

**JARIR MARKETING COMPANY**  
**(A Saudi Joint Stock Company)**

**UNAUDITED CONDENSED CONSOLIDATED  
INTERIM FINANCIAL STATEMENTS FOR THE  
THREE-MONTH AND SIX-MONTH PERIODS ENDED  
JUNE 30, 2017 AND REVIEW REPORT**

**JARIR MARKETING COMPANY**  
**(A Saudi Joint Stock Company)**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2017**

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## **REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION**

To the shareholders of Jarir Marketing Company:  
(A Saudi Joint Stock Company)

### **Introduction**

We have reviewed the accompanying condensed consolidated interim statement of financial position of Jarir Marketing Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as of June 30, 2017, the related condensed consolidated interim statements of income and comprehensive income for the three-month and six-month periods then ended, the condensed consolidated interim statements of changes in shareholders' equity and cash flows for the six-month period then ended and the notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard No. 34 - "Interim Financial Reporting" (IAS 34), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

**PricewaterhouseCoopers**

By:   
Omar M. Al Sagga  
License Number 369  
August 6, 2017

**JARIR MARKETING COMPANY**  
**(A Saudi Joint Stock Company)**  
**Condensed consolidated interim statement of financial position**  
**(All amounts in Saudi Riyals thousands unless otherwise stated)**

	Note	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		150,380	157,794
Trade receivables		92,986	100,954
Inventories		896,508	882,798
Prepayments and other assets		221,021	198,747
<b>Total current assets</b>		<b>1,360,895</b>	<b>1,340,293</b>
<b>Non-current assets</b>			
Financial assets at fair value through profit or loss		27,951	27,951
Investment properties, net	10	263,354	256,803
Property and equipment, net	10	1,030,461	1,008,854
<b>Total non-current assets</b>		<b>1,321,766</b>	<b>1,293,608</b>
<b>Total assets</b>		<b>2,682,661</b>	<b>2,633,901</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Bank borrowings and term loans	4	60,000	-
Liabilities against capital leases		618	462
Accounts payable		813,090	793,902
Accrued expenses and other liabilities		129,502	121,748
Employees' incentive program		-	12,622
Deferred revenues		14,991	17,171
Zakat payable		23,825	29,825
<b>Total current liabilities</b>		<b>1,042,026</b>	<b>975,730</b>
<b>Non-current liabilities</b>			
Liabilities against capital leases		11,038	11,781
End of service benefits		124,066	118,277
Employees' incentive program		22,665	18,272
Deferred revenues		5,084	6,149
<b>Total non-current liabilities</b>		<b>162,853</b>	<b>154,479</b>
<b>Total liabilities</b>		<b>1,204,879</b>	<b>1,130,209</b>
<b>Shareholders' equity</b>			
Share capital		900,000	900,000
Statutory reserve	2.12	296,500	296,500
Foreign exchange reserve		(72,973)	(72,973)
Retained earnings		354,255	380,165
<b>Total shareholders' equity</b>		<b>1,477,782</b>	<b>1,503,692</b>
<b>Total liabilities and shareholders' equity</b>		<b>2,682,661</b>	<b>2,633,901</b>

The notes on pages 8 to 26 form an integral part of these condensed consolidated interim financial statements.

**JARIR MARKETING COMPANY**  
**(A Saudi Joint Stock Company)**  
**Condensed consolidated interim statement of income**  
**(All amounts in Saudi Riyals thousands unless otherwise stated)**

	Note	Three-month period ended June 30,		Six-month period ended June 30,	
		2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
Sales		1,584,804	1,390,739	3,289,755	2,808,172
Cost of sales	3.3,3.4	<u>(1,392,088)</u>	<u>(1,227,981)</u>	<u>(2,849,661)</u>	<u>(2,430,642)</u>
Gross profit		192,716	162,758	440,094	377,530
<b>Operating expenses</b>					
General and administrative	3.3,3.4	<u>(28,801)</u>	<u>(23,378)</u>	<u>(53,478)</u>	<u>(45,124)</u>
Selling and marketing	3.3,3.4	<u>(30,698)</u>	<u>(23,201)</u>	<u>(40,458)</u>	<u>(49,493)</u>
Income from operations		133,217	116,179	346,158	282,913
<b>Other income (expenses)</b>					
Other income	3.3,3.4,4	15,660	13,082	25,941	25,140
Finance costs	6	<u>(118)</u>	-	<u>(118)</u>	<u>(48)</u>
Income before zakat		148,759	129,261	371,981	308,005
Zakat		<u>(1,000)</u>	<u>(2,781)</u>	<u>(2,781)</u>	<u>(6,563)</u>
<b>Net income for the period</b> All attributable to the shareholders of the Company	3.3,3.4	<u>147,759</u>	<u>126,480</u>	<u>369,200</u>	<u>301,442</u>
<b>Earnings per share (Saudi Riyals):</b>					
Basic and diluted earnings per share	3.3,3.4,7	<u>1.64</u>	<u>1.41</u>	<u>4.10</u>	<u>3.35</u>

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**JARIR MARKETING COMPANY**  
**(A Saudi Joint Stock Company)**  
**Condensed consolidated interim statement of comprehensive income**  
**(All amounts in Saudi Riyals thousands unless otherwise stated)**

	Note	Three-month period ended		Six-month period ended	
		June 30,		June 30,	
		2017	2016	2017	2016
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net income for the period	3.3,3.4	147,759	126,480	369,200	301,442
Other comprehensive income that may be reclassified subsequently to the consolidated statement of income		·	-	·	-
Other comprehensive income that will not be reclassified subsequently to the consolidated statement of income		·	-	·	-
Other comprehensive income for the period		-	-	-	-
<b>Total comprehensive income for the period</b>	3.3,3.4	<b>147,759</b>	<b>126,480</b>	<b>369,200</b>	<b>301,442</b>

All attributable to the shareholders of the Company.

The notes on pages 8 to 26 form an integral part of these condensed consolidated interim financial statements.

