

JARIR MARKETING CO.
(SAUDI JOINT STOCK COMPANY)

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AND AUDITORS' LIMITED REVIEW REPORT
FOR THE NINE-MONTHS PERIOD ENDED
SEPTEMBER 30, 2013**

JARIR MARKETING CO.
(SAUDI JOINT STOCK COMPANY)

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AUDITORS' LIMITED REVIEW REPORT

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

Scope of Review


We have reviewed the accompanying interim consolidated balance sheet of Jarir Marketing Co. (a Saudi joint stock company) (the "Company") and its subsidiaries (collectively referred to as the "Group") as at September 30, 2013, and the related interim consolidated statement of income for the three and nine months periods ended September 30, 2013 and interim consolidated statements of cash flows and changes in shareholders' equity for the nine-months period then ended including the related notes from 1 to 9 which form an integral part of these interim consolidated financial statements. These interim consolidated financial statements are the responsibility of the Company's management, and have been prepared by them and presented to us with all the information and explanations which we required.

We conducted our limited review in accordance with the interim financial reporting standard issued by the Saudi Organization for Certified Public Accountants. A limited review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in the Kingdom of 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 Results

Based on our limited 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 generally accepted accounting standards in the Kingdom of Saudi Arabia.

Deloitte & Touche
Bakr Abulkhair & Co.


Bakr A. Abulkhair
License No. 101
Dhu Al Hijja 17, 1434
October 22, 2013



JARIR MARKETING CO.
(SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED BALANCE SHEET (Unaudited)

	Notes	September 30, 2013 SR'000	September 30, 2012 SR'000
ASSETS			
Current assets			
Cash and bank balances		82,827	116,693
Accounts receivable, net		280,211	260,693
Inventories, net		759,346	621,414
Prepaid expenses and other assets		42,249	37,364
Total current assets		1,164,633	1,036,164
Non-current assets			
Investment property		5,423	6,473
Available for sale investments		27,951	27,951
Property and equipment, net		985,227	804,916
Total non-current assets		1,018,601	839,340
TOTAL ASSETS		2,183,234	1,875,504
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Current portion of long-term loans		75,000	33,333
Capital lease obligation – current portion		462	-
Accounts payable		528,211	452,114
Deferred revenue – current portion		19,820	10,656
Accrued expenses and other liabilities		85,090	79,438
Provision for zakat		21,328	18,822
Total current liabilities		729,911	594,363
Non-current liabilities			
Long-term loans		175,000	200,000
Capital lease obligation – non-current portion		13,283	-
Deferred revenue – non-current portion		31,897	-
Provision for end-of-service indemnities		53,315	44,823
Employees' incentive program		17,182	9,826
Total non-current liabilities		290,677	254,649
Total liabilities		1,020,588	849,012
Shareholders' equity			
Capital	1	600,000	600,000
Statutory reserve	4	157,606	94,491
Retained earnings		405,040	332,001
Total shareholders' equity		1,162,646	1,026,492
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,183,234	1,875,504

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

JARIR MARKETING CO.
(SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED STATEMENT OF INCOME (Unaudited)

	Notes	For the three-months period ended September 30		For the nine-months period ended September 30	
		2013	2012	2013	2012
		SR'000	SR'000	SR'000	SR'000
Sales		1,334,146	1,189,842	3,922,409	3,451,881
Cost of sales		(1,115,274)	(996,453)	(3,328,856)	(2,931,014)
Gross profit		218,872	193,389	593,553	520,867
General and administrative expenses		(19,317)	(18,104)	(59,426)	(55,127)
Selling and distribution expenses		(15,020)	(15,235)	(42,575)	(38,749)
Operating income		184,535	160,050	491,552	426,991
Other income		9,141	6,870	22,498	22,557
Financing charges		(1,943)	(1,613)	(5,160)	(3,838)
Income before zakat		191,733	165,307	508,890	445,710
Provision for zakat		(5,548)	(4,598)	(15,643)	(13,793)
NET INCOME FOR THE PERIOD		186,185	160,709	493,247	431,917
Earnings per share from:					
Operating income for the period (Saudi Riyals)	6	3.08	2.67	8.19	7.12
Net income for the period (Saudi Riyals)	6	3.10	2.68	8.22	7.20

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JARIR MARKETING CO.
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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

