JARIR MARKETING COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2009

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(SAUDI JOINT STOCK COMPANY)

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Deloitte.

Deloitte & Touche
Bakr Abulkhair & Co.
Public Accountants - License No. 96
P.O. Box 213, Riyadh 11411
Kingdom of Saudi Arabia

Tel : +966 (1) 4630018
Fax : +966 (1) 4630865
www.deloitte.com
Head Office: Riyadh

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) as of December 31, 2009, and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended, and the notes 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, 2009, 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.

Yaser H. Balkhi
License No. 389

ديلويت آند توش
بكر أبو الخير وشركاهم
محاسبون قانونيون
ترخيص رقم ٩٦ Lic. 96
C.P.A
Deloitte & Touche
Bakr Abulkhair & Co.

Safar 23, 1431
February 7, 2010

JARIR MARKETING CO.
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2009

	Notes	2009 SR'000	2008 SR'000
ASSETS			
Current assets			
Cash and cash equivalent		**39,660**	24,263
Accounts receivable, net	4	**181,183**	163,176
Inventories, net	5	**421,424**	390,832
Prepaid expenses and others		**36,841**	26,571
Total current assets		**679,108**	604,842
Non-current assets			
Investment property	6	**7,913**	8,193
Available for sale investments	7	**27,951**	27,951
Property and equipment, net	8	**535,444**	521,931
Total non-current assets		**571,308**	558,075
TOTAL ASSETS		**1,250,416**	1,162,917
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Due to banks	10	**37,054**	42,028
Accounts payable	11	**277,061**	190,144
Accrued expenses and others		**44,845**	40,778
Deferred revenues	12	**10,881**	9,739
Provision for zakat	13	**12,498**	10,135
Total current liabilities		**382,339**	292,824
Non-current liabilities			
Long-term loan	14	**100,000**	150,000
Provision for end-of-service indemnities		**27,029**	23,878
Employees' incentive program		**18,210**	9,349
Total non-current liabilities		**145,239**	183,227
Total liabilities		**527,578**	476,051
Shareholders' equity			
Capital	1	**400,000**	300,000
Statutory reserve	16	**37,397**	90,644
Reserve for employees' future social welfare / stock option scheme		**13,000**	13,000
Retained earnings		**272,441**	283,222
Total shareholders' equity		**722,838**	686,866
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,250,416**	1,162,917

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, 2009

	Notes	**2009 SR'000**	2008 SR'000
Sales		**2,555,306**	2,519,918
Cost of sales		**(2,068,928)**	(2,084,930)
Gross profit		**486,378**	434,988
Selling and distribution expenses	17	**(50,303)**	(35,034)
General and administrative expenses	18	**(51,613)**	(50,734)
Operating income		**384,462**	349,220
Other income		**13,650**	5,246
Financing charges		**(13,490)**	(12,950)
Profit before zakat		**384,622**	341,516
Zakat	13	**(10,650)**	(8,750)
NET INCOME FOR THE YEAR		**373,972**	332,766
Earnings per share from:	19		
Operating income (Saudi Riyal)		**9.61**	8.73
Net income for the year (Saudi Riyal)		**9.35**	8.32