**JARIR MARKETING COMPANY**  
**(A Saudi Joint Stock Company)**  
**Condensed consolidated interim statement of changes in shareholders' equity**  
**(All amounts in Saudi Riyals thousands unless otherwise stated)**

	Note	Share capital	Statutory reserve	Foreign exchange reserve	Retained earnings	Total
<b>January 1, 2017 (Audited)</b>		900,000	296,500	(72,973)	380,165	1,503,692
Adjustment to opening retained earnings on adoption of IFRS 9	2.1 (v) (a)	-	-	-	(3,610)	(3,610)
<b>Adjusted total equity at January 1, 2017</b>		<b>900,000</b>	<b>296,500</b>	<b>(72,973)</b>	<b>376,555</b>	<b>1,500,082</b>
Net income for the period		-	-	-	369,200	369,200
Other comprehensive income for the period		-	-	-	-	-
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>369,200</b>	<b>369,200</b>
<b>Transactions with owners in their capacity as owners:</b>						
Dividends	8	-	-	-	(391,500)	(391,500)
<b>June 30, 2017 (Unaudited)</b>		<b>900,000</b>	<b>296,500</b>	<b>(72,973)</b>	<b>354,255</b>	<b>1,477,782</b>
<b>January 1, 2016 (Audited)</b>		<b>900,000</b>	<b>222,709</b>	<b>-</b>	<b>355,391</b>	<b>1,478,100</b>
Net income for the period	3.4	-	-	-	301,442	301,442
Other comprehensive income for the period	3.4	-	-	-	-	-
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>301,442</b>	<b>301,442</b>
<b>Transactions with owners in their capacity as owners:</b>						
Dividends	8	-	-	-	(333,000)	(333,000)
<b>June 30, 2016 (Unaudited)</b>		<b>900,000</b>	<b>222,709</b>	<b>-</b>	<b>323,833</b>	<b>1,446,542</b>

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**JARIR MARKETING COMPANY**  
**(A Saudi Joint Stock Company)**  
**Condensed consolidated interim statement of cash flows**  
**(All amounts in Saudi Riyals thousands unless otherwise stated)**

	Six-month period ended June 30,	
	2017 (Unaudited)	2016 (Unaudited)
<b>Cash flow from operating activities</b>		
Net income for the period	369,200	301,442
<u>Adjustments for non-cash items</u>		
Depreciation	25,388	25,033
Provision (reversal) for doubtful debts, net	3,572	(44)
Provision for slow moving inventory	20,031	1
Amortization of deferred revenue	(876)	(99)
Gain on sale of property and equipment	(4,265)	(262)
Zakat	2,781	6,563
Provision for end of service benefits	9,370	7,600
<u>Changes in working capital</u>		
Accounts receivable	786	56,341
Inventories	(33,741)	37,566
Prepayments and other current assets	(22,274)	(62,200)
Accounts payable	19,188	78,895
Accrued expenses and other current liabilities	7,754	(13,331)
Deferred revenues	(2,956)	(708)
Employees' incentive program paid	(8,229)	(3,030)
Zakat paid	(8,781)	(13,404)
End of service benefits paid	(3,581)	(2,119)
Net cash generated from operating activities	<u>373,367</u>	<u>418,244</u>
<b>Cash flow from investing activities</b>		
Additions to investment properties	(8,251)	(7,979)
Additions to property and equipment	(45,357)	(49,187)
Proceeds from sale of property and equipment	4,327	270
Net cash utilized in investing activities	<u>(49,281)</u>	<u>(56,896)</u>
<b>Cash flow from financing activities</b>		
Receipt of bank borrowing and term loans	60,000	-
Repayments of bank borrowings and term loans	-	(25,000)
Dividends paid	(391,500)	(333,000)
Net cash utilized in financing activities	<u>(331,500)</u>	<u>(358,000)</u>
<b>Net change in cash and cash equivalents</b>	<b>(7,414)</b>	<b>3,348</b>
Cash and cash equivalents at beginning of the period	<u>157,794</u>	<u>109,622</u>
<b>Cash and cash equivalents at end of the period</b>	<b><u>150,380</u></b>	<b><u>112,970</u></b>

The notes on pages 8 to 26 form an integral part of these condensed consolidated interim financial statements.



**JARIR MARKETING COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to condensed consolidated interim financial statements**  
**For the six-month period ended June 30, 2017 (unaudited)**  
**(All amounts in Saudi Riyals thousands unless otherwise stated)**

**1. General information**

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 June 30, 2017, the Company had 51 showrooms (2016: 46 showrooms) including wholesale outlets in the Kingdom of Saudi Arabia and the other Gulf countries, in addition to real estate investments in the Arab Republic of Egypt through Jarir Egypt Financial Leasing Company SAE.

The objectives of the Company and its subsidiaries (collectively referred to as the "Group") 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.

The accompanying condensed consolidated interim financial statements comprise the financial statements of the Company and its following subsidiaries:

Subsidiaries	Country of incorporation	Direct and indirect ownership as at June 30,	
		2017	2016
United Company for Office Supplies and Stationeries WLL	Qatar	100%	100%
Jarir Trading Company LLC	Abu Dhabi	100%	100%
United Bookstore	Abu Dhabi	100%	100%
Jarir International Central Market WLL	Kuwait	100%	100%
Jarir Egypt Financial Leasing Company - SAE	Egypt	100%	100%

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

Assets and liabilities in Kuwait are assigned by the legal owner to "Jarir International Central Market WLL". Related formalities are in process.

The accompanying condensed consolidated interim financial statements were approved by the Company's Board of Directors on August 6, 2017.

**2. Summary of significant accounting policies**

The accounting policies set out below have been applied in preparing these condensed consolidated interim financial statements, the comparative information for the three-month and six-month periods ended June 30, 2016, the year ended December 31, 2016.

**2.1 Basis of preparation**

**(i) Compliance with IFRS**

These condensed consolidated interim financial statements of the Company have been prepared in compliance with IAS 34 "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia.

