

**JARIR MARKETING CO.**  
(SAUDI JOINT STOCK COMPANY)

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
AND AUDITORS' REVIEW REPORT  
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2009**

**JARIR MARKETING CO.**  
(SAUDI JOINT STOCK COMPANY)

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REVIEW  
REPORT  
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2009**

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**JARIR MARKETING CO.**  
(SAUDI JOINT STOCK COMPANY)

**INTERIM CONSOLIDATED BALANCE SHEET (Unaudited)**  
**AS OF JUNE 30, 2009**

	<b>2009</b>	2008
	<b>SR'000</b>	SR'000
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	<b>24,962</b>	25,424
Accounts receivable, net	<b>168,875</b>	154,372
Inventories, net	<b>387,922</b>	546,393
Prepaid expenses and others	<b>35,348</b>	25,201
<b>Total current assets</b>	<b>617,107</b>	751,390
<b>Non-current assets</b>		
Investments in leased property	<b>8,053</b>	7,922
Investments available for sale	<b>27,951</b>	27,951
Property and equipment, net	<b>521,554</b>	511,243
<b>Total non-current assets</b>	<b>557,558</b>	547,116
<b>TOTAL ASSETS</b>	<b>1,174,665</b>	1,298,506
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Due to banks	<b>25,218</b>	245,561
Accounts payable	<b>253,274</b>	324,292
Accrued expenses and others	<b>39,779</b>	33,216
Deferred revenues	<b>11,593</b>	8,363
<b>Total current liabilities</b>	<b>329,864</b>	611,432
<b>Non-current liabilities</b>		
Long-term debt	<b>150,000</b>	-
Provision for end-of-service indemnities	<b>26,535</b>	20,915
Employees' incentive program	<b>11,537</b>	7,138
<b>Total current liabilities</b>	<b>188,072</b>	28,053
<b>Total liabilities</b>	<b>517,936</b>	639,485
<b>Shareholders' equity</b>		
Capital	<b>400,000</b>	300,000
Statutory reserve	<b>17,986</b>	73,787
Cash flow hedge	-	5,729
Reserve for employees' future social welfare / stock option scheme	<b>13,000</b>	13,000
Retained earnings	<b>225,743</b>	266,505
<b>Total shareholders' equity</b>	<b>656,729</b>	659,021
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1,174,665</b>	1,298,506

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

**JARIR MARKETING CO.**  
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**INTERIM CONSOLIDATED STATEMENT OF INCOME (Unaudited)**

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>June 30</b>		<b>June 30</b>	
	<b>(Unaudited)</b>	(Unaudited)	<b>(Unaudited)</b>	(Unaudited)
	<b>2009</b>	2008	<b>2009</b>	2008
	<b>SR'000</b>	SR'000	<b>SR'000</b>	SR'000
Sales	<b>572,960</b>	617,195	<b>1,235,021</b>	1,214,645
Cost of sales	<b>(470,490)</b>	(525,927)	<b>(1,006,049)</b>	(1,002,863)
<b>Gross profit</b>	<b>102,470</b>	91,268	<b>228,972</b>	211,782
General and administrative expenses	<b>(10,831)</b>	(15,492)	<b>(24,460)</b>	(28,868)
Selling and distribution expenses	<b>(12,206)</b>	(6,058)	<b>(18,468)</b>	(13,125)
<b>Operating income</b>	<b>79,433</b>	69,718	<b>186,044</b>	169,789
Other (expenses) income	<b>(1,157)</b>	1,838	<b>6,211</b>	4,041
Financing charges	<b>(3,194)</b>	(2,558)	<b>(6,642)</b>	(4,989)
<b>Net Income before zakat</b>	<b>75,082</b>	68,998	<b>185,613</b>	168,841
Provision for zakat	<b>(2,670)</b>	(1,920)	<b>(5,750)</b>	(4,650)
<b>NET INCOME FOR THE PERIOD</b>	<b>72,412</b>	67,078	<b>179,863</b>	164,191
<b>Earnings per share from:</b>				
Operating income (Saudi Riyal)	<b>1.93</b>	1.72	<b>4.54</b>	4.18
Net income for the period (Saudi Riyal)	<b>1.81</b>	1.68	<b>4.50</b>	4.10

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**JARIR MARKETING CO.**  
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**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2009**