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, 2009

	2009 SR'000	2008 SR'000
OPERATING ACTIVITIES		
Income before zakat	**384,622**	341,516
Adjustments for:		
Depreciation	**18,638**	14,226
Gain on sale of property and equipment	**(326)**	(529)
Employees' incentive program	**8,861**	4,256
Provision for end of service indemnities	**4,280**	4,847
Changes in Operating Assets and Liabilities:		
Accounts receivable, net	**(18,007)**	(25,049)
Inventories, net	**(30,592)**	(13,739)
Prepaid expenses and others	**(10,270)**	(11,268)
Accounts payable	**86,917**	(13,543)
Accrued expenses and others	**4,067**	16,726
Deferred revenues	**1,142**	2,396
Zakat paid	**(8,287)**	(8,713)
End-of-service indemnities paid	**(1,129)**	(778)
Net cash from operating activities	**439,916**	310,348
INVESTING ACTIVITIES		
Additions to property and equipment	**(31,878)**	(51,588)
Proceeds from sale of property and equipment	**333**	555
Net cash used in investing activities	**(31,545)**	(51,033)
FINANCING ACTIVITIES		
Due to banks	**(4,974)**	(147,972)
Long-term loans	**(50,000)**	150,000
Dividends paid	**(338,000)**	(255,000)
Net cash used in financing activities	**(392,974)**	(252,972)
Net change in cash and cash equivalent	**15,397**	6,343
Effect in change of exchange rates on investment property	**-**	(404)
Cash and cash equivalent, beginning of the year	**24,263**	18,324
CASH AND CASH EQUIVALENT, END OF THE YEAR	**39,660**	24,263

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, 2009

	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, 2008	300,000	57,367	13,000	238,733	609,100
Net income for the year	-	-	-	332,766	332,766
Transferred to statutory reserve	-	33,277	-	(33,277)	-
Dividends paid	-	-	-	(255,000)	(255,000)
Balance at December 31, 2008	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**

The accompanying notes 1 to 27 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 11 Rajab 1421H (corresponding to 8 October 2000) and registered in Riyadh, Kingdom of Saudi Arabia under Commercial Registration No. 1010032264 dated 18 Shaa'ban 1400H (corresponding to 1 July 1980).

The Company's registered office is based in Riyadh. As at December 31, 2009, the Company had 27 showrooms (2008: 23 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, 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 and maintenance of computers.

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 earning, 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:

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 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 flow 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 (if any) 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 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 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 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 software and hardware	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.

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 audit financial statements of the Company. Incentive compensation accrued under the Program is classified as non-current liability as no payments will be made until vesting takes place on December 31, 2011. However, 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 use 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 geographic segment), which is subject to risks and rewards that are different from those of other segments

Expenses
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.

General and administrative expenses include direct and indirect expenses not specifically part of cost of sales and acquiring 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.

4. ACCOUNTS RECEIVABLE, NET

	2009 SR'000	2008 SR'000
Trade receivables	**126,410**	99,406
Advances to suppliers	**49,911**	36,430
Claims on vendors	**16,703**	29,828
Employees receivable	**10,727**	9,863
Others	**5,383**	4,327
	209,134	179,854
Less: Provision for doubtful debts	**(27,951)**	(16,678)
	181,183	163,176

5. INVENTORIES, NET

	2009 SR'000	2008 SR'000
Computers and related supplies and programs	**173,614**	154,007
Office supplies	**97,172**	103,397
School supplies	**46,233**	48,316
Books	**46,880**	45,195
Gifts and digital systems	**49,700**	36,079
Engineering and technical supplies	**15,626**	14,605
Goods in transit	**6,311**	11,491
Video Games	**23,227**	-
Others	**17,398**	24,256
	476,161	437,346
Less: Provision for slow moving inventories	**(54,737)**	(46,514)
	421,424	390,832

6. INVESTMENT PROPERTY

	2009 SR'000	2008 SR'000
Cost:		
At the beginning and end of the year	**8,929**	8,489
Depreciation:		
At the beginning of the year	**736**	434
Charge for the year	**280**	266
At the end of the year	**1,016**	700
Effect of fluctuation in exchange rate	**-**	404
Net book value as at December 31	**7,913**	8,193

The effect of fluctuation in exchange rate of 2008 has been factored in the opening balance of 2009 of both cost and accumulated depreciation.

7. AVAILABLE FOR SALE INVESTMENTS

Available for sale Investments 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, 2009 the Group's share amounting to SR 27,951 thousand (2008: 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.

