

JARIR MARKETING COMPANY
(A SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED FINANCIAL STATEMENTS AND
AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2010**

JARIR MARKETING CO.
(SAUDI JOINT STOCK COMPANY)

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FOR THE YEAR ENDED DECEMBER 31, 2010**

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AUDITORS' REPORT

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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, 2010, 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 27 which form an integral part of these consolidated financial statements as prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all the necessary information and explanations. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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, 2010, and the consolidated results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting standards 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 4, 1432H
February 7, 2011

Audit • Tax • Consulting • Financial Advisory.

Member of
Deloitte Touche Tohmatsu

JARIR MARKETING CO.
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2010

	Notes	2010 SR'000	2009 SR'000
ASSETS			
Current assets			
Cash and cash equivalent		52,282	39,660
Accounts receivable, net	4	211,848	181,183
Inventories, net	5	543,049	421,424
Prepaid expenses and others		35,671	36,841
Total current assets		842,850	679,108
Non-current assets			
Investment property	6	7,633	7,913
Available for sale investment	7	27,951	27,951
Property and equipment, net	8	555,018	535,444
Total non-current assets		590,602	571,308
TOTAL ASSETS		1,433,452	1,250,416
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Due to banks	10	50,111	37,054
Accounts payable	11	350,904	277,061
Accrued expenses and others		54,846	44,845
Employees' incentive program – current portion		22,617	-
Deferred revenues	12	8,035	10,881
Provision for zakat	13	14,569	12,498
Total current liabilities		501,082	382,339
Non-current liabilities			
Long-term loan	14	100,000	100,000
Provision for end-of-service indemnities		34,270	27,029
Employees' incentive program		518	18,210
Total non-current liabilities		134,788	145,239
Total liabilities		635,870	527,578
Shareholders' equity			
Capital	1	400,000	400,000
Statutory reserve	16	77,471	37,397
Reserve for employees' future social welfare / stock option scheme		-	13,000
Retained earnings		320,111	272,441
Total shareholders' equity		797,582	722,838
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,433,452	1,250,416

The accompanying notes 1 to 27 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, 2010

	Notes	2010 SR'000	2009 SR'000
Sales		3,014,565	2,555,306
Cost of sales		(2,512,987)	(2,068,928)
Gross profit		501,578	486,378
General and administration expenses	17	(55,790)	(51,613)
Selling and distribution expenses	18	(50,107)	(50,303)
Operating income		395,681	384,462
Other income		28,895	13,650
Financing charges		(11,414)	(13,490)
Profit before zakat		413,162	384,622
Zakat	13	(12,418)	(10,650)
NET INCOME FOR THE YEAR		400,744	373,972
Earnings per share from:	19		
Operating income (Saudi Riyal)		9.89	9.61
Net income for the year (Saudi Riyal)		10.02	9.35

The accompanying notes 1 to 27 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, 2010

	2010 SR'000	2009 SR'000
OPERATING ACTIVITIES		
Profit before zakat	413,162	384,622
Adjustments for:		
Depreciation	19,678	18,638
Provision for doubtful debts	(4,079)	11,273
Provision for slow-moving inventories	-	8,223
Gain on sale of property and equipment	(66)	(326)
Employees' incentive program	4,925	8,861
Provision for end of service indemnities	8,282	4,280
Changes in operating assets and liabilities:		
Accounts receivable	(26,586)	(29,280)
Inventories	(121,625)	(38,815)
Prepaid expenses and others	1,170	(10,270)
Accounts payable	73,843	86,917
Accrued expenses and others	10,001	4,067
Deferred revenues	(2,846)	1,142
Cash from operations	375,859	449,332
Zakat paid	(10,347)	(8,287)
End-of-service indemnities paid	(1,041)	(1,129)
Net cash from operating activities	364,471	439,916
INVESTING ACTIVITIES		
Additions to property and equipment	(38,974)	(31,878)
Proceeds from sale of property and equipment	68	333
Net cash used in investing activities	(38,906)	(31,545)
FINANCING ACTIVITIES		
Due to banks	13,057	(4,974)
Long-term loans	-	(50,000)
Dividends paid	(326,000)	(338,000)
Net cash used in financing activities	(312,943)	(392,974)
Net change in cash and cash equivalent	12,622	15,397
Cash and cash equivalent, beginning of the year	39,660	24,263
CASH AND CASH EQUIVALENT, END OF THE YEAR	52,282	39,660