	For the nine-months period ended September 30	
	2013 SR'000	2012 SR'000
OPERATING ACTIVITIES		
Income before zakat for the period	508,890	445,710
Adjustments for:		
Depreciation	15,930	16,403
(Reversal) / provision for doubtful debts	(4,414)	3,935
Provision for slow moving inventories	-	37,416
Gain on sale of property and equipment	(1,741)	(21)
Employees' incentive program	6,563	2,573
Provision for end-of-service indemnities	7,774	6,157
Changes in Operating Assets and Liabilities:		
Accounts receivable	(18,002)	(21,134)
Inventories	(33,428)	(57,975)
Prepaid expenses and other assets	(4,247)	1,570
Accounts payable	(40,578)	(11,406)
Accrued expenses and others liabilities	7,647	4,605
Deferred revenues	920	1,072
Cash generated from operations	445,314	428,905
Zakat paid	(17,734)	(14,575)
End-of-services indemnities paid	(1,454)	(1,385)
Employees' incentive program paid	-	(23,147)
Net cash from operating activities	426,126	389,798
INVESTING ACTIVITIES		
Additions to property and equipment	(203,474)	(79,097)
Proceeds from sale of property and equipment	73,189	44
Net cash used in investing activities	(130,285)	(79,053)
FINANCING ACTIVITIES		
Due to banks	(251)	(157)
Long-term loans	33,333	58,333
Dividends paid	(357,000)	(312,000)
Net cash used in financing activities	(323,918)	(253,824)
Net change in cash and bank balances	(28,077)	56,921
Cash and bank balances, beginning of the period	110,904	59,772
CASH AND BANK BALANCES, END OF THE PERIOD	82,827	116,693
NON-CASH TRANSACTIONS		
Adjustment to additions to property and equipment with corresponding effect to capital lease obligation	13,745	-
Adjustment to gain on sale of property and equipment with corresponding effect to deferred revenues	40,330	-

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

JARIR MARKETING CO.
(SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)
FOR THE NINE-MONTHS PERIOD ENDED SEPTEMBER 30, 2013

	Capital SR'000	Statutory reserve SR'000	Retained earnings SR'000	Total SR'000
Balance at January 1, 2012	600,000	51,299	255,276	906,575
Net income for the period	-	-	431,917	431,917
Transfer to statutory reserve	-	43,192	(43,192)	-
Dividends paid	-	-	(312,000)	(312,000)
Balance at September 30, 2012	600,000	94,491	332,001	1,026,492
Balance at January 1, 2013	600,000	108,281	318,118	1,026,399
Net income for the period	-	-	493,247	493,247
Transfer to statutory reserve	-	49,325	(49,325)	-
Dividends paid	-	-	(357,000)	(357,000)
Balance at September 30, 2013	600,000	157,606	405,040	1,162,646

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

JARIR MARKETING CO.
(SAUDI JOINT STOCK COMPANY)

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTHS PERIOD ENDED SEPTEMBER 30, 2013**

1. FORMATION AND ACTIVITIES

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

The Company's registered office is based in Riyadh. As at September 30, 2013, the Company had 37 showrooms (2012: 36 showrooms) including wholesale outlets in the Kingdom of Saudi Arabia and the GCC, in addition to real estate investments in the Arab Republic of Egypt.

The objectives of the Company and its subsidiaries include; retail and wholesale trading in office and school supplies, children 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated financial statements have been prepared in accordance with the Interim Financial Reporting Standard issued by the Saudi Organization for Certified Public Accountants. The significant accounting policies applied by the Company, which are summarized below, are consistent with those stated in the annual audited consolidated financial statements for the year ended December 31, 2012. The interim consolidated financial statements and the accompanying notes should be read in conjunction with the annual audited consolidated financial statements and its related notes for the year ended December 31, 2012.

Use of estimates

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

Accounting convention

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

JARIR MARKETING CO.
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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE NINE-MONTHS PERIOD ENDED SEPTEMBER 30, 2013

Basis of consolidation

The accompanying interim consolidated financial statements for the nine-months period ended September 30, 2013 include the accounts of Jarir Marketing Co. and the following subsidiaries:

Company	Country of incorporation	Direct and indirect ownership % *
United Company for Office Supplies and Stationeries WLL	Qatar	100
Jarir Trading Co. LLC	Abu Dhabi	100
The United Bookstore	Abu Dhabi	100
Jarir Book Store	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 Jarir Marketing Co.