Condensed consolidated interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements. IAS 34 states that the interim condensed financial statement is intended to provide an update on the latest complete set of annual financial statements. Hence, IAS 34 requires less disclosures in interim financial statements than International Financial Reporting Standards ("IFRS") for annual financial statements. However, since the Group's latest annual financial statements were prepared using generally accepted accounting principles as issued by SOCPA ("Saudi GAAP"), therefore these condensed consolidated interim financial statements should be read in conjunction with the condensed consolidated interim financial statements for the period ended March 31, 2017 which include some additional disclosures to enable the users to understand how the transition to IFRSs have affected previously reported amounts.

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**(All amounts in Saudi Riyals thousands unless otherwise stated)**

**(ii) First time adoption of IFRS**

These condensed consolidated interim financial statements are the Group's condensed consolidated interim financial statements for part of period covered by the first IFRS annual financial statements and IFRS 1 "First time adoption of International Financial Reporting Standards" as endorsed in the Kingdom of Saudi Arabia, has been applied.

For all periods up to and including the year ended December 31, 2016, the Group prepared its financial statements in accordance with Saudi GAAP. The Group will prepare its first annual consolidated financial statements for the year ending December 31, 2017 in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia applicable at that date.

The accounting policies adopted are based on IFRS that the Group expects to be effective at end of first annual IFRS statements.

The nature and amount of adjustments arising from the first time adoption of IFRS is explained in Note 3 to the accompanying condensed consolidated interim financial statements and the first condensed consolidated interim financial statements for the period ended March 31, 2017.

The amounts in the condensed consolidated interim financial statements have been presented in Saudi Riyals with all values rounded to the nearest thousand except where stated otherwise.

**(iii) Historic cost convention**

The condensed consolidated interim financial statements have been prepared under the historical cost convention, as modified for financial assets at fair value through profit or loss and by using the actuarial basis for end of service benefits, on the accrual basis of accounting.

**(iv) Critical accounting estimates and judgments**

The preparation of condensed consolidated interim financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. The estimates and assumptions that have a risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**(a) Component approach used in the adjustments to property and equipment and investment properties**

Adjustments made to property and equipment involved the application of component approach required by IAS 16. In applying the component approach, where significant parts of an item of property and equipment as well as investment properties are depreciated separately, the cost allocated to the significant parts as well as respective estimated useful lives are advised by the main contractor for the properties constructed by the Group. Reasonableness of such cost allocation and useful lives has been assessed by management.

**(b) Impairment test for non-financial assets**

Judgment is required in assessing whether certain factors would be considered an indicator of impairment. Management considers both internal and external information to determine whether there is an indicator of impairment present and, accordingly, whether impairment testing is required. When impairment testing is required, discounted cash flow models are used to determine the recoverable amount of respective assets. When market transactions for comparable assets are available, these are considered in determining the recoverable amount of assets. Significant assumptions used in preparing discounted cash flow models include growth rates, expected future cash flows, operating costs, capital expenditures and discount rates. These inputs are based on management's best estimates of what an independent market participant would consider appropriate. Changes in these inputs may alter the results of impairment testing, the amount of the impairment charges recorded in the condensed consolidated interim statement of income and the resulting carrying values of assets.

**(c) Financial assets at fair value through profit or loss (FVTPL)**

On early adoption of IFRS 9, the available for sale investments was reclassified to financial assets at FVTPL. Such investments are investments in unquoted equity where insufficient recent information is available to measure fair value and management assessment is that cost represents the best estimate of fair value.

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**(d) Assumptions for End of service benefits provision**

The calculation of end of service benefits provision greatly depends on employees' estimated length of service and their estimated salary in the final years of service. Such estimates were based on the actuarial assumptions developed by management. Those actuarial assumptions were based on the Group's historical data, recent trends, and management plans and forecasts with respect to salary levels.

Life expectancy is not considered a principal actuarial assumption in measuring end of service benefits provision and therefore, possible changes in life expectancy are not expected to have a significant impact on the level of obligation, especially since only a few employees are assumed to serve until the retirement age. Moreover, changes in life expectancy will affect the estimates related to those employees only if life expectancy becomes less than retirement age and in such cases, the impact is not expected to be significant.

The discount rate was estimated by reference to yields on the governmental bonds, as management assessed that there is no deep market in high quality corporate bonds. The Group used a single discount rate that approximates the estimated timing and amount of benefit payments.

**(e) Provision for doubtful debts**

The impairment provision for trade receivables is estimated based on assumptions about risk of default and expected loss rates. The Group uses judgement in making such assumptions and how changes in market and economic factors affect expected credit loss. The Group's judgement is based on the Group's past history, market conditions and forward looking estimates at each reporting date.

**(f) Provision for slow moving inventories**

Provision for slow moving inventories is maintained at a level considered adequate to provide for potential loss on inventory items. The level of allowance is determined and guided by the Group's policy. An evaluation of inventories, designed to identify potential charges to provision, is performed on a continuous basis throughout the year. Management uses judgement based on the best available facts and circumstances, including but not limited to evaluation of individual inventory items' future utilization. The amount and timing of recorded expenses for any period would therefore differ based on the judgments or estimates made. An increase in provision for slow moving inventories would increase the Group's recorded expenses and decrease current assets.

**(v) Changes in accounting policy and disclosures**

**(a) New standard adopted by the Group**

The following standard has been early adopted for the first time by the Group:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI) and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

In accordance with the transitional provisions in IFRS 9, the Group has not restated the comparative figures for IFRS 9 impairment requirements. The difference resulting from applying those requirements, being an increase in the provision for trade receivables by Saudi Riyals 3.6 million has been recognized in the opening retained earnings at January 1, 2017.

**(b) New standards or amendments not yet effective and not early adopted by the Group**

The following standards and amendments have not been early adopted by the Group:

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations.

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The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of IFRS 15.

IFRS 16, 'Leases': The IASB issued IFRS 16 - In January 2016. This standard is effective for annual periods beginning on or after January 1, 2019, and permits early adoption for entities that also apply IFRS 15. This standard has not yet been endorsed by SOCPA for adoption in Saudi Arabia. The objective of IFRS 16 is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions to enable users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. The Group will evaluate the impact of adopting IFRS 16 in its financial statements in future periods, and it will adopt the standard effective January 1, 2019 in accordance with the version that will be endorsed by SOCPA.