The accompanying notes 1 to 27 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, 2010

	Capital SR'000	Statutory reserve SR'000	Reserve for employees' future social welfare/stock option scheme SR'000	Retained earnings SR'000	Total SR'000
Balance at January 1, 2009	300,000	90,644	13,000	283,222	686,866
Net income for the year	-	-	-	373,972	373,972
Transferred to capital	100,000	(90,644)	-	(9,356)	-
Transferred to statutory reserve	-	37,397	-	(37,397)	-
Dividends paid	-	-	-	(338,000)	(338,000)
Balance at December 31, 2009	400,000	37,397	13,000	272,441	722,838
Net Income for the year	-	-	-	400,744	400,744
Transferred to statutory reserve	-	40,074	-	(40,074)	-
Transferred to retained earnings	-	-	(13,000)	13,000	-
Dividends paid	-	-	-	(326,000)	(326,000)
Balance at December 31, 2010	400,000	77,471	-	320,111	797,582

The accompanying notes 1 to 27 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

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, 2010, the Company had 33 showrooms (2009: 27 showrooms) in the Kingdom of Saudi Arabia and the GCC, in addition to the investments in properties 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 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 Jumad Al-Thani 10, 1430 (corresponding to June 3, 2009) the shareholders resolved to increase the share capital of the company from SR 300 million to SR 400 million by granting one share for each three shares, by transferring from statutory reserve and retained earnings, following this increase, the Company's capital became SR 400 million divided into 40 million shares of SR 10 each.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2010

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 available for sale investments and 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.

Cash and cash equivalent

For the purposes of the consolidated cash flows statement, cash and cash equivalent consist of cash in hand and bank balances.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2010

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 open market exists, or on the basis of most recent financial statements, 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 / Depreciation

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

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

Accounts payable and accrued expenses

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

Provisions

a) Provision for end-of-service indemnities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2010

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 lease expenses are recognized in the consolidated statement of income on a 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2010

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 changes in the fair value of the derivatives financial instrument 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2010

Expenses

General and administration expenses include direct and indirect expenses not specifically part of cost of sales in accordance with generally accepted accounting standards. Allocations between general and administration 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

	2010 SR'000	2009 SR'000
Trade receivables	124,062	126,410
Advances to suppliers	63,230	49,911
Claims on vendors	30,637	16,703
Employees receivable	12,944	10,727
Others	4,847	5,383
	<u>235,720</u>	<u>209,134</u>
Less: Provision for doubtful debts	(23,872)	(27,951)
	<u>211,848</u>	<u>181,183</u>

5. INVENTORIES, NET

	2010 SR'000	2009 SR'000
Computers and related supplies and programs	256,194	173,614
Office supplies	98,718	97,172
School supplies	66,120	46,233
Books	62,098	46,880
Gifts and digital systems	55,393	49,700
Video games	23,426	23,227
Engineering and technical supplies	16,103	15,626
Goods in transit	5,357	6,311
Others	14,377	17,398
	<u>597,786</u>	<u>476,161</u>
Less: Provision for slow moving inventories	(54,737)	(54,737)
	<u>543,049</u>	<u>421,424</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2010

6. INVESTMENT PROPERTY

	2010 SR'000	2009 SR'000
<i>Cost:</i>		
At the beginning and end of the year	8,929	8,929
<i>Depreciation:</i>		
At the beginning of the year	1,016	736
Charge for the year	280	280
At the end of the year	1,296	1,016
Net book value as at December 31	7,633	7,913

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 (formerly known as Modern Marafiq for Real Estate Development Company Limited). As at December 31, 2010 the Group's share amounting to SR 27,951 thousand (2009: SR 27,951 thousand) comprise of subscription in capital amounting to SR 21,402 thousand and a share premium amounting to SR 6,549 thousand.

