JARIR MARKETING COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
AND INDEPENDENT AUDITOR'S REPORT

JARIR MARKETING COMPANY
(A Saudi Joint Stock Company)
Consolidated Financial Statements for the Year Ended December 31, 2022

pwc

Independent auditor's report to the shareholders of Jarir Marketing Company (A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Jarir Marketing Company (the "Company") and its subsidiaries (together the "Group") as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2022;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in shareholders' equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

Our audit approach

Overview

Key Audit Matters	• Revenue recognition

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud. We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

PricewaterhouseCoopers, License No. 25,
Kingdom Tower, P.O. Box 8282, Riyadh 11482, Kingdom of Saudi Arabia
T: +966 (11) 211-0400, F: +966 (11) 211-0401, www.pwc.com/middle-east

Independent auditor's report to the shareholders of Jarir Marketing Company (A Saudi Joint Stock Company) – (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition As at December 31, 2022, the Group had recognized annual revenue of SR 9,391,699 thousand (2021: SR 9,088,260 thousand). Revenues are recognized when the Group meets its performance obligations in accordance with its policies, which generally result in recognition of revenue at a point in time. The Group focuses on revenue as one of its main performance measures. Revenue generally comprises of a large volume of individually small transactions across a range of different products distributed through retail outlets and other channels. A significant part of the Group's revenue is heavily reliant on IT systems with automated processes and controls over the capture, storage, extraction, and integration of information. Accordingly, given the significance of the Group's operations, we consider revenue recognition as a key audit matter. *Refer to Note 20 to the consolidated financial statements for further information.*	We performed the following procedures: • Obtained an understanding of the Group's accounting policies with respect to revenue recognition and evaluated whether they are compliant with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia. • Assessed and tested the design and operating effectiveness of the Group's IT controls over revenue recognition, including but not limited to those over user access, change management, data extraction and interfaces, and integration and financial reporting. • We tested the Group's controls around revenue recognition, including automated controls. • Performed tests of detail in addition to analytical review for the various revenue streams. • Performed specific additional procedures in order to address cut-off, accuracy, and occurrence assertions. • Performed tests of journal entries relating to revenues, to address the risk of management override of controls relating to the revenue process. • Assessed the adequacy and appropriateness of the related disclosures in the accompanying consolidated financial statements.

Other information

Management is responsible for the other information. The other information comprises the information included in the Group's 2022 Annual Report (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e., the Board of Directors, are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent auditor's report to the shareholders of Jarir Marketing Company (A Saudi Joint Stock Company) – (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers

Bader I. Benmohareb
License Number 471

PRICEWATERHOUSECOOPERS
CERTIFIED PUBLIC ACCOUNTANTS
LICENSE NO.25
C.R.1010371622

March 15, 2023

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

	Note	As at December 31, 2022	2021
Assets			
Current assets			
Cash and cash equivalents	3	**526,183**	432,199
Trade receivables	4	**193,102**	152,715
Inventories	5	**1,319,330**	1,234,712
Prepayments and other assets	6	**295,206**	248,313
Total current assets		**2,333,821**	2,067,939
Non-current assets			
Financial assets at fair value through profit or loss	7	**21,710**	21,710
Investment properties	8	**295,651**	413,339
Right-of-use assets	9	**590,820**	525,985
Property and equipment	10	**1,015,482**	1,083,136
Total non-current assets		**1,923,663**	2,044,170
Total assets		**4,257,484**	4,112,109
Liabilities and shareholders' equity			
Liabilities			
Current liabilities			
Lease liabilities	32	**137,699**	122,168
Accounts payable	12	**1,294,288**	1,263,029
Accrued expenses and other liabilities	13	**182,681**	157,841
Employees' incentive program		**9,581**	3,169
Deferred income	14	**16,126**	16,571
Zakat payable	15	**55,310**	69,768
Total current liabilities		**1,695,685**	1,632,546
Non-current liabilities			
Lease liabilities	32	**583,150**	519,873
End of service benefits	16	**163,466**	167,149
Employees' incentive program		**10,717**	20,183
Deferred income	14	**2,933**	3,324
Total non-current liabilities		**760,266**	710,529
Total liabilities		**2,455,951**	2,343,075
Shareholders' equity			
Share capital	18	**1,200,000**	1,200,000
Statutory reserve	19	**393,957**	393,957
Foreign exchange reserve	26	**(93,824)**	(64,860)
Retained earnings		**301,400**	239,937
Net shareholders' equity		**1,801,533**	1,769,034
Total liabilities and shareholders' equity		**4,257,484**	4,112,109

The notes on pages 10 to 51 form an integral part of these consolidated financial statements.