## **2.2 Subsidiaries**

Subsidiaries are those entities which the Company controls. The Company controls an investee if, and only if, the Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

The presumption is that a majority of voting rights results in control. All relevant activities are directed by the Company being the holder of all the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. The consideration transferred for the acquisition of subsidiary comprises the:

- the fair value of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interest issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement
- fair value of any pre-existing equity interest in the subsidiary

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

Non-controlling interests, if any, represent equity interests in subsidiaries owned by outside parties. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

## **2.3 Foreign currency**

The consolidated financial statements are presented in Saudi Riyals, which is the Company's functional currency and the Group's presentation currency. Each subsidiary in the Group determines its own functional currency, and as a result, items included in the financial statements of each subsidiary are measured using that functional currency.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of income.

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The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of income and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, are recognized in other comprehensive income. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur and therefore in substance forms a part of the Company's net investment in that foreign operation, are recognized in equity through other comprehensive income and reclassified to the profit or loss on disposal of the net investment.

#### **2.4 Financial Instruments**

The Group on its transition to IFRS early adopts IFRS 9 "Financial Instruments".

##### **(a) Initial recognition and measurement of financial instruments**

The Group initially recognizes financial assets and financial liabilities when it becomes party to the contractual provisions of the financial instrument.

Trade receivables that do not have a significant financing component, initial measurement is at their transaction price, which is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods to a customer, excluding amounts collected on behalf of third parties.

Except for trade receivables that do not have a significant financing component, initial measurement of the financial instrument is at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets carried at FVTPL are expensed in the consolidated statement of income.

##### **(b) Financial assets - subsequent classification and measurement**

Financial assets are subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss. There are two criteria used to determine how financial assets should be classified and measured:

- (a) the Group's business model for managing the financial assets; and
- (b) the contractual cash flow characteristics of the financial asset.

Key management personnel have determined that the Group's financial assets are held within a business model whose objective is to hold financial assets in order to collect cash flows.

A financial asset is measured at amortized cost if the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Otherwise, a financial asset is measured at fair value through profit or loss (FVTPL) or through other comprehensive income.

Investments in equity instruments are measured at fair value, and the Group did not elect to present in other comprehensive income subsequent changes in the fair value of such investment in an equity instrument. On transition to IFRS, the available for sale investment was reclassified to financial assets at FVTPL.

For investments in unquoted equity, if insufficient more recent information is available to measure fair value, or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range, cost may be an appropriate estimate of fair value.

Financial assets are only reclassified between measurement categories, when and only when, the Group's business model for managing them changes, which is expected to be uncommon.

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The Group derecognizes a financial asset when the rights to the cash flows from the financial asset have expired or where the Group has transferred substantially all risks and rewards associated with the financial asset and does not retain control of the financial asset.

**(c) Impairment of financial assets**

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortized cost.

As required by IFRS 9, the Group applies the simplified approach for trade receivables. As permitted by IFRS 9, the Group elected to apply the simplified approach for lease receivables, so the Group always measures the loss allowance at an amount equal to lifetime expected credit losses. The Group uses a provision matrix in the calculation of the expected credit losses on trade receivables to estimate the lifetime expected credit losses, applying certain provision rates to respective aging buckets. Trade receivables are segmented into two segments: (i) wholesale and (ii) corporate sales, as each has its own credit loss pattern and, accordingly, different aging buckets and provision rates.

As permitted by IFRS 9, the Group did not restate prior periods for impairment requirements, and has recognized the difference between the previous carrying amount and the carrying amount at January 1, 2017 in the opening retained earnings as at that date.

Financial assets are written off only when:

- (i) the debt is at least one year past due,
- (ii) the Group have attempted to recover and engaged in all relevant legal enforcement activities,
- (iii) it is concluded that there is no reasonable expectation of recovery, and
- (iv) the write-off is approved by the Board of Directors, or management to the extent delegated by the Board of Directors.

Recoveries made are recognized in the consolidated statement of income.

**(d) Financial liabilities - subsequent classification and measurement**

Financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest rate is the rate that discounts the estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period to the net carrying amount on initial recognition.

The Group derecognizes a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires.

**(e) Cash and cash equivalents**

Cash and cash equivalents include cash at banks and on hand and short-term deposits with a maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(f) Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legally enforceable right to offset the recognized amounts and intends to settle them on a net basis or to realize the asset and settle the liability simultaneously.

**2.5 Inventories**

Inventories are carried at the lower of cost or net realizable value. Cost is determined using weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to sell.

**2.6 Investment properties**

Investment properties are properties held to earn rentals and/or for capital appreciation, including property under construction for such purposes.

Investment properties are stated at cost less of accumulated depreciation and/or accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items.

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Land is not depreciated. Capital work in progress is transferred to the appropriate investment properties category upon completion and depreciated from the point at which it is ready for use. Depreciation of buildings is calculated on a straight-line basis over the estimated useful lives of between 20 - 33 years.

Significant parts of an item of investment properties are depreciated separately.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. If an investment property becomes owner-occupied, it is reclassified as property and equipment.

The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of income in the period of derecognition.

The Group discloses the fair values of investment properties in the notes to the annual consolidated financial statements.

## **2.7 Property and equipment**

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items.

Major inspections are recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of income as incurred.

Land is not depreciated. Capital work in progress is transferred to the appropriate property and equipment category upon completion and depreciated from the point at which it is ready for use. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	20 - 33 years
Machinery and equipment	5 - 13.33 years
Furniture and fixtures	5 - 10 years
Motor vehicles	4 years
Computer hardware	5 years
Leasehold improvements	3 years

Significant parts of an item of property and equipment are depreciated separately.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income when the asset is derecognized. When the use of a property changes from owner-occupied to investment property, the property is reclassified as investment property.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

## **2.8 Impairment of non-financial assets**

The Group assesses at the end of each reporting period whether there is any indication that non-financial assets may be impaired.