JARIR MARKETING CO.
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2010

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 2010 SR'000	Total 2009 SR'000
Cost										
Beginning of the year	336,112	193,490	7,117	65,470	11,793	20,716	16,073	17,194	667,965	637,008
Additions	10,552	1,587	333	3,630	1,347	1,570	92	19,863	38,974	31,878
Disposals	-	-	(1)	(3)	(159)	(29)	-	-	(192)	(921)
Transfers	-	1,640	-	349	176	502	5,546	(8,213)	-	-
End of the year	346,664	196,717	7,449	69,446	13,157	22,759	21,711	28,844	706,747	667,965
Depreciation										
Beginning of the year	-	49,357	5,378	42,729	7,747	17,485	9,825	-	132,521	115,077
Charge for the year	-	6,317	573	4,478	1,945	1,753	4,332	-	19,398	18,358
Disposals	-	-	(1)	(2)	(158)	(29)	-	-	(190)	(914)
End of the year	-	55,674	5,950	47,205	9,534	19,209	14,157	-	151,729	132,521
Net book amounts										
At December 31, 2010	346,664	141,043	1,499	22,241	3,623	3,550	7,554	28,844	555,018	-
At December 31, 2009	336,112	144,133	1,739	22,741	4,046	3,231	6,248	17,194	-	535,444

Depreciation charge for the year is allocated as follows:

	2010 SR'000	2009 SR'000
Cost of sales	17,575	16,161
General and administration expenses (note 17)	1,624	1,987
Selling and distribution expenses (note 18)	199	210
	19,398	18,358

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2010

9. DERIVATIVES

At December 31, 2010, the Group had two (2009: two) commission rate swap agreements with a notional amount of SR 150 million and SR 100 million (2009: SR 150 million and SR 100 million). As per the terms of agreements, the Group pays a fixed rate of interest of 3.62 % and 3.50% respectively (2009: 3.62% and 3.50% respectively) and receives a variable rate equal to three months Saudi Inter Bank Offer Rate (SIBOR) on the notional amount if the rates remain between 2% to 6% and 0% to 6%, respectively. The swap is used to hedge the exposure to changes in the interest rates of the Group's borrowings. The fair value of these agreements, which do not qualify for hedge accounting in accordance with generally accepted accounting standards, and recovery therein during the year amounted to SR 3.6 million and SR 7.1 million respectively (2009: SR 10.7 million and decline of SR 2.7 million respectively).

10. DUE TO BANKS

As of December 31, the Company had bank facilities amounting to SR 593 million (2009: 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 50 million (2009: SR 37 million) was utilized. These facilities are secured by promissory notes.

Funding facilities carry commission rates calculated at variable profit rates.

11. ACCOUNTS PAYABLE

	2010 SR'000	2009 SR'000
Trade payables	317,382	243,285
Advances from customers	12,358	6,081
Employees	3,256	3,731
Other	17,908	23,964
	<u>350,904</u>	<u>277,061</u>

12. DEFERRED REVENUES

Deferred revenues represent mainly amounts received from rental activity but not earned as at December 31, 2010 and 2009. 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 zakatable income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2010

The current year's provision is based on the following:

	2010 SR'000	2009 SR'000
Opening equity	722,838	686,866
Dividends paid during the year limited to the opening balance of retained earnings	(272,441)	(283,222)
Opening provisions and other adjustments	105,637	82,336
Book value of long term assets	(625,144)	(593,543)
Loans	100,000	100,000
Employees' incentive program	23,135	18,210
	54,025	10,647
Zakatable income for the year	420,402	404,357
Zakat base	474,427	415,004

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

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

	2010 SR'000	2009 SR'000
Beginning of the year	12,498	10,135
Provided during the year	12,418	10,650
Payments during the year	(10,347)	(8,287)
End of the year	14,569	12,498

Status of assessments

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

14. LONG - TERM LOAN

	2010 SR'000	2009 SR'000
Balance at January 1	100,000	150,000
Addition during the year	-	100,000
Paid during the year	-	(150,000)
Balance at December 31	100,000	100,000
Current portion of long-term loan	-	-
	100,000	100,000

During 2010, the company decided to extend the grace period of the Tawaruq long-term loan amounting to SR 100 million (out of a total credit limit of SR 150 million) obtained from a local commercial bank for another one year to be repayable in six equal quarterly installments of SR 16.66 million each commencing on January 2, 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2010

15. RELATED PARTY TRANSACTIONS

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

Related party	Nature of transaction	2010 SR'000	2009 SR'000
Board of directors	Salaries, benefits and remunerations	12,822	9,687
Shareholders and parties related to board of directors	Supporting services	4,292	7,699
Associates	Rent charges	6,321	4,002

16. 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.

