

JARIR MARKETING CO.
(A Saudi Joint Stock Company)

**Interim Condensed Consolidated
Financial Statements and Independent
Auditors' Review Report for the Three
and Nine-Month Periods Ended
September 30, 2007 and 2006**

AL JURAIID & COMPANY

MEMBER FIRM OF

PRICEWATERHOUSECOOPERS 

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INDEPENDENT AUDITORS' REVIEW REPORT

October 21, 2007

To the Shareholders of Jarir Marketing Co.
(Saudi joint stock company)

We have reviewed the accompanying interim consolidated balance sheets of Jarir Marketing Co. (the "Company") and its subsidiaries as of September 30, 2007 and 2006 and the related interim consolidated statements of income for the three and nine-month periods then ended, and the related statements of changes in shareholders' equity and cash flows for the nine-month periods then ended, including the related condensed notes. These interim condensed consolidated financial statements are the responsibility of the Company's management.

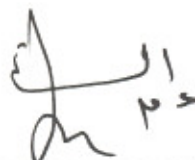
We conducted our review in accordance with the standard of interim financial statements issued by the Saudi Organization for Certified Public Accountants. A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for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

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim condensed consolidated financial statements as of and for the three and nine-month periods ended September 30, 2007 and 2006 for them to be in conformity with accounting principles generally accepted in Saudi Arabia appropriate to the circumstances of the Company.

AL JURAIID & COMPANY

Member Firm of PricewaterhouseCoopers

By: _____



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JARIR MARKETING CO.
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED BALANCE SHEETS

	<i>Saudi Riyals "000</i>		
	September 30, 2007 (Unaudited)	December 31, 2006 (Audited)	September 30, 2006 (Unaudited)
ASSETS			
Current assets			
Cash and cash equivalents	26,478	33,113	35,838
Accounts receivable, net	170,430	137,637	163,511
Inventories, net	318,937	306,778	275,690
Prepaid expenses and other	<u>16,237</u>	<u>10,871</u>	<u>11,134</u>
Total current assets	532,082	488,399	486,173
Investment property, net	8,089	8,290	8,357
Equity investment	27,951	27,951	27,951
Property and equipment, net	<u>454,997</u>	<u>318,712</u>	<u>316,128</u>
TOTAL ASSETS	<u>1,023,119</u>	<u>843,352</u>	<u>838,609</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Due to banks	84,853	557	67,784
Accounts payable	203,952	160,210	135,155
Accrued expenses and other	33,261	28,484	23,630
Deferred revenues	<u>8,647</u>	<u>5,269</u>	<u>6,465</u>
Total current liabilities	330,713	194,520	233,034
Provision for employees' end-of-service indemnities	<u>17,635</u>	<u>15,981</u>	<u>15,275</u>
Total liabilities	<u>348,348</u>	<u>210,501</u>	<u>248,309</u>
Shareholders' equity			
Share capital	300,000	300,000	300,000
Statutory reserve	51,934	29,742	25,487
Special reserve for expansion	-	13,085	13,085
Reserve for employees' future social welfare/stock option scheme	13,000	13,000	13,000
Retained earnings	<u>309,837</u>	<u>277,024</u>	<u>238,728</u>
Total shareholders' equity	<u>674,771</u>	<u>632,851</u>	<u>590,300</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>1,023,119</u>	<u>843,352</u>	<u>838,609</u>

The accompanying notes form an integral part of these financial statements

JARIR MARKETING CO.
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
FOR THE THREE AND NINE-MONTH PERIODS ENDED
SEPTEMBER 30, 2007 AND 2006