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

	Note	Year ended December 31, 2022	2021
Revenue	20	**9,391,699**	9,088,260
Cost of sales	21	**(8,104,320)**	(7,858,930)
Gross profit		**1,287,379**	1,229,330
General and administrative expenses	22	**(131,561)**	(126,665)
Selling and marketing expenses	23	**(193,991)**	(141,439)
Other income, net	24	**56,693**	100,148
Income from operations		**1,018,520**	1,061,374
Finance cost	11	**(40,749)**	(42,333)
Finance income	25	**75**	-
Income before zakat and income tax		**977,846**	1,019,041
Zakat	15	**(8,000)**	(26,600)
Income tax	15	**(85)**	(583)
Net income for the year		**969,761**	991,858
All attributable to the shareholders of the Company.			
Earnings per share (Saudi Riyals):			
Basic and diluted earnings per share	27	**8.08**	8.27

The notes on pages 10 to 51 form an integral part of these consolidated financial statements.

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

	Note	Year ended December 31, 2022	2021
Net income for the year		**969,761**	991,858
Other comprehensive loss that may be reclassified subsequently to the consolidated statement of income			
Exchange differences on translation of foreign operations	26	**(28,964)**	(666)
Other comprehensive income that will not be reclassified subsequently to the consolidated statement of income			
Remeasurement of end of service benefits	16	**15,702**	653
Other comprehensive loss for the year		**(13,262)**	(13)
Total comprehensive income for the year		**956,499**	991,845

All attributable to the shareholders of the Company.

The notes on pages 10 to 51 form an integral part of these consolidated financial statements.

JARIR MARKETING COMPANY
(A Saudi Joint Stock Company)
Consolidated 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
January 1, 2022		**1,200,000**	**393,957**	**(64,860)**	**239,937**	**1,769,034**
Net income for the year		-	-	-	969,761	969,761
Other comprehensive income for the year		-	-	(28,964)	15,702	(13,262)
Total comprehensive income for the year		-	-	**(28,964)**	**985,463**	**956,499**
Transactions with owners in their capacity as owners:						
Dividends	28	-	-	-	**(924,000)**	**(924,000)**
December 31, 2022		**1,200,000**	**393,957**	**(93,824)**	**301,400**	**1,801,533**
January 1, 2021		1,200,000	294,771	(64,194)	294,612	1,725,189
Net income for the year		-	-	-	991,858	991,858
Other comprehensive loss for the year		-	-	(666)	653	(13)
Total comprehensive income for the year		-	-	(666)	992,511	991,845
Transfer to statutory reserve		-	99,186	-	(99,186)	-
Transactions with owners in their capacity as owners:						
Dividends	28	-	-	-	(948,000)	(948,000)
December 31, 2021		1,200,000	393,957	(64,860)	239,937	1,769,034

The notes on pages 10 to 51 form an integral part of these consolidated financial statements.

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

	Note	Year ended December 31, 2022	2021
Cash flows from operating activities			
Net income for the year		**969,761**	991,858
Adjustments for non-cash items			
Depreciation	8,9,10	**167,018**	155,163
Net impairment losses on trade receivables	4	**1,604**	399
Provision (reversal) for slow moving inventory	5	**533**	(16,414)
Loss/(gain) on disposal of property and equipment		**68**	(38,755)
Reversal of impairment of investment property	8	**(2,590)**	(1,667)
Gain on sale of assets held for sale	24	**(10,215)**	-
Gain on termination of right of use assets		**(6)**	(2,307)
Rent concessions received		**-**	(2,733)
(Reversal of)/provision for employees' incentives program		**(1,123)**	6,008
Zakat and income tax	15	**8,085**	27,183
Provision for end of service benefits	16	**22,769**	21,091
Finance cost	11	**40,749**	42,333
Changes in working capital			
Accounts receivable		**(41,991)**	(9,718)
Inventories		**(85,151)**	89,561
Prepayments and other current assets		**(52,350)**	33,270
Accounts payable		**31,259**	190,221
Accrued expenses and other liabilities		**25,279**	16,420
Deferred income		**(836)**	1,782
Employees' incentive program paid		**(1,931)**	(2,805)
Zakat and income tax paid		**(22,879)**	(24,383)
Finance cost paid		**(38,703)**	(36,082)
End of service benefits paid	16	**(10,750)**	(12,742)
Net cash generated from operating activities		**998,600**	1,427,683
Cash flows from investing activities			
Additions to investment properties	8	**(6,063)**	(11,278)
Additions to property and equipment	10	**(50,503)**	(69,605)
Proceeds from sale of property and equipment		**142**	98,234
Proceeds from sale of assets held for sale		**178,000**	-
Proceeds from sale of financial assets at FVTPL		**-**	6,241
Collections from finance lease receivables		**865**	772
Net cash generated from investing activities		**122,441**	24,364
Cash flows from financing activities			
Payment of lease liabilities	32	**(102,800)**	(68,092)
Payment of bank borrowing and term loans, net		**-**	(100,000)
Dividends paid	28	**(924,000)**	(948,000)
Net cash utilized in financing activities		**(1,026,800)**	(1,116,092)
Net increase in cash and cash equivalents		**94,241**	335,955
Effect of exchange rate changes in cash and cash equivalents		**(257)**	(846)
Cash and cash equivalents at beginning of the year		**432,199**	97,090
Cash and cash equivalents at end of the year	3	**526,183**	432,199
Non-cash financing and investing activities	8, 9		

The notes on pages 10 to 51 form an integral part of these consolidated financial statements.