17. GENERAL AND ADMINISTRATION EXPENSES

	2010 SR'000	2009 SR'000
Salaries and related costs	45,253	40,712
Maintenance	2,187	2,597
Depreciation (note 8)	1,624	1,987
Professional fees	749	988
Rent	680	661
Provision for doubtful debts	-	92
Others	5,297	4,576
	<u>55,790</u>	<u>51,613</u>

18. SELLING AND DISTRIBUTION EXPENSES

	2010 SR'000	2009 SR'000
Salaries and related costs	21,915	20,485
Advertising	26,529	23,452
Provision for doubtful debts	-	4,597
Depreciation (note 8)	199	210
Others	1,464	1,559
	<u>50,107</u>	<u>50,303</u>

19. EARNINGS PER SHARE

Earnings per share is computed by using the weighted average number of shares outstanding during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2010

20. 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, 2010 and 2009 are as follows:

A) Business segment

	Retail	Wholesale	Total
	SR million		
December 31, 2010			
Total assets	1,219	214	1,433
Sales	2,681	334	3,015
Net income	359	42	401
December 31, 2009			
Total assets	1,052	198	1,250
Sales	2,256	299	2,555
Net income	337	37	374

The Group's activity in different geographic areas for the year ended December 31, 2010 and 2009 is as follows:

B) Geographical Segment

	Kingdom of Saudi Arabia	GCC and Egypt	Total
	SR million		
December 31, 2010			
Sales	2,716	299	3,015
Net income	348	53	401
December 31, 2009			
Sales	2,255	300	2,555
Net income	315	59	374

The Group's operating assets are primarily located in the Kingdom of Saudi Arabia. Due to the nature of the Group's business activities, it is not practical to disclose further segmental information on the Group's assets and liabilities.

21. COMMITMENTS AND CONTINGENCIES

The Company had the following commitments and contingencies at December 31, 2010:

	2010	2009
	SR million	SR million
Letters of credit	59.2	42.1
Letters of guarantee	10.6	7.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2010

22. OPERATING LEASES

Leases as Lessor

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

Year	2010 SR'000	2009 SR'000
2010	-	19,160
2011	23,989	14,675
2012	17,558	9,394
2013	13,838	7,070
2014	11,169	5,657
2015	8,165	-
	<u>74,719</u>	<u>55,956</u>

Leases as Lessee

Rent expense on operating leases for the year amounted to SR 41 million (2009: SR 34 million) and recognized in the consolidated statement of income.

23. RISK MANAGEMENT

Interest rate risk

The Group is subject to interest rate risk on its interest bearing assets and liabilities, including long - term loans and due to banks. The Group limits these risks by entering into commission rate swap agreements.

Credit risk

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.

Liquidity risk

The Group limits its liquidity risk by ensuring that bank facilities are available. Trade payables are normally settled within 45 to 90 days of the date of purchase.

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.

24. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2010

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.

25. APPROPRIATION OF NET INCOME

The General Assembly, in its annual meeting held on March 15, 2010 approved the appropriation of the net income for the year ended December 31, 2009 as follows:

- Distribution of cash dividends of SR 295 million of which SR 203 million was paid on interim basis during 2009.
- transfer 10% of net income to statutory reserve.
- payment of SR 950,000 as Board of Directors' remuneration.

During 2010, the Board of Directors resolved to distribute three quarterly cash dividends amounting to SR 92 million, SR 62 million and SR 80 million for the first three quarters of 2010 respectively. In its meeting held on Rabie Awal 4, 1432H (corresponding to February 7, 2011) the Board of Directors proposed cash dividends amounting to SR 80 million for the fourth quarter.

26. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The board of directors, in its meeting held Rabie Awal 4, 1432H (corresponding to February 7, 2011), has approved these consolidated financial statements.

27. COMPARATIVE FIGURES

Certain prior year amounts have been reclassified to conform with the presentation in the current year.