Non-financial assets other than goodwill, if any, are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill, if any, is tested for impairment annually. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units 'CGUs'). Recoverable amount is the higher of an asset's fair value less costs of disposal and value in use (being the present value of the expected future cash flows of the relevant asset or CGU, as determined by management). When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Such impairment loss is recognized in the consolidated statement of income in the period it has occurred.

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill, if any, may no longer exist or may have decreased. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Such reversal is recognized in the consolidated statement of income. Impairment losses on goodwill, if any, are not reversible.

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**2.9 Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of income net of any reimbursement.

**2.10 Zakat and taxes**

The Company is subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax (the "GAZT"). Provision for zakat is computed in accordance with the regulations of GAZT, and is charged to the consolidated statement of income. Differences arising from final assessments are accounted for in the reporting period in which such assessments are finalized, with associated adjustments to zakat provision recognized in the consolidated statement of income.

The Company withholds taxes with non-residents as required under Saudi Arabian Income Tax Law.

Foreign subsidiaries are subject to income taxes in their respective countries of domicile. Such income taxes are charged to the consolidated statement of income.

**2.11 Employee benefits**

**(a) Provision for end-of-service benefit**

The level of benefit provided is based on the length of service and earnings of the person entitled, and computed in accordance with the rules stated under the Saudi Arabian Labor and Workmen Law.

The liability for of end of service benefits, being a defined benefit plan, is determined using the projected unit credit method with actuarial valuations being conducted at end of annual reporting periods. The related liability recognized in the consolidated statement of financial position is the present value of the end of service benefits obligation at the end of the reporting period.

The discount rate applied in arriving at the present value of the end of service benefits obligation represents the yield on government bonds, by applying a single discount rate that approximately reflects the estimated timing and amount of benefit payments.

End of service benefits costs are categorized as follows:

- (i) current service cost (increase in the present value of end of service benefits obligation resulting from employee service in the current period)
- (ii) interest expense (calculated by applying the discount rate at the beginning of the period to the end of service benefits liability); and
- (iii) rereasurement.

Current service cost and the interest expense arising on the end of service benefits liability are included in the same line items in the consolidated statement of income as the related compensation cost.

Rereasurement, comprising actuarial gains and losses, is recognized in full in the period in which they occur, in other comprehensive income without recycling to the profit or loss in subsequent periods. Amounts recognized in other comprehensive income are recognized immediately in retained earnings.

**(b) Short-term employee benefits**

Short-term employee benefits are employee benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.



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(c) **Employees' incentive program**

The Group adopts 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 linked to the growth in net income as reported in the annual consolidated financial statements of the Group. Since the incentives are not expected to be settled wholly within twelve months after the end of the annual reporting period in which the employees render the related service, the liability for the Program is measured as the present value of the estimated future payments in respect of services provided by employees up to the reporting date using the projected unit credit method. The estimated future payments are discounted using the relevant yield on government bonds. Remeasurement are recognized in the consolidated statement of income in the period in which they arise. The liability for the Program is classified under current and non-current liability based on the expected date of settlement.

**2.12 Statutory reserve**

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of its net income to a statutory reserve until such reserve equals minimum of 30% of share capital (formerly 50%). Such transfer is made at the end of the fiscal year. This reserve is not available for distribution to the shareholders of the Company.

**2.13 Sale of goods**

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of discounts given.

Historical experience suggests that the amount of returns is totally immaterial and accordingly no estimated returns are recognized at the time of sale. The validity of this conclusion is assessed at each reporting date. If the returns pattern changed, the Group would recognize the sales net of the estimated returns at the time of sale.

The Group typically sells computers, peripherals smartphone and other electronic devices with standard warranties that provide assurance to the consumer that the product will work as intended normally for 12 months to 24 months from the date of sale. Provision is made for estimated warranty claims in respect of products sold which are still under warranty at the end of the reporting period. The provision is estimated based on historical warranty claim information, suppliers' recommendation, and recent trends.

**2.14 Cost of sales and operating expenses**

Cost of sales consists of the costs previously included in the measurement of inventory that has been sold to customers, warehouse costs, cost of distribution to outlets, and all the costs of retail outlets including salaries, wages and benefits, operating expenses, depreciation and occupancy costs.

Other operating expenses are classified as either General & administrative or Selling & marketing expenses.

**2.15 Rental revenue**

Rental revenue from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and presented as rental revenue in the consolidated statement of income. Rents received in advance represent rents collected from tenants and are unearned at the reporting date and presented under current liability in the consolidated statement of financial position. Operating lease receivables represent the amount of rent receivables arising from operating lease contracts according to the rental revenue recognition. Rental revenue from investment properties is included under 'other income' in the statement of income.

**2.16 Interest expense**

Interest expense, if any, is recognized within 'finance costs' in the consolidated statement of income using the effective interest rate method, except for borrowing costs relating to qualifying assets, if any, which are capitalized as part of the cost of that asset.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments throughout the expected life of the financial instrument to the net carrying amount of the financial liability.

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**2.17 Earnings per share**

The Group presents basic, and diluted (if any), earnings per share (EPS) data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Group by the weighted average number of common shares outstanding during the period, adjusted for own shares held (if any). Diluted EPS, if any, is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares.

**2.18 Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief executive officer of the Group, being the chief operating decision-maker, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete consolidated financial statements are available.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief executive officer.

**2.19 Leases where the Group is the lessee**

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of income on a straight-line basis over the non-cancellable period of lease together with any further terms for which the Group has the option to continue the lease when at the inception of the lease it is reasonably certain that the Group will exercise the option.

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are recognized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is treated as borrowing costs and expensed over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The assets acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term provided there is no reasonable certainty that the Group will obtain ownership at the end of the lease term and in such cases, the assets are depreciated over the asset's useful life.

**2.20 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The fair value of an asset/liability is measured using the assumptions that market participants would use when pricing those assets, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets for which fair value is disclosed in the annual consolidated financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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To measure the fair value of properties, the Group engages an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the asset being valued.

Management reviews valuer's report and assesses appropriateness of assumptions and valuation techniques and the overall reasonableness of valuation. For the purpose of fair value disclosures, the Group has determined classes of assets on the basis of the nature, characteristics and risks of the asset and the level of the fair value hierarchy, as explained above. Management determined that the investment properties consist of two classes of assets: (i) office and retail properties in KSA and (ii) office and retail properties in Egypt.