(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 Number 1193 dated Rajab 11, 1421H (corresponding to October 8, 2000) and registered in Riyadh, Kingdom of Saudi Arabia under Commercial Registration Number 1010032264 dated Shaa'ban 18, 1400H (corresponding to July 1, 1980).

The Company's registered office is based in Riyadh. As at December 31, 2022, the Company had 68 retail showrooms (2021: 67 retail showrooms) 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 Real Estate 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, electronic and electrical devices, maintenance of computers and electronic and electrical devices, 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 consolidated financial statements comprise the financial statements of the Company and its following subsidiaries:

Subsidiaries	**Country of incorporation**	**Direct and indirect ownership as at December 31,**	
		2022	**2021**
Jarir Bookstore (United Company for Office Supplies) WLL	Qatar	100%	100%
Jarir Trading Company LLC	UAE	100%	100%
United Bookstore	UAE	100%	100%
Jarir International Central Market WLL	Kuwait	100%	100%
Jarir Egypt Real Estate Company – SAE	Egypt	100%	100%
Jarir Marketing Bahrain WLL	Bahrain	100%	100%

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

The accompanying consolidated financial statements were approved by the Company's Board of Directors on March 15, 2023.

2 Summary of significant accounting policies

Significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies are consistently applied to all periods presented.

2.1 Basis of preparation

(i) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"). Collectively hereafter referred to as "IFRS".

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

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(ii) Historic cost convention

These consolidated 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.

(iii) Critical accounting estimates and judgments

The preparation of consolidated 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) 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 consolidated statement of income and the resulting carrying values of assets.

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

These financial assets 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.

(c) 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 at end 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.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(iii) Critical accounting estimates and judgments (continued)

(d) Provision for impairment of trade receivables

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 historical trends, market conditions and forward looking estimates at each reporting date.

(e) 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 judgment 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.

(f) Determining the lease term

The Group as lessee determines the lease term as the non-cancellable period of a lease, together with both (a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option and (b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. For contracts that include extension and termination options, the Group uses judgement in evaluating whether it is reasonably certain whether to exercise the option to renew or terminate the lease. In doing so, it considers all relevant factors that create an economic incentive for it to exercise the renewal or termination. Those factors include current and expected showroom performance, availability, cost and other terms of substitutes, magnitude of leasehold improvements, length of extension or renewal, and cost of extension or renewal. Following the commencement date, the Group reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the Group and affects whether it is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

(iv) New standards, amendment to standards and interpretations that are effective for the current year

There were no new standards issued, however, the following amendments to standards, relevant for the Group, are effective from January 1, 2022 and have been applied by the Group for the first time in its reporting periods commencing on or after January 1, 2022:

- Amendments to IAS 37: Onerous Contracts – Clarifies the costs of fulfilling a contract.

- Amendments to IAS 16: Property, Plant and Equipment – Prohibits deducting proceeds from selling items produced by an asset from the cost of this asset while preparing it for its intended use.

- Amendments to IFRS 3: Replaces reference to the previous version of the Conceptual Framework for the Preparation and Presentation of Financial Statements, with a reference to the current version of the Conceptual Framework for Financial Reporting issued in 2018, and add an exception to the recognition principle of IFRS 3.

Application of the above amendments by the Group did not have any material effect on the Group's consolidated financial statements.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(v) New IFRS standards, amendments to IFRS standards and interpretations not yet effective

There were no new standards issued, however, the following amendments to standards have been published by IASB that are not yet effective as of December 2022, and where early application is permitted by these amendments the Group has not early adopted them. All these amendments are effective for annual reporting periods beginning on or after January 1, 2023, and all are not expected to have a significant impact on the Group's consolidated financial statements:

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current

- Amendments to IAS 8: Definition of 'accounting estimates, the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors, and the use of measurement techniques and inputs to develop accounting estimates.

- Amendments to IAS 1 and IFRS Practice Statement 2: Guidance and examples to help entities apply materiality judgements to accounting policy disclosures and replacing the requirement to disclose significant accounting policies with a requirement to disclose material accounting policies.

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; and
- 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; and
- 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 income, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

2 Summary of significant accounting policies (continued)

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 (which is the currency of the primary economic environment in which the entity operates), and as a result, items included in the financial statements of each subsidiary are measured using that 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.

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 and

- 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

(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 or services 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.

2 Summary of significant accounting policies (continued)

2.4 Financial Instruments (continued)

(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:

(i) the Group's business model for managing the financial assets and

(ii) 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).

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.

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.
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.

2 Summary of significant accounting policies (continued)

2.4 Financial Instruments (continued)

(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.

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 Summary of significant accounting policies (continued)

2.7 Lease accounting

The Group has applied IFRS 16 at the beginning of 2019 using the modified retrospective approach.