An investee company is classified as a consolidated subsidiary based on the degree of effective control exercised by the Company compared to other shareholders. All material inter-company balances and transactions that took place between the Company and its Subsidiaries have been eliminated when preparing the interim consolidated financial statements.

Revenue

- Sales are recognized upon 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.

Expenses

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

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

Accounts receivable

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE NINE-MONTHS PERIOD ENDED SEPTEMBER 30, 2013

Inventories

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

Property and equipment

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

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

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 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 interim 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 interim consolidated 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 period. Exchange differences arising from such translations, if material, are included as a separate line item under the shareholders' equity.

Employees' incentive program

The Group has established an employees' incentive program (the Program) whereby the Group grants selected employees the right to receive incentive cash compensation at the end of a vesting period if specified conditions are met. The amount of compensation is tied to the growth in net income as reported in the 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. However, 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE NINE-MONTHS PERIOD ENDED SEPTEMBER 30, 2013

End-of-service indemnities

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

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 difference in the estimate is recorded when the final assessment is approved at which time the provision is cleared.

Lease

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

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

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

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

Accounts payable and accrued expenses

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

Impairment and un-collectability of financial assets

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE NINE-MONTHS PERIOD ENDED SEPTEMBER 30, 2013

- c) For assets carried at amortized cost, impairment is based on estimated cash flows that are discounted at the original effective special commission rate.

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

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

b) Investment property

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

3. PERIOD ADJUSTMENTS

All adjustments that the Group's management believes are material for the interim consolidated financial statements to fairly present its consolidated financial position and results of operations have been incorporated. The results of operations for the interim financial period may not indicate accurately the actual results for the yearly operations.

4. STATUTORY RESERVE

In accordance with the Regulations for Companies in Saudi Arabia and the Group's Articles of Association, 10 percent of net income shall be transferred to statutory reserve until the reserve equals 50 percent of the share capital. This reserve which is estimated on quarterly basis and adjusted for the actual amount at year end, is currently not available for dividend distribution to shareholders.

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(SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE NINE-MONTHS PERIOD ENDED SEPTEMBER 30, 2013

5. SEGMENT INFORMATION

The Group has two major operating segments namely, wholesale and retail. The segmental information for the nine-months period ended September 30, 2013 and 2012 are as follows:

A) Business segment

	Retail SR millions	Wholesale SR millions	Total SR millions
September 30, 2013			
Total assets	1,895	288	2,183
Sales	3,600	322	3,922
Net income	450	43	493
September 30, 2012			
Total assets	1,587	289	1,876
Sales	3,113	339	3,452
Net income	383	49	432

The Group's activity in different geographic areas for the nine-months period ended September 30, 2013 and 2012 are as follows:

B) Geographic Segment

	Kingdom of Saudi Arabia SR millions	Gulf Countries and Egypt SR millions	Total SR millions
September 30, 2013			
Sales	3,637	285	3,922
Net income	440	53	493
September 30, 2012			
Sales	3,196	256	3,452
Net income	382	50	432

The Group's operating assets are principally located in Kingdom of Saudi Arabia.

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

6. EARNINGS PER SHARE

Earnings per share is computed by dividing each of the operating income and the net income for the period by the weighted average number of shares outstanding at the end of the period which is 60 million shares for the periods ended September 30, 2013 and 2012.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE NINE-MONTHS PERIOD ENDED SEPTEMBER 30, 2013

7. COMMITMENTS AND CONTINGENCIES

The commitments and contingencies are as follows:

	September 30, 2013	September 30, 2012
	SR Millions	SR Millions
Letters of credit	16.6	63.7
Letters of guarantee	6.9	8.8

8. DIVIDENDS

Based on the pre-approval of the General Assembly, the Board of Directors in their meeting held on February 7, 2012, April 14, 2012 and June 9, 2012, resolved to distribute interim cash dividends amounting to SR 96 million, SR 132 million and SR 84 million, respectively, which were paid to the shareholders during the nine months period ended September 30, 2012.

Based on the pre-approval of the General Assembly, the Board of Directors in their meeting held on February 5, 2013, April 16, 2013 and July 15, 2013, resolved to distribute interim cash dividends amounting to SR 111 million, SR 144 million and SR 102 million, respectively, which were paid to the shareholders during the nine months period ended September 30, 2013.

9. APPROVAL OF FINANCIAL STATEMENTS

These interim consolidated financial statements were approved by the Board of Directors on October 22, 2013.