	<b>2009</b>	2008
	<b>SR'000</b>	SR'000
<b>OPERATING ACTIVITIES</b>		
Net income	<b>179,863</b>	164,191
Adjustments for:		
Depreciation	<b>8,030</b>	7,187
Employees' incentive program	<b>2,188</b>	2,046
Provision for end of service indemnities, net	<b>2,657</b>	1,106
Changes in Operating Assets and Liabilities:		
Accounts receivable, net	<b>(5,699)</b>	(10,515)
Inventories, net	<b>2,910</b>	(169,300)
Prepaid expenses and others	<b>(8,777)</b>	(9,899)
Accounts payable	<b>63,131</b>	120,605
Accrued expenses and others	<b>(11,134)</b>	(935)
Deferred income	<b>1,854</b>	1,020
Gain on sale of property and equipment	<b>(307)</b>	(161)
<b>Net cash from operating activities</b>	<b>234,716</b>	105,345
<b>INVESTING ACTIVITIES</b>		
Additions to property and equipment	<b>(7,516)</b>	(33,980)
Proceeds from sale of property and equipment	<b>309</b>	173
<b>Net cash used in investing activities</b>	<b>(7,207)</b>	(33,807)
<b>FINANCING ACTIVITIES</b>		
Due to banks	<b>(16,810)</b>	55,561
Dividends paid	<b>(210,000)</b>	(120,000)
<b>Net cash used in financing activities</b>	<b>(226,810)</b>	(64,439)
Net change in cash	<b>699</b>	7,099
Cash, beginning of the period	<b>24,263</b>	18,324
<b>CASH, END OF THE PERIOD</b>	<b>24,962</b>	25,423
<b>Non-cash transactions:</b>		
Net changes in the fair value of cash flow hedges	<b>-</b>	5,729

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

**JARIR MARKETING CO.**  
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**INTERIM CONSOLIDATED STATEMENT OF  
SHAREHOLDERS' EQUITY (Unaudited)  
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2009**

	Capital SR'000	Statutory reserve SR'000	Reserve for cash flow hedges SR	Reserve for employees' future social welfare/stock option scheme SR'000	Retained earnings SR'000	Total SR'000
January 1, 2008	300,000	57,367	-	13,000	238,733	609,100
Net income for the period	-	-	-	-	164,191	164,191
Transferred to statutory reserve	-	16,419	-	-	(16,419)	-
Cash flow hedge	-	-	5,730	-	-	5,730
Dividends paid	-	-	-	-	(120,000)	(120,000)
June 30, 2008	300,000	73,786	5,730	13,000	266,505	659,021
January 1, 2009	<b>300,000</b>	<b>90,644</b>	-	<b>13,000</b>	<b>283,222</b>	<b>686,866</b>
Net Income for the period	-	-	-	-	<b>179,863</b>	<b>179,863</b>
Transferred to capital	<b>100,000</b>	<b>(90,644)</b>	-	-	<b>(9,356)</b>	-
Transferred to statutory reserve	-	<b>17,986</b>	-	-	<b>(17,986)</b>	-
Dividends paid	-	-	-	-	<b>(210,000)</b>	<b>(210,000)</b>
June 30, 2009	<b>400,000</b>	<b>17,986</b>	-	<b>13,000</b>	<b>225,743</b>	<b>656,729</b>

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

**JARIR MARKETING CO.**  
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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2009**

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**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 11/7/1421 H., corresponding to October 8, 2000 and operates under commercial registration No. 1010032264.

The Company registered office is based in Riyadh. As at June 30, 2009, the company had 25 showrooms (2008: 21 showrooms) in the Kingdom of Saudi Arabia and the GCC, in addition to real estate investments in the Arab Republic of Egypt.

The objects 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, sports and scout equipment, 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 earnings, following this increase the company's capital became SR 400 million divided into SR 400 million shares of SR 10 each.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying interim consolidated financial statements have been prepared in accordance with the Standard of General Presentation and Disclosure issued by the Saudi Organization for Certified Public Accountants. The significant accounting policies applied by the Company, which is summarized below, are consistent with those stated in the annual audited consolidated financial statements for the year ended December 31, 2008. 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, 2008.

**Use of estimates**

The preparation of interim consolidated financial statements by management requires the use of estimates and assumptions that could affect the interim consolidated balance sheet and interim consolidated statement of income, actual result ultimately may differ from those estimates.

**JARIR MARKETING CO.**  
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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2009**

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**Accounting convention**

The financial statements are prepared under the historical cost convention, except for the measurement of investments available for sale at fair value.

**Basis of consolidation**

The consolidated financial statements for the six month period ended June 30, 2009 include the accounts of Jarir Marketing Co. and the following subsidiaries:

<u>Company</u>	<u>Country of incorporation</u>	<u>Ownership %</u>
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.