	<i>Saudi Riyals '000</i>			
	Three-month period ended September 30		Nine-month period ended September 30	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Sales	477,653	446,762	1,300,648	1,157,235
Cost of sales and occupancy	<u>(376,409)</u>	<u>(348,542)</u>	<u>(1,041,006)</u>	<u>(920,932)</u>
Gross profit	101,244	98,220	259,642	236,303
General and administrative expenses	(6,306)	(8,221)	(20,217)	(21,537)
Selling and distribution expenses	<u>(5,605)</u>	<u>(6,243)</u>	<u>(15,360)</u>	<u>(14,702)</u>
Operating income	89,333	83,756	224,065	200,064
Other income, principally rental income	3,519	2,028	10,352	11,952
Financing charges, net	<u>(2,171)</u>	<u>(1,977)</u>	<u>(4,157)</u>	<u>(4,708)</u>
Income before zakat	90,681	83,807	230,260	207,308
Provision for zakat	<u>(3,200)</u>	<u>(3,050)</u>	<u>(8,340)</u>	<u>(6,576)</u>
Net income for the period	<u>87,481</u>	<u>80,757</u>	<u>221,920</u>	<u>200,732</u>
Number of shares outstanding	<u>30 million</u>	<u>30 million</u>	<u>30 million</u>	<u>30 million</u>
Earnings per share (in Saudi Riyals)	<u>2.92</u>	<u>2.69</u>	<u>7.4</u>	<u>6.69</u>

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JARIR MARKETING CO.
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INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2007 AND 2006

	<i>Saudi Riyals '000</i>					
	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Special reserve for expansion</u>	<u>Reserve for employees' future social welfare/stock option scheme</u>	<u>Retained earnings</u>	<u>Total</u>
Balance, January 1, 2007	300,000	29,742	13,085	13,000	277,024	632,851
Net income for the period	-	-	-	-	221,920	221,920
Transferred to statutory reserve	-	22,192	-	-	(22,192)	-
Transfer of special reserve for expansion to retained earnings	-	-	(13,085)	-	13,085	-
Dividends paid	-	-	-	-	(180,000)	(180,000)
Balance, September 30, 2007	<u>300,000</u>	<u>51,934</u>	<u>-</u>	<u>13,000</u>	<u>309,837</u>	<u>674,771</u>
Balance, January 1, 2006	300,000	5,414	13,085	8,000	183,069	509,568
Net income for the period	-	-	-	-	200,732	200,732
Transferred to statutory reserve	-	20,073	-	-	(20,073)	-
Transferred to reserve for employees' welfare/stock option scheme	-	-	-	5,000	(5,000)	-
Dividends paid	-	-	-	-	(120,000)	(120,000)
Balance, September 30, 2006	<u>300,000</u>	<u>25,487</u>	<u>13,085</u>	<u>13,000</u>	<u>238,728</u>	<u>590,300</u>

The accompanying notes form an integral part of these financial statements

JARIR MARKETING CO.
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INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2007 AND 2006

	<i>Saudi Riyals '000</i>	
	<u>2007</u>	<u>2006</u>
OPERATING ACTIVITIES		
Net income	221,920	200,732
Adjustments of net income for:		
Depreciation	10,311	9,044
Provision for employees' end-of-service indemnities	2,027	1,710
Changes in operating assets and liabilities:		
Accounts receivable, net	(32,793)	(38,850)
Inventories, net	(12,159)	10,922
Prepaid expenses and other	(5,366)	361
Accounts payable	43,742	2,123
Accrued expenses and other	4,777	2,807
Deferred revenues	3,378	1,198
Employees' end-of-service indemnities paid	(373)	(1,447)
Net cash provided from operating activities	<u>235,464</u>	<u>188,600</u>
INVESTING ACTIVITIES		
Additions to property and equipment	(146,479)	(41,511)
Disposal of property and equipment, net	84	158
Additions to equity investment	-	(27,951)
Additions to investment property	-	(885)
Net cash used in investing activities	<u>(146,395)</u>	<u>(70,189)</u>
FINANCING ACTIVITIES		
Due to banks	84,296	5,732
Dividends paid	(180,000)	(120,000)
Net cash used in financing activities	<u>(95,704)</u>	<u>(114,268)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(6,635)	4,143
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>33,113</u>	<u>31,695</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>26,478</u>	<u>35,838</u>
SUPPLEMENTAL INFORMATION OF NON-CASH ACTIVITY -		
Transfer from property and equipment to investment property	<u>-</u>	<u>7,604</u>

The accompanying notes form an integral part of these financial statements

JARIR MARKETING CO.
(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS FOR THE THREE AND NINE-MONTH PERIODS ENDED
SEPTEMBER 30, 2007 AND 2006**

1. FORMATION AND ACTIVITIES

Jarir Marketing Co. was incorporated as a Saudi joint stock company pursuant to the resolution of the Ministry of Commerce No. 1193 dated 11 Rajab 1421H (corresponding to October 8, 2000) and operates under Commercial Registration No. 1010032264.