(i) The Group as a lessee

At the lease commencement date, the Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (leases with a lease term of 12 months or less) and leases of low-value assets, for which the Group recognizes the lease payments as an operating expense (unless they are incurred to produce assets) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. In general, the Group uses its incremental borrowing rate as the discount rate which has been used to measure all the lease liabilities recognized.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position, classified as current and non-current.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

2 Summary of significant accounting policies (continued)

2.7 Lease accounting (continued)

(i) The Group as a lessee (continued)

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of the lease term or the economic useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the economic useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position, unless the right-of-use asset meet the definition of investment property and in such case, it is presented in the statement of financial position within investment property.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset, and the related payments are recognized as an expense (unless they are incurred to produce assets) in the period in which the event or condition that triggers those payments occurs.

(ii) The Group as a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. In such case the lease is a finance lease, otherwise it is an operating lease.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract. The Group applies the derecognition and impairment requirements in IFRS 9 to the finance lease receivables.

Lease payments received under operating leases are recognized as income on a straight-line basis over the lease term as part of other income.

2.8 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.

2 Summary of significant accounting policies (continued)

2.8 Property and equipment (continued)

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	25 - 33 years
Machinery and equipment	5 - 13.33 years
Furniture and fixtures	5 -10 years
Motor vehicles	4 years
Computers	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.

2.9 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.

2.10 Assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered primarily through a sale transaction rather than through continuing use.

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

2 Summary of significant accounting policies (continued)

2.10 Assets held for sale (continued)

The criteria for held for sale classification are regarded as met only when the sale is highly probable, and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Such assets are not depreciated while it is classified as held for sale.

2.11 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.

2.12 Zakat and income taxes

The Company is subject to zakat in accordance with the regulations of Zakat, Tax and Customs Authority (the "ZATCA"). Provision for zakat is computed in accordance with the regulations of ZATCA and is charged to the consolidated statement of income. Differences rising 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, unless the applicable conventions for the avoidance of double taxation provide otherwise.

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

2.13 Employee benefits

(a) Provision for end-of-service benefits

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 Labor Law.

The liability for the 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

2 Summary of significant accounting policies (continued)

2.13 Employee benefits (continued)

(a) Provision for end-of-service benefits (continued)

(iii) remeasurement.

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 of the related compensation cost.

Remeasurement, 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.

(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 is 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.

2.14 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 and the Ordinary General Assembly may decide to discontinue setting aside such percentage if the reserve reaches at least 30% of paid-in capital. The Company's Ordinary General Assembly in its meeting held on March 1, 2022, decided to discontinue setting aside further amounts as the reserve exceeded 30% of paid-in capital. This reserve is not available for distribution to the shareholders of the Company.

2.15 Sales revenue

Sales revenue is measured based on the consideration specified in a contract with a customer excluding amounts collected on behalf of third parties, if any. The Group generally recognizes revenue at a point in time when it transfers control over a product to a customer, which typically occurs when the product is delivered to the customer. Sales revenue exclude value added tax (VAT) collected. Sales are shown in the consolidated statement of income net of returns and any discounts given.

2 Summary of significant accounting policies (continued)

2.15 Sales revenue (continued)

The following is a description of principal activities, from which the Group generates its revenue:

(i) Sales in retail outlets

The Group owns and operates a chain of retail outlets under the "Jarir bookstore" brand, selling office supplies, school supplies, books, computers and peripherals, computer supplies, smartphones and accessories, electronics, art and craft supplies, video games and kids' development products.
Sales revenue is recognized when the customer takes possession of the product sold by a Group entity. Payment of the transaction price is due immediately when the customer purchases the product.

The Group's return policy grants customers the right of return within three days with certain requirements and certain exceptions.

(ii) Wholesale

The Group sells office supplies, school supplies, computer supplies and art & craft supplies to other resellers. Sales are recognized when control of the products has transferred, being when the products are delivered to the reseller and there is no unfulfilled obligation that could affect the reseller's acceptance of the products. This type of sales involves credit terms of 30-90 days. Typically, wholesale goods are non-returnable, and goods might be returned only at management's discretion.

(iii) Sale to corporate customers

The Group sells office supplies, school supplies, computer supplies, and art & craft supplies to corporate customers for their own use. Sales are recognized when the products are delivered to the customer and the Group has objective evidence that all criteria for acceptance have been satisfied. Typically, this type of sales involves credit terms of 30-90 days, and for certain customers, goods are returnable within 90 days provided goods are in their original condition.

(iv) Online sales

Retail sales are also conducted online in the Kingdom through "Jarir.com" website and "Jarir Bookstore app". Sales are recognized when the products are delivered to the customers by the shipping agent. Payment of the transaction price is normally received upon or before placing online orders and recognized as a liability until the recognition of sales.

For all types of sales, historical experience suggests that the amount of returns is immaterial, and accordingly, no refund liability is 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 a refund liability and corresponding asset (right to the returned goods) for products expected to be returned, with revenue and related cost of sales adjusted accordingly.