#### **2.21 Current versus non-current classification**

The Group presents assets and liabilities in the opening IFRS consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

### **3. First-time adoption of IFRS**

In preparing the opening IFRS statement of financial position and the IFRS comparative information, the Group has adjusted and reclassified certain balances that were previously reported under the Saudi GAAP.

The below note and the notes to the first condensed consolidated interim financial statements for the period ended March 31, 2017 explain how the transition to IFRSs has affected the financial position, financial performance and the cash flows of the Group.

#### **3.1 IFRS 1 optional exemptions**

IFRS 1 allows first-time adopters certain optional exemptions from the retrospective application of certain requirements under IFRS. The Group has not applied any of those optional exemptions.

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**3.2 The Group's reconciliation of shareholders' equity as at June 30, 2016**

	Note	Saudi GAAP (Unaudited)	IFRS adjustments (Unaudited)	IFRS (Unaudited)
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents		112,970	-	112,970
Accounts receivable		96,441	-	96,441
Inventories		755,024	-	755,024
Prepayments and other assets		226,049	-	226,049
<b>Total current assets</b>		<b>1,190,484</b>	<b>-</b>	<b>1,190,484</b>
<b>Non-current assets</b>				
Available for sale investment	A	27,951	(27,951)	-
Financial assets at fair value through profit or loss	A	-	27,951	27,951
Investment properties, net	B	28,276	195,283	223,559
Property and equipment, net	B, C	1,168,349	(198,063)	970,286
<b>Total non-current assets</b>		<b>1,224,576</b>	<b>(2,780)</b>	<b>1,221,796</b>
<b>Total assets</b>		<b>2,415,060</b>	<b>(2,780)</b>	<b>2,412,280</b>
<b>Liabilities and shareholders' equity</b>				
<b>Current liabilities</b>				
Liabilities against capital leases		462	-	462
Accounts payable		662,526	-	662,526
Accrued expenses and other liabilities		99,100	-	99,100
Employees' incentive program		10,800	-	10,800
Deferred revenues	D	21,910	(6,794)	15,116
Zakat payable		23,325	-	23,325
<b>Total current liabilities</b>		<b>818,123</b>	<b>(6,794)</b>	<b>811,329</b>
<b>Non-current liabilities</b>				
Liabilities against capital leases		12,012	-	12,012
End of service benefits	E	79,227	37,329	116,556
Employees' incentive program		19,590	-	19,590
Deferred revenues	D	12,886	(6,635)	6,251
<b>Total non-current liabilities</b>		<b>123,715</b>	<b>30,694</b>	<b>154,409</b>
<b>Total liabilities</b>		<b>941,838</b>	<b>23,900</b>	<b>965,738</b>
<b>Shareholders' equity</b>				
Share capital		900,000	-	900,000
Statutory reserve		222,709	-	222,709
Retained earnings	C, D, E	350,513	(26,680)	323,833
<b>Total shareholders' equity</b>		<b>1,473,222</b>	<b>(26,680)</b>	<b>1,446,542</b>
<b>Total liabilities and shareholders' equity</b>		<b>2,415,060</b>	<b>(2,780)</b>	<b>2,412,280</b>

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**3.3 The Group's reconciliation of condensed consolidated interim statements of income and comprehensive income for the three-months period ended June 30, 2016**

	Note	Saudi GAAP (Unaudited)	IFRS adjustments (Unaudited)	IFRS (Unaudited)
Sales		1,390,739	-	1,390,739
Cost of sales	B, C, E	(1,227,948)	(33)	(1,227,981)
Gross profit		162,791	(33)	162,758
<b>Operating expenses</b>				
General and administrative	E	(23,625)	247	(23,378)
Selling and marketing	E	(23,076)	(125)	(23,201)
Income from operations		116,090	89	116,179
<b>Other income (expenses)</b>				
Other income	B,C,D	15,242	(2,160)	13,082
Finance costs		-	-	-
Income before zakat		131,332	(2,071)	129,261
Zakat		(2,781)	-	(2,781)
<b>Net income for the period</b>		<b>128,551</b>	<b>(2,071)</b>	<b>126,480</b>
All attributable to the shareholders of the Company				
<b>Other comprehensive income</b>				
Other comprehensive income that may be reclassified subsequently to the statement of income		-	-	-
Other comprehensive income that will not be reclassified subsequently to the statement of income		-	-	-
Other comprehensive income for the period		-	-	-
<b>Total comprehensive income for the period</b>		<b>128,551</b>	<b>(2,071)</b>	<b>126,480</b>
All attributable to the shareholders of the Company				
<b>Earnings per share (Saudi Riyals):</b>				
Basic and diluted earnings per share		1.43	(0.02)	1.41

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**3.4 The Group's reconciliation of condensed consolidated interim statements of income and comprehensive income for the six-months period ended June 30, 2016**

	Note	Saudi GAAP (Unaudited)	IFRS adjustments (Unaudited)	IFRS (Unaudited)
Sales		2,808,172	-	2,808,172
Cost of sales	B, C, E	(2,430,673)	31	(2,430,642)
Gross profit		377,499	31	377,530
<b>Operating expenses</b>				
General and administrative	E	(48,488)	3,364	(45,124)
Selling and marketing	E	(49,240)	(253)	(49,493)
Income from operations		279,771	3,142	282,913
<b>Other income (expenses)</b>				
Other income	B,C,D	29,465	(4,325)	25,140
Finance costs		(48)	-	(48)
Income before zakat		309,188	(1,183)	308,005
Zakat		(6,563)	-	(6,563)
<b>Net income for the period</b>		<b>302,625</b>	<b>(1,183)</b>	<b>301,442</b>
All attributable to the shareholders of the Company				
<b>Other comprehensive income</b>				
Other comprehensive income that may be reclassified subsequently to the statement of income		-	-	-
Other comprehensive income that will not be reclassified subsequently to the statement of income		-	-	-
Other comprehensive income for the period		-	-	-
<b>Total comprehensive income for the period</b>		<b>302,625</b>	<b>(1,183)</b>	<b>301,442</b>
All attributable to the shareholders of the Company				
<b>Earnings per share (Saudi Riyals):</b>				
Basic and diluted earnings per share		<b>3.36</b>	<b>(0.01)</b>	<b>3.35</b>