The authorized and paid-up capital of the Company is SR 300 million divided into 30 million shares with a nominal value of SR 10 each.

The objectives of the Company include; retail and wholesale trading in office and school supplies, children's toys, books, educational aids, office furniture, engineering equipment, computers and computer systems, sports and scout equipment and paper. It also includes, purchasing of residential and commercial buildings, the acquisition of land to construct buildings for sale or lease for the interest of the Company, and maintenance of computers.

The Company's registered office is in Riyadh. At September 30, 2007, the Company had twenty-three wholesale and retail showrooms (2006: twenty-three) in Saudi Arabia and the subsidiaries had three retail showrooms (2006: three) in other Gulf Cooperation Council ("GCC") countries, in addition to the investment property located in Egypt.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying interim condensed consolidated financial statements have been prepared under the historical cost convention on the accrual basis of accounting and in compliance with the Standard of Interim Financial Reports issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

The accounting policies adopted by the Company in the preparation of its interim condensed consolidated financial statements, summarized below, are in conformity with those described in the Company's annual audited consolidated financial statements for the year ended December 31, 2006. In management's opinion, the interim condensed financial statements reflect all adjustments (which include only normal recurring adjustments) necessary to present fairly the results of operations for the interim periods presented. These accompanying interim condensed consolidated financial statements and notes should be read in connection with the annual audited consolidated financial statements and related notes for the year ended December 31, 2006.

The interim results of operations may not represent a proper indication for the annual results of operations.

Use of estimates

The preparation of financial statements in conformity with generally accepted 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates.

Principles of consolidation

The accompanying interim condensed consolidated financial statements for the three and nine-month periods ended September 30, 2007 and 2006 include the accounts of Jarir Marketing Co. and the following wholly owned subsidiaries:

- United Company for Office Supplies and Stationeries WLL - Qatar
- Jarir Trading Co. LLC - Abu Dhabi
- The United Bookstore - Abu Dhabi
- Jarir Bookstore - Kuwait
- Jarir Egypt Financial Leasing Co. (SAE) - Egypt (commenced operations during May 2006 and it includes purchasing or real estate for lease).

Certain ownership interests in the subsidiaries shown above are registered in the name of trustees and are included in the effective ownership percentage.

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 have been eliminated.

Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid investments, if any, with original maturities of three months or less at the date of acquisition.

Revenue

- Sales are recognized upon delivery of goods to customers and are stated at net of discounts.
- Rental income is recognized on accrual basis over the period of lease contracts. Advance payments from the lessees are recorded as deferred revenues then recognized as rent income on a straight-line basis over the period of the related leases.

Cost of sales and occupancy

Cost of sales and occupancy include cost of merchandise, purchasing, warehousing and showroom related expenses.

Expenses

Selling and distribution expenses principally comprise of costs incurred in the distribution and sale of the Company's products.

General and administrative expenses include direct and indirect costs not specifically part of cost of sales and occupancy or selling and distribution expenses as required under generally accepted accounting standards. Allocations between general and administrative expenses, cost of sales and occupancy and selling and distribution expenses, when required, are made on a consistent basis.

Operating leases

Payments made under operating leases entered into by the Company as a lessee are charged to income on a straight-line basis over the period of the related leases.

The lease amounts received under operating leases entered into by the Company as a lessor are recorded as income in the interim consolidated statement of income on a straight-line basis over the periods of the related leases.

Inventories

Inventories are stated at the lower of cost or market value. Cost of inventory in the warehouse and showrooms are determined on the moving weighted average cost basis.