In all the above types, the stated price is the transaction price, and the Group does not have contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year, and as a result, the Group does not adjust transaction prices for the time value of money.

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.

The Group typically sells its own gift vouchers to its customers. The amounts collected from such sales are recognized as a liability being a performance obligation and recognized as revenue when the gift vouchers are redeemed by the customers. Under the terms of the gift voucher, its validity is one year.

2 Summary of significant accounting policies (continued)

2.16 Cost of sales and operating expenses

Cost of sales consists of the costs previously included in the measurement of inventories that have 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 and administrative or selling and marketing expenses.

2.17 Rental revenue

Rental revenue from operating leases on investment properties as well as subleases within leased properties where the Group is lessee is accounted for on a straight-line basis over the lease term and recognized 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. Rental revenue from these properties is included under 'other income' in the consolidated statement of income.

2.18 Finance charges

Financing charges, if any, are 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.

2.19 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 Company 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.

2.20 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 financial statements are available.

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer.

2.21 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.

2 Summary of significant accounting policies (continued)

2.21 Fair value measurement (continued)

The fair value of an asset/liability is measured using the assumptions that market participants would use when pricing those assets, with the assumption 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

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 based on 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, retail and residential properties in KSA and (ii) office and retail properties in Egypt.

2.22 Current versus non-current classification

The Group presents assets and liabilities in the 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 be 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.

(All amounts in Saudi Riyals thousands unless otherwise stated)

3 Cash and cash equivalents

	2022	2021
Cash at bank	**521,170**	427,393
Cash in hand	**5,013**	4,806
	526,183	432,199

Cash at banks balance at December 31, 2022 included short-term deposits of Saudi Riyals 100 million (December 31, 2021: Saudi Riyals nil) for a term of one week in form of Murabaha Investment account with a local bank which earn finance income at the agreed Murabaha profit.

4 Trade receivables

	2022	2021
Trade receivables	**217,795**	175,804
Less: allowance for impairment of trade receivables	**(24,693)**	(23,089)
	193,102	152,715

Movement in allowance for impairment of trade receivables is as follows:

	2022	2021
January 1	**23,089**	23,224
Additions	**1,604**	401
Write-offs	**-**	(534)
Reversals	**-**	(2)
December 31	**24,693**	23,089

5 Inventories

	2022	2021
Smart phones, electronics and accessories	**500,539**	611,723
Computers and related supplies and programs	**376,085**	301,761
Office supplies	**146,891**	120,220
Books	**146,691**	116,576
School supplies	**84,321**	110,042
Video games and smart TVs	**143,977**	57,260
Engineering and technical supplies	**50,389**	47,667
Other	**7,004**	5,497
	1,455,897	1,370,746
Less: provision for slow moving inventories	**(136,567)**	(136,034)
	1,319,330	1,234,712

Movement in provision for slow moving inventories is as follows:

	2022	2021
January 1	**136,034**	152,448
Additions	**533**	-
Reversal	**-**	(16,414)
December 31	**136,567**	136,034

(All amounts in Saudi Riyals thousands unless otherwise stated)

6 Prepayments and other current assets

	2022	**2021**
Advances to suppliers	**98,572**	88,697
Prepaid rentals	**5,189**	8,581
Employees receivable	**37,667**	30,639
Less: Provision for doubtful employee receivables	**(1,438)**	(1,826)
	36,229	28,813
Other prepayments	**18,202**	16,270
Claims on vendors	**102,806**	63,906
Lease and other receivables	**55,238**	59,672
Less: Provision for doubtful lease receivables	**(21,030)**	(17,626)
	34,208	42,046
	295,206	248,313

7 Financial assets at fair value through profit or loss

Comprises an investment in an unquoted equity instrument (Kinan International for Real Estate Development Co.,“Kinan”). During the prior year ended December 31 2021, Kinan reduced its capital by way of cancelling shares and compensating shareholders for the par value of the cancelled shares. Accordingly, 624,126 shares of those owned by the Group have been cancelled and the Group received the respective compensation amounting to Saudi Riyals 6.24 million, reducing the balance of “financial assets at fair value through profit or loss” with the same amount.