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 2009 SR'000**	Total 2008 SR'000
Cost										
Beginning of the year	336,092	156,372	6,737	55,199	11,156	19,647	7,358	44,447	637,008	586,531
Additions	20	325	120	8,861	1,173	954	183	20,242	31,878	51,588
Disposals	-	-	(24)	(122)	(757)	(18)	-	-	(921)	(1,111)
Transfers	-	36,793	284	1532	221	133	8,532	(47,495)	-	-
End of the year	336,112	193,490	7,117	65,470	11,793	20,716	16,073	17,194	667,965	637,008
Depreciation										
Beginning of the year	-	43,089	4,837	38,908	6,558	15,315	6,370	-	115,077	102,202
Charge for the year	-	6,268	565	3,936	1,946	2,188	3,455	-	18,358	13,960
Disposals	-	-	(24)	(115)	(757)	(18)	-	-	(914)	(1,085)
End of the year	-	49,357	5,378	42,729	7,747	17,485	9,825	-	132,521	115,077
Net book amounts										
At December 31, 2009	**336,112**	**144,133**	**1,739**	**22,741**	**4,046**	**3,231**	**6,248**	**17,194**	**535,444**	
At December 31, 2008	336,092	113,283	1,900	16,291	4,598	4,332	988	44,447		521,931

Depreciation charge for the year is allocated as follows:

	2009 SR'000	2008 SR'000
Cost of sales	**16,161**	12,196
Selling and distribution expenses (note 17)	**210**	218
General and administration expenses (note 18)	**1,987**	1,546
	18,358	13,960

9. DERIVATIVES

At December 31, 2009, the Group had two (2008: two) commission rate swap agreements with a notional amount of SR 150 million and SR 100 million (2008: 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 (2008: 3.62% and 3.50% respectively) 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 the decline therein during the year amounted to SR 10.7 million and SR 2.7 million respectively (2008: SR 8 million and SR 8 million respectively).

10. DUE TO BANKS

As of December 31, the Company had bank facilities amounting to SR 593 million (2008: SR 653 million) in the form of Tawaruq loans, Murabaha liquidity finance, over draft, documentary credit and bank guarantees from local commercial banks, of which SR 37 million (2008: SR 42 million) was utilized. These facilities are secured by promissory notes.

Funding facilities carry commission rates calculated at variable profit rates.

11. ACCOUNTS PAYABLE

	2009 **SR'000**	2008 SR'000
Trade payables	**243,285**	159,591
Advances from customers	**6,081**	7,315
Employees	**3,731**	2,696
Other	**23,964**	20,542
	277,061	190,144

12. DEFERRED REVENUES

Deferred revenues represent mainly amounts received from rental activity but not earned as at December 31, 2009 and 2008. 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.

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

	2009 **SR'000**	2008 SR'000
Opening equity	**686,866**	609,100
Dividends paid during the year limited to the opening balance of retained earnings	**(283,222)**	(238,733)
Opening provisions and other adjustments	**82,336**	49,780
Book value of long term assets	**(593,543)**	(569,956)
Loans	**100,000**	-
Employees' incentive program	**18,210**	9,349
	10,647	(140,460)
Zakatable income for the year	**404,357**	374,072
Zakat base	**415,004**	233,612

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:

	2009 **SR'000**	2008 SR'000
Beginning of the year	**10,135**	10,098
Provided during the year	**10,650**	8,750
Payments during the year	**(8,287)**	(8,713)
End of the year	**12,498**	10,135

Status of assessments

The Company has finalized its zakat assessment up to year ended December 31, 2007. The Company has also filed its zakat returns with Department of Zakat and Income Tax (DZIT) for the year ended December 31, 2008 which is still under assessment of DZIT.

14. LONG TERM LOAN

	2009 **SR'000**	2008 SR'000
Balance at January 1	**150,000**	-
Addition during the year	**100,000**	150,000
Paid during the year	**(150,000)**	-
Balance at December 31	**100,000**	150,000
Current portion of long-term loan	**-**	-
	100,000	150,000

During 2009, the Company has paid off the full balance of the loan outstanding at January 1, 2009 and obtained a new Tawaruq long-term loan amounting to SR 100 million from a local commercial bank out of a total credit limit of SR 150 million. The loan carries a commission rate calculated at variable profit rates, management fees of SR 150,000 (2008: SR 300,000) and is repayable in equal quarterly installments of SR 25 million each commencing on January 1, 2011.