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation. Expenditures for maintenance and repairs are expensed, while expenditures for betterments are 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
Building improvements	3

Investment property

Investment property, which is property held to earn rentals, is stated at its cost, net of accumulated depreciation. Depreciation is provided using the straight-line method based on the estimated useful life of 33 years.

Equity investment

Equity investment represents an investment of 1.26% in a limited liability company. Such investment is classified as available for sale and is stated at cost since currently there is no quoted market price and its fair value cannot be reliably measured.

Impairment of long-lived assets

At each balance sheet date, the Company reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment, if any. Where it is not possible to estimate the recoverable amount of individual assets, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

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 of the consolidated subsidiaries 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 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 in a separate line item under shareholders' equity.

Provision for employees' end-of-service indemnities

Employees' end-of-service indemnities benefits are payable as a lump sum to all employees employed under the terms and conditions of Saudi Labor and Workman Law on termination of their employment contracts. The liability is calculated as the current value of the vested benefits to which the employee is entitled, should the employee leave at the balance sheet date. Termination payments are based on employees' final salaries and their cumulative years of service, as defined by the conditions stated in the laws of the Kingdom of Saudi Arabia.

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 accrual basis and charged to the interim consolidated statement of income. The estimated Zakat charge is computed on the Zakat base and estimated on a quarterly basis. Any difference in the estimate is recorded when the final assessment is approved at which time the provision is adjusted.

Special reserve for expansion

This reserve has been established and approved by the Company's General Assembly to be used for future expansion of the business. In March 2007, the Company transferred this reserve to retained earnings as approved by the General Assembly.

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.

Earnings per share

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

3. SEASONAL SALES

Some of the Company's activities are affected significantly by seasonal sales related to the beginning of each school term, which cause sales to increase relative to other quarters.

4. STATUTORY RESERVE

In accordance with the Company's Articles of Association and the Regulations for Companies in Saudi Arabia, 10 per cent of the annual net income is transferred to statutory reserve until the said reserve equals 50 per cent of share capital. This reserve, which is estimated on a quarterly basis and adjusted to actual at year-end, is not currently available for distribution to the shareholders.

5. SEGMENTAL INFORMATION

The Company has two major operating segments, wholesale and retail. The segmental information as of and for the nine-month periods ended September 30, 2007 and 2006 is as follows:

	<i>Saudi Riyals '000</i>					
	<i>(Unaudited)</i>					
	2007			2006		
	<u>Total</u> <u>assets</u>	<u>Sales</u>	<u>Net</u> <u>income</u>	<u>Total</u> <u>assets</u>	<u>Sales</u>	<u>Net</u> <u>income</u>
Retail	837,370	1,114,643	190,240	666,750	992,298	173,368
Wholesale	<u>185,749</u>	<u>186,005</u>	<u>31,680</u>	<u>171,859</u>	<u>164,937</u>	<u>27,364</u>
Total	<u>1,023,119</u>	<u>1,300,648</u>	<u>221,920</u>	<u>838,609</u>	<u>1,157,235</u>	<u>200,732</u>

The Company's operations in different geographic areas for the nine-month periods ended September 30, 2007 and 2006 are as follows:

	<i>Saudi Riyals '000</i>			
	(Unaudited)			
	2007		2006	
	<u>Sales</u>	<u>Net income</u>	<u>Sales</u>	<u>Net income</u>
Saudi Arabia	1,137,076	181,090	1,005,691	164,009
Other Middle East countries	<u>163,572</u>	<u>40,830</u>	<u>151,544</u>	<u>36,723</u>
Total	<u>1,300,648</u>	<u>221,920</u>	<u>1,157,235</u>	<u>200,732</u>

The assets for the geographic areas are primarily located in Saudi Arabia.

6. SIGNIFICANT RELATED PARTY TRANSACTION

In January 2007, the Company purchased a land for the future expansion of the warehouses for SR 27 million from Jarir Investment Company, a related party. This transaction was approved by the Board of Directors.

7. COMMITMENTS AND CONTINGENCIES

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 land with a fair market value of SR 17.2 million at time of the exchange. 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.