8 Investment properties

	Land	**Buildings**	**Construction and other work in progress**	**Total**
Cost				
January 1, 2022	**123,611**	**275,512**	**80,122**	**479,245**
Additions to owned assets	**-**	**-**	**6,063**	**6,063**
Lease modifications /reassessment /termination *	**-**	**20,819**	**-**	**20,819**
Disposal of owned assets	**(20,032)**	**(96,114)**	**-**	**(116,146)**
Transfers from construction and other work in progress	**-**	**62,421**	**(62,421)**	**-**
Transfers to property and equipment	**(3,644)**	**(630)**	**(6,766)**	**(11,040)**
Exchange difference	**-**	**(6,842)**	**(13,383)**	**(20,225)**
December 31, 2022	**99,935**	**255,166**	**3,615**	**358,716**
Accumulated depreciation and impairment				
January 1, 2022	**-**	**(62,097)**	**(3,809)**	**(65,906)**
Depreciation of owned assets	**-**	**(6,998)**	**-**	**(6,998)**
Depreciation of right-of-use assets	**-**	**(5,856)**	**-**	**(5,856)**
Disposal of owned assets	**-**	**10,109**	**-**	**10,109**
Transfers from construction and other work in progress	**-**	**(3,809)**	**3,809**	**-**
Transfers to property and equipment	**-**	**215**	**-**	**215**
Reversal of impairment	**-**	**2,590**	**-**	**2,590**
Exchange difference	**-**	**2,781**	**-**	**2,781**
December 31, 2022	**-**	**(63,065)**	**-**	**(63,065)**
Net book value	**99,935**	**192,101**	**3,615**	**295,651**

8 Investment properties (continued)

	Land	Buildings	Construction and other work in progress	Total
Cost				
January 1, 2021	124,230	262,711	87,299	474,240
Additions to owned assets	-	-	11,278	11,278
Additions of right-of-use assets *	-	539	-	539
Lease modifications /reassessment /termination *	-	453	-	453
Transfers from construction and other work in progress	-	15,034	(15,034)	-
Transfers from (to) property and equipment	(619)	591	(3,508)	(3,536)
Net transfers to right-of-use assets	-	(3,861)	-	(3,861)
Exchange difference	-	45	87	132
December 31, 2021	123,611	275,512	80,122	479,245
Accumulated depreciation and impairment				
January 1, 2021	-	(48,966)	(5,463)	(54,429)
Depreciation of owned assets	-	(7,313)	-	(7,313)
Depreciation of right-of-use assets	-	(5,801)	-	(5,801)
Transfers from property and equipment	-	(7)	-	(7)
Reversal of impairment	-	-	1,667	1,667
Exchange difference	-	(10)	(13)	(23)
December 31, 2021	-	(62,097)	(3,809)	(65,906)
Net book value	123,611	213,415	76,313	413,339

* These are considered non-cash financing and investing activities.

All investment properties are held for rental income and not for capital appreciation.

8.1 Fair value of investment property

For the purpose of fair value disclosure, management determined that the investment properties consist of three classes of assets: (i) freehold office, retail and residential properties in the Kingdom of Saudi Arabia (KSA), (ii) freehold office and retail properties in Egypt and (iii) Right-of-use assets recognized as per the requirements of IFRS 16 as follows:

	(Saudi Riyals in millions)			
	December 31, 2022		**December 31, 2021**	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Freehold office, retail and residential properties in KSA	**224.9**	**566.8**	341.6	697.0
Freehold office and retail properties in Egypt	**31.1**	**79.5**	47.1	108.9
Right-of-use assets	**39.6**	**72.4**	24.6	65.6
Total	**295.6**	**718.7**	413.3	871.5

The fair value of investment property presented in the above table is based on valuation by independent valuers who hold recognized and relevant professional qualifications and have recent experience in the location and category of the investment property being valued.

8 Investment properties (continued)

8.1 Fair value of investment property (continued)

(i) Freehold office, retail and residential properties in KSA

The fair value measurements of the office, retail and residential properties in KSA as at the above dates were all performed by Barcode Company (Abdulkarim Mohammed Abanme and Moath Mohammed Abanme, both are accredited valuers by the Saudi Authority for Accredited Valuers (Taqeem), holding membership numbers 1210000001 and 1210000730, respectively). Barcode Company is an independent valuer not related to the Group who holds recognized and relevant professional qualifications and has recent experience in the location and category of the investment property being valued.

The fair value measurement in its entirety is classified into level 2 and 3 based on the valuation techniques used in estimating the fair value and related inputs.

For completed properties, the fair value was determined based on capitalization of net income method, where the market rentals of the properties are assessed in light of the rentals of similar properties in the market and operating expenses are estimated based on market averages and valuer's knowledge. The capitalization rate used is adopted by reference to the yield rates normally used for similar properties and location and adjusted based on the valuer's knowledge of the factors specific to the respective properties.

For under-construction properties, the fair value of land was determined based on the market comparable approach that reflects prices for similar properties, while the fair value on construction works was determined based on the cost approach by reference to the actual cost provided by the Group.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

(ii) Freehold office and retail properties in Egypt

The fair value measurements of the office and retail properties in Egypt are performed by Deyar El Safwa (Eng. Mohamed Abdulrahman Ahmed Youssef), accredited real estate valuer by the Financial Regulatory Authority (in Egypt), Reg. number 93.

The valuer is an independent valuer who is not related to the Group, holds recognized and relevant professional qualifications and has recent experience in the location and category of the investment property being valued.

The fair value was determined based on the market comparable approach.

The fair value measurement in its entirety is classified into level 2. Adjustment to level 2 inputs that are significant to the entire measurement did not use significant unobservable inputs.