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.

**Revenue**

- Sales are recognized upon delivery of goods to customers net of discount.
- Rental income is recognized on accrual basis over the period of lease contracts.

**Cost of sales**

Cost of sales includes; purchasing, warehousing and showroom related expenses in addition to promotional items.

**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 costs not specifically part of cost of sales as required under generally accepted accounting standards. Allocations between general and administrative expenses and cost of sales, when required, are made on a consistent basis.

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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2009**

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**Inventories**

Inventories are stated at the lower of cost or market value. Cost of inventory in the warehouse is determined on the moving weighted average cost basis while inventories in the showrooms are reflected at cost using the retail inventory method.

**Property and equipment**

Property and equipment are stated at cost net of accumulated depreciation. Repair and maintenance costs are expensed, and improvement costs 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
Buildings 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 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 as a separate line item under the shareholders' equity.

**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.

**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.

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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2009**

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**Accounts receivable**

Accounts receivable are stated in the interim consolidated balance sheet net of realizable value and provision for doubtful debts (if any). The provision for doubtful debts is estimated based on analysis of the collectible amounts of the accounts receivable balances at the end of the period of the interim consolidated financial statements.

**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.

**Operating lease**

Operating lease payments are recognized as expenses in the interim consolidated statement of income on 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 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 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 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.

**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 interim consolidated statement of income.

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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2009**

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**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 in the interim consolidated statements of changes in shareholders' equity. Any decline in value considered to be other than temporary 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 on the basis of most recent financial statements, otherwise, cost is considered to be the fair value.

**b) Investments in leased property**

Investments in leased properties are stated at net book value (cost less accumulated depreciation) and included under non-current assets. Land is not depreciated. Leased properties are depreciated on a straight line basis over their estimated useful lives.

**3. PERIOD ADJUSTMENTS**

All adjustments that the Company's management believe is material for the fair presentation of the financial statements and the results of operations have been incorporated. The interim financial period results may not indicate accurately the actual results for the whole year.

**4. DERIVATIVE**

During the second quarter of year 2008, the Company entered into interest rate hedging agreements with several local banks to hedge the cash flow risks from the fluctuation in loans rates resulting from the financing activities for a notional amount of SR 250 million. The hedging agreements are based on the swap between the Company and the banks of fixed rates against floating rates.

**5. STATUTORY RESERVE**

In accordance with the Regulations for Companies in Saudi Arabia and the Company'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 is not available for dividend distribution.

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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2009**

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**6. SEGMENT INFORMATION**

The Company has two major operating segments namely, wholesale and retail. The segmental information for the six months ended June 30, 2009 and 2008 are as follows:

**A) Business segment**

	Retail SR millions	Wholesale SR millions	Total SR millions
<b>June 30, 2009</b>			
Total assets	<b>1,012</b>	<b>162</b>	<b>1,174</b>
Sales	<b>1,092</b>	<b>143</b>	<b>1,235</b>
Net income	<b>164</b>	<b>16</b>	<b>180</b>
<b>June 30, 2008</b>			
Total assets	1,048	251	1,299
Sales	1,077	138	1,215
Net income	146	18	164

The Company's operations in different geographic areas for the six months ended June 30, 2009 and 2008 is as follows:

**B) Geographic Segment**

	Kingdom of Saudi Arabia SR millions	Gulf Countries and Egypt SR millions	Total SR millions
<b>June 30, 2009</b>			
Sales	<b>1,083</b>	<b>152</b>	<b>1,235</b>
Net income	<b>149</b>	<b>31</b>	<b>180</b>
<b>June 30, 2008</b>			
Sales	1,070	145	1,215
Net income	130	34	164

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

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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2009**

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**7. EARNINGS PER SHARE**

Earning per share is computed by dividing each of the operating income for the period and the net income for the period by the outstanding number of shares at the end of the period which is 40 million shares for 2009 and 2008.

**8. INTERIM RESULT**

The results of operations for the interim periods may not be a fair indication of the results in the final financial statements.

**9. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were approved by the Board of Directors on July 21, 2009.

**10. COMPARATIVE FIGURES**

Certain figures have been reclassified to conform with the presentation in the current period.

**11. SUBSEQUENT EVENTS**

The board of directors in their meeting on July 5, 2009 decided to distribute quarter dividends from the Company's 2009 annual profits at SR 1.5 per share to the shareholders of record as of the close of August 11, 2009.