	**29**	**2**	**31**
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 Segments

The Group has two major geographical segments namely, Saudi Arabia and other Gulf countries and Egypt. The Group's activity in different geographic areas as of and 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	**765**	**63**	**828**
Financial charges	**2**	**-**	**2**
Depreciation	**25**	**6**	**31**
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

7. Commitments and contingencies

Commitments and contingencies are as follows:

	2015	2014
	(Saudi Riyals in millions)	
Letters of credit	**91.75**	122.9
Letters of guarantee	**8.50**	8.50

8. Comparative figures

Certain reclassifications have been made to the 2014 interim consolidated financial statements to conform with the current period presentation.