For a property which had a fair value (less cost of disposal) greater than its net book value at December 31, 2022, and its estimated value in use did not exceed its fair value (less cost of disposal), its carrying amount has been increased to its recoverable amount (being fair value less cost of disposal) through the reversal of prior impairment loss amounting Saudi Riyals 2.6 million, which has been recognized in the consolidated statement of income for the year ended December 31, 2022, (2021: Saudi Riyals 1.7 million).

(All amounts in Saudi Riyals thousands unless otherwise stated)

8 Investment properties (continued)

8.1 Fair value of investment property (continued)

(iii) Right-of-use assets:

Right-of-use assets within the investment properties exist in KSA and Qatar.

The fair value measurements of right-of-use assets in KSA were performed by Barcode Company referred to above.

The fair value measurements of right-of-use assets in Qatar were performed by ValuStrat LLC in Qatar. ValuStrat is a Royal Institution of Chartered Surveyors (RICS) regulated firm. ValuStrat is independent valuer not related to the Group and has sufficient and current knowledge of the Qatari market and the skills and understanding to undertake an objective and unbiased valuation competently. It has recent and sufficient experience in the location and category of the investment property being valued.

The fair value measurement of the right-of-use assets in its entirety is classified into level 3 based on the valuation techniques used in estimating the fair value and related inputs. The discounted cash flow method has been used as the valuation approach.

There has been no change to the valuation techniques as of December 31, 2022 compared to December 31, 2021 for all fair value measurements.

8.2 Amounts included in the statement of income related to investment properties

The consolidated statement of income includes, among others, the following amounts related to investment properties:

	2022	**2021**
Rental income	**49,615**	52,399
Maintenance and repair expenses from property that generated rental income	**1,431**	1,202
Maintenance and repair expenses from property that did not generate rental income	**149**	311

Rental income includes the rental income generated by both freehold and right-of-use investment properties.

The Group has no significant contractual obligations for repairs or maintenance of its investment properties.

9 Right-of-use assets

The following table presents information about the right-of-use assets, other than those included in the investment properties:

	2022 Buildings	**2021 Buildings**
Carrying amount as at December 31	**590,820**	525,985
Additions during the year*	**102,149**	53,285
Lease modifications/reassessment/termination*	**55,384**	(32,917)
Depreciation charge for the year	**97,044**	86,929
Net transfer from investment property	**-**	3,861

* These are considered non-cash financing and investing activities.

(All amounts in Saudi Riyals thousands unless otherwise stated)

10 Property and equipment

	Land	Buildings	Machinery and equipment	Furniture and fixtures	Motor vehicles	Computers	Leasehold improve-ments	Construction and other work in progress (CWIP)	Total
Cost									
January 1, 2022	**431,945**	**600,182**	**13,982**	**194,962**	**21,647**	**74,421**	**189,460**	**84,920**	**1,611,519**
Additions	**-**	**-**	**326**	**3,151**	**941**	**2,056**	**-**	**44,029**	**50,503**
Disposals	**(11,408)**	**(54,737)**	**(7)**	**(2,226)**	**(842)**	**(466)**	**(4,782)**	**-**	**(74,468)**
Transfers from CWIP	**-**	**51,969**	**187**	**7,364**	**280**	**1,385**	**10,659**	**(71,844)**	**-**
Transfers from investment property	**3,644**	**630**	**-**	**-**	**-**	**-**	**-**	**6,766**	**11,040**
Exchange difference	**-**	**(170)**	**(5)**	**(32)**	**-**	**(12)**	**-**	**(11,101)**	**(11,320)**
December 31, 2022	**424,181**	**597,874**	**14,483**	**203,219**	**22,026**	**77,384**	**195,337**	**52,770**	**1,587,274**
Accumulated depreciation									
January 1, 2022	**-**	**(162,903)**	**(11,621)**	**(121,396)**	**(18,298)**	**(56,588)**	**(157,577)**	**-**	**(528,383)**
Additions	**-**	**(20,248)**	**(790)**	**(12,356)**	**(1,486)**	**(6,277)**	**(15,963)**	**-**	**(57,120)**
Disposals	**-**	**5,757**	**8**	**2,081**	**842**	**402**	**4,781**	**-**	**13,871**
Transfers from investment property	**-**	**(215)**	**-**	**-**	**-**	**-**	**-**	**-**	**(215)**
Exchange difference		**36**	**3**	**9**	**-**	**7**	**-**	**-**	**55**
December 31, 2022	**-**	**(177,573)**	**(12,400)**	**(131,662)**	**(18,942)**	**(62,456)**	**(168,759)**	**-**	**(571,792)**
Net book value	**424,181**	**420,301**	**2,083**	**71,557**	**3,084**	**14,928**	**26,578**	**52,770**	**1,015,482**