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**3.5 Material IFRS adjustments to the statement of cash flows**

The following table summarizes material IFRS adjustments to the statement of cash flows for the period ended June 30, 2016 (for the cash flow from investing activities):

	Note	Saudi GAAP	IFRS adjust ments	IFRS
Additions to investment properties	B	-	(7,979)	(7,979)
Additions to property and equipment	B	(57,166)	7,979	(49,187)

**3.6 Notes to the Group's reconciliation of shareholders' equity and comprehensive income from Saudi GAAP to IFRS**

**(i) Adjustments that do not impact equity**

The following reclassification adjustments were made on transition to IFRS which had no impact on equity as at June 30, 2016:

- (A) **Reclassification of the available for sale investment to financial assets at FVTPL**, as explained in note 2.4.
- (B) **Reclassification of portions of property and equipment to investment property**, based on the area of the portions held to earn rentals in proportion to total areas of the owned properties. While this reclassification does not impact the equity at June 30, 2016, but it affects the presentation of the consolidated statement of income to reclassify the depreciation related to the investment properties as follows:

	<b>(Saudi Riyals in millions)</b>	
	<b>Condensed consolidated interim statement of income for the three- months ended June 30, 2016</b>	<b>Condensed consolidated interim statement of income for the six- months ended June 30, 2016</b>
Decrease in cost of sales	0.45	0.9
Decrease in other income	(0.45)	(0.9)

**(ii) Adjustments that impact equity**

**(C) Adjustment to property and equipment for the component approach**

As explained in note 2.6 and 2.7, where significant parts of an item of investment properties and property and equipment have varying useful lives, they are depreciated separately. As a result, an additional depreciation is recognized.

The impact arising from the above change is summarized as follows:

Consolidated statement of financial position: (impact is presented before the reclassification of a portion of property and equipment to investment property):

	<b>(Saudi Riyals in millions)</b>
	<b>June 30, 2016</b>
Decrease in property and equipment	(2.78)
Adjustment to retained earnings	(2.78)

Consolidated statement of income:

	<b>(Saudi Riyals in millions)</b>	
	<b>Condensed consolidated interim statement of income for the three- months ended June 30, 2016</b>	<b>Condensed consolidated interim statement of income for the six- months ended June 30, 2016</b>
Increase in cost of sales	(0.10)	(0.19)
Decrease in other income	(0.03)	(0.07)
Adjustment to net income	(0.13)	(0.26)

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**(D) Deferred Revenue**

Under Saudi GAAP, the profit from a sale and leaseback transaction, that resulted in an operating lease is deferred and amortized at the ratio of periodic rental charges to total lease payments over the lease term.

However, under IFRS, if a sale and leaseback transaction results in an operating lease, and the transaction is established at fair value, profit is recognized immediately. As the transaction was established at fair value, the balance of deferred profit was derecognized against retained earnings and the amortization of deferred revenue is derecognized in the statement of income.

The impact arising from the above change is summarized as follows:

Consolidated statement of financial position:

	<u>(Saudi Riyals in millions)</u>
	<u>June 30, 2016</u>
Derecognition of deferred revenue - current liability	6.79
Derecognition of deferred revenue - non-current liability	6.64
<b>Adjustment to retained earnings</b>	<b><u>13.43</u></b>

Consolidated statement of income:

	<u>(Saudi Riyals in millions)</u>	
	<u>Condensed consolidated interim statement of income for the three-months ended June 30, 2016</u>	<u>Condensed consolidated interim statement of income for the six-months ended June 30, 2016</u>
Decrease in other income	(1.68)	(3.35)
<b>Adjustment to net income</b>	<b><u>(1.68)</u></b>	<b><u>(3.35)</u></b>

**(E) Provision for end of service benefits**

Under the Saudi GAAP, the Group calculates the provision for end-of-service benefits as the current value of the vested benefits to which the employee is entitled, should the employee leave at the statement of financial position date. Under IFRS, end-of-service benefit obligation measurement involves making a reliable estimate of the ultimate cost to the Group of the benefit that employees have earned in return for their service using actuarial assumptions. The obligation is measured on a discounted basis to reflect the time value of money.

For the quarters reporting purposes, measurement of the provision for end-of-service is based on the extrapolation of the actuarial valuation performed at the end of the preceding year.

As a result of applying IFRS requirements described above, an additional liability was recognized against retained earnings, and the amounts charged to the statement of income are changed accordingly.

The impact arising from the above change is summarized as follows:

	<u>(Saudi Riyals in millions)</u>
	<u>June 30, 2016</u>
Increase in provision for end-of-service benefits	37.33
<b>Adjustment to retained earnings</b>	<b>(37.33)</b>

Consolidated statement of income:

	<u>(Saudi Riyals in millions)</u>	
	<u>Condensed consolidated interim statement of income for the three-months ended June 30, 2016</u>	<u>Condensed consolidated interim statement of income for the six-months ended June 30, 2016</u>
Increase of cost of sales	(0.39)	(0.68)
Decrease of General and administrative expenses	0.25	3.36
Increase of Selling and marketing expenses	(0.13)	(0.25)
<b>Adjustment to net income</b>	<b><u>(0.27)</u></b>	<b><u>2.43</u></b>



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**4. Bank borrowings and term loans**

	<u>Interest rate</u>	<u>Outstanding balance</u>	<u>Contractual maturity</u>
<b>June 30, 2017</b>			
Short term Tawaruq loan	2.445%	30,000	July 4, 2017
Short term Tawaruq loan	2.445%	30,000	July 11, 2017
<b>December 31, 2016</b>			
Short term Tawaruq loan	-	-	-

**5. Other income**

Gain of Saudi Riyals 7.4 million resulting from insurance compensation is recognized as 'Other Income' in the statement of income for the three-month period ended June 30, 2017, the period in which the amount of insurance compensation was confirmed by the insurance company, and for the six-month period ended June 30, 2017. The insurance compensation pertains to the fire incident that took place in the third quarter of 2016.