15. RELATED PARTY TRANSACTIONS

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

Related party	Nature of transaction	**2009** **SR'000**	2008 SR'000
Board of directors	Salaries, benefits and remunerations	**9,687**	11,257
Shareholders and parties related to board of directors	Supporting services	**7,699**	4,321
	Rent charges	**4,002**	2,445

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. SELLING AND DISTRIBUTION EXPENSES

	2009 **SR'000**	2008 SR'000
Salaries and related costs	**20,485**	17,644
Advertising	**23,452**	12,929
Provision for doubtful debts	**4,597**	2,560
Depreciation (note 8)	**210**	218
Others	**1,559**	1,683
	50,303	35,034

18. GENERAL AND ADMINISTRATION EXPENSES

	2009 **SR'000**	2008 SR'000
Salaries and related costs	**38,590**	30,110
Professional fees	**988**	7,738
Other employee related expenses	**2,122**	2,945
Maintenance	**2,597**	1,892
Provision for doubtful debts	**92**	1,649
Depreciation (note 8)	**1,987**	1,546
Rent	**661**	757
Others	**4,576**	4,097
	51,613	50,734

19. EARNINGS PER SHARE

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

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, 2009 and 2008 are as follows:

A) Business segment

	Retail	Wholesale	Total
	SR million		
December 31, 2009			
Total assets	**1,052**	**198**	**1,250**
Sales	**2,256**	**299**	**2,555**
Net income	**337**	**37**	**374**
December 31, 2008			
Total assets	964	199	1,163
Sales	2,231	289	2,520
Net income	304	29	333

The Group's activity in different geographic areas for the year ended December 31, 2009 and 2008 is as follows:

B) Geographical Segment

	Kingdom of Saudi Arabia	GCC and Egypt	Total
	SR million		
December 31, 2009			
Sales	**2,255**	**300**	**2,555**
Net income	**315**	**59**	**374**
December 31, 2008			
Sales	2,210	310	2,520
Net income	266	67	333

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, 2009:

	2009 **SR million**	2008 SR million
Letters of credit	**7.1**	7.5
Letters of guarantee	**42.1**	38.5

Contingency

During the quarter ended June 30, 2007, the Company acquired an ownership interest in a real estate development project for SR 14.5 million and subsequently exchanged it for a piece of land with a fair market value of SR 17.2 million at the exchange date. The Company has deferred the gain on the exchange of SR 2.7 million as the final exchange value is contingent on the liquidation of the exchanged real estate ownership interest.

22. OPERATING LEASES

Leases as Lessor

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

Year	**2009** **SR'000**	2008 SR'000
2009	**-**	11,941
2010	**19,160**	8,851
2011	**14,675**	4,349
2012	**9,394**	1,547
2013	**7,070**	571
2014	**5,657**	-
	55,956	27,259

Leases as Lessee

Rent expense on operating leases for the year amounted to SR 34 million (2008: SR 22 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.

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, 2009 approved the appropriation of the net income for the year ended December 31 2008 as follows:

- distribution of cash dividends of SR 270 million of which SR 135 million was paid on interim basis during 2008.
- transfer 10% of net income to statutory reserve.
- payment of SR 950 thousand as Board of Directors' remuneration.

During 2009, the Board of Directors resolved to distribute three quarterly cash dividends amounting to SR 75 million, SR 60 million and SR 68 million for the first three quarters of 2009 respectively. In its meeting held on Safar 23, 1431H (corresponding to 7 February 2010) the Board of Directors proposed cash dividends amounting to SR 92 million for the fourth quarter.

26. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The board of directors, in its meeting held on Safar 23, 1431H (corresponding to February 7, 2010), has approved these consolidated financial statements.

27. COMPARATIVE FIGURES

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