The gain consists of Saudi Riyals 4.3 million being gain on Property and Equipment and Saudi Riyals 3.1 million being gain on other assets.

**6. Finance costs**

Includes interest expenses from conventional borrowing (overdraft) as follows:

	<u>Three-month period</u>		<u>Six-month period ended</u>	
	2017	2016	2017	2016
Interest expenses from	23	-	23	-

**7. Earnings per share**

Earnings per share has been calculated by dividing net income for the periods ended June 30, 2017 and 2016 by 90 million shares.

**8. Dividends**

Based on the pre-approval of the General Assembly, the Board of Directors in their meeting held on February 15, 2017, and May 8, 2017, resolved to distribute interim cash dividends amounting to Saudi Riyals 193.5 million and Saudi Riyals 198 million respectively, which were paid to the shareholders during the six-month period ended June 30, 2017, (a total of Saudi Riyals 4.35 per share).

Based on a pre-approval of the General Assembly, the Board of Directors in their meeting held on February 3, 2016, and April 18, 2016, resolved to distribute interim cash dividends amounting to Saudi Riyals 175.5 million and Saudi Riyals 157.5 million respectively, which were paid to the shareholders during the six-month period ended June 30, 2016, (a total of Saudi Riyals 3.7 per share).

**9. Financial instruments**

Financial assets at fair value through profit or loss represent investments in unquoted equity securities where insufficient recent information is available to measure fair value and management assessment is that cost represents the best estimate of fair value. All other financial assets and liabilities of the Group are classified and measured at amortized cost.

For all financial instruments, the fair value of financial instruments does not materially differ from their carrying values.

The risk management policies related to financial instruments are consistent with those disclosed in the latest annual financial statements for the year ended December 31, 2016, except for the changes resulting from the adoption of IFRS 9 "Financial Instruments" as explained in note 2.4 of these condensed consolidated interim financial statements.

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**10. Property and equipment and investment property**

Additions made to property and equipment during the six-month period ended June 30, 2017 amounted to Saudi Riyals 45.4 million (six-month period ended June 30, 2016 Saudi Riyals 49.2 million).

Additions made to investment property during the six-month period ended June 30, 2017 amounted to Saudi Riyals 8.3 million (six-month period ended June 30, 2016 Saudi Riyals 8 million).

These amounts include cost of construction performed by a party related to the Board of Directors amounting to Saudi Riyals 34.9 million for the six months ended June 30, 2017 (six-month period ended June 30, 2016 Saudi Riyals 39.4 million). There were no special terms and conditions with the aforementioned related party as compared to un-related parties.

**11. Segment information**

a) Operating segments

The Group is organized into business units based on factors including distribution method, targeted customers, products and geographic location.

The Group has two major operating segments namely, retail outlets and wholesale. The Group's chief executive officer reviews the internal management reports of each segment at least quarterly for the purpose of resources allocation and assessment of performance.

All other operating segments that are not reportable are combined under "All other segments". The sources of income of those segments include corporate sales, e-commerce and rentals.

The following summary describes the operations of each reportable segment.

Reportable segment	Operation
Retail outlets	Sale of office supplies, school supplies, books, computers & peripherals, computer supplies, smartphones and accessories, electronics, art & craft supplies, video games, kids' development products and provides after-sale services. All the retail outlets operate under the "Jarir bookstore" brand.
Wholesale	Sale of office supplies, school supplies, computer supplies, and art & craft supplies to other resellers.

The segmental information for the six-month periods ended June 30, was as follows:

	(Saudi Riyals in millions)			Consolidated
	Retail outlets	Wholesale	All other segments	
<b>2017</b>				
Sales	3,027	176	87	3,290
Income before zakat	312	28	32	372
<b>2016</b>				
Sales	2,598	135	77	2,808
Income before zakat	268	9	31	308

Sales reported above are all generated from external customers and there were no inter-segment sales.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2 above.

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b) Geographical information

The Group operates in two geographical segments namely, Saudi Arabia and other Gulf countries and Egypt. The Group sales to external customers for the six-month periods ended June 30, are detailed below.

	(Saudi Riyals in millions)		
	Kingdom of Saudi Arabia	Other Gulf Countries and Egypt	Consolidated
<b>2017</b>			
Sales to external customers	3,062	228	3,290
<b>2016</b>			
Sales to external customers	2,572	236	2,808

The Group information about non-current assets by location as of June 30, 2017 and December 31, 2016 are detailed below.

	(Saudi Riyals in millions)		
	Kingdom of Saudi Arabia	Other Gulf Countries and Egypt	Consolidated
<b>June 30, 2017</b>			
Non-current assets	1,248	74	1,322
<b>December 31, 2016</b>			
Non-current assets	1,223	71	1,294

Geographic information on sales is based on the geographic location of the customers and the geographic information on non-current assets is based on the geographic location of those assets.

**12. Seasonality of operations**

The Group's sales are positively affected by the back to school seasons, particularly sales of school and office supplies. Normally, the grand season (back to school from year-end holiday) falls in the third quarter while the small season (back to school from mid-year break) falls in the first quarter, but may partly fall in the fourth quarter (of the preceding financial year) depending on the school calendar. The grand season usually has a greater impact than the small season.

**13. Commitments and contingencies**

**13.1 Contingencies**

Contingencies are as follows:

	(Saudi Riyals in millions)	
	30/6/2017	31/12/2016
Letters of credit	148.5	131.7
Letters of guarantee	8.4	10.1

**13.2 Capital commitments**

At June 30, 2017, the Group had capital commitments of Saudi Riyals 281 million (December 31, 2016: Saudi Riyals 312 million). This balance includes capital commitment of Saudi Riyals 256 million with a party related to the Board of Directors (December 31, 2016: Saudi Riyals 280 million). These commitments are principally relating to the construction of the buildings which will comprise spaces for Group's own use including its retail outlets, and spaces to earn rentals.