	Land	Buildings	Machinery and equipment	Furniture and fixtures	Motor vehicles	Computers	Leasehold improve-ments	Construction and other work in progress (CWIP)	Total
Cost									
January 1, 2021	490,759	563,009	11,924	177,335	21,504	64,457	161,045	109,981	1,600,014
Additions	-	-	1,925	4,046	1,620	4,545	-	57,469	69,605
Disposals	(59,433)	-	(22)	(322)	(1,786)	(143)	-	-	(61,706)
Transfers from CWIP	-	37,763	155	13,903	309	5,562	28,415	(86,107)	-
Net transfers from (to) investment property	619	(591)	-	-	-	-	-	3,508	3,536
Exchange difference	-	1	-	-	-	-	-	69	70
December 31, 2021	431,945	600,182	13,982	194,962	21,647	74,421	189,460	84,920	1,611,519
Accumulated depreciation									
January 1, 2021	-	(143,753)	(10,933)	(110,802)	(18,528)	(51,133)	(140,350)	-	(475,499)
Additions	-	(19,157)	(710)	(10,876)	(1,557)	(5,592)	(17,227)	-	(55,119)
Disposals	-	-	22	282	1,787	137	-	-	2,228
Transfer to investment property	-	7	-	-	-	-	-	-	7
December 31, 2021	-	(162,903)	(11,621)	(121,396)	(18,298)	(56,588)	(157,577)	-	(528,383)
Net book value	431,945	437,279	2,361	73,566	3,349	17,833	31,883	84,920	1,083,136

As at December 31, 2022, property and equipment and investment property include lands amounting to Saudi Riyals 8.1 million (2021: Saudi Riyals 24.7 million) which are registered under the name of related parties and others and the beneficial ownership has been transferred to the Group.

(All amounts in Saudi Riyals thousands unless otherwise stated)

11 Finance cost

	2022	2021
Interest on overdraft facility (Islamic debit current account)	**14**	175
Interest on overdraft facility – conventional	**-**	4
Interest on Murabaha/Tawarruq term loans	**151**	820
Interest on lease liabilities	**40,584**	41,334
	40,749	42,333

12 Accounts payable

	2022	2021
Trade payables	**1,070,582**	1,092,457
Advances from customers	**101,779**	82,523
Employees	**6,741**	7,379
Other	**115,186**	80,670
	1,294,288	1,263,029

13 Accrued expenses and other liabilities

	Note	2022	2021
Accrued bonus and commission		**67,348**	71,848
Warranty charges provision	13.1	**10,765**	25,341
Accrued salaries, wages and benefits		**31,290**	22,560
Other		**73,278**	38,092
		182,681	157,841

13.1 Warranty provision

A provision is recognized for expected warranty claims on products sold for which Group is liable to cover warranty. It is expected all these costs will be incurred within two years after the reporting date.

Assumptions used to calculate the provision for warranties are based on product sales, date of sale, warranty period, and estimated level of repairs and warranty costs.

The estimate has been made based on historical warranty trend and recommendation of vendors has been considered and may vary as a result of cost changes, manufacturing processes and change in products quality.

Movement in provision for warranty is as follows:

	2022	2021
January 1	**25,341**	17,108
Added during the year	**3,346**	35,727
Utilized during the year	**(17,922)**	(27,494)
December 31	**10,765**	25,341

14 Deferred income

	Note	2022	2021
Gain on sale and lease back	14.1	**3,324**	3,715
Rental income	14.2	**15,735**	16,180
		19,059	19,895
Current maturity shown under current liabilities		**(16,126)**	(16,571)
		2,933	3,324

(All amounts in Saudi Riyals thousands unless otherwise stated)

14 Deferred income (continued)

14.1 Gain on sale and lease back

The gain on sale and leaseback represents the unamortized gain recognized on a sale and lease-back transaction in 2013 amounted to Saudi Riyals 7 million and which pertains to the then classified finance lease portion of the transaction. This gain is being amortized over the lease term.

14.2 Rental income

Rental income represents amounts received from rental activity but not earned as at December 31, 2022 and 2021. Such amounts will be recognized as revenue in the subsequent year.

15 Zakat and income tax matters

Zakat is calculated at 2.5% on the higher of approximate zakat base or adjusted net income. Zakat is calculated based on the consolidated financial statements of Jarir Marketing Company.

15.1 Component of zakat base

The significant components of the zakat base of the Company under zakat regulations are as follows:

	Note	2022	2021
Share capital at beginning of year		**1,200,000**	1,200,000
Statutory reserve at beginning of year		**393,957**	294,771
Retained earnings at beginning of year		**239,937**	294,612
Foreign currency translation reserve		**(93,824)**	(64,860)
Provisions		**363,154**	345,582
Long term liabilities and equivalents		**41,739**	32,947
Liabilities used to finance deductible assets		**720,849**	642,041
Adjusted net income for the year	15.2	**268,137**	334,258
Additions to property and equipment and investment properties		**56,566**	80,883
Dividends paid during the year in excess of retained earnings at beginning of year		**684,063**	653,388
Financial assets at fair value through profit or loss		**(21,710)**	(21,710)
Investment properties		**(295,651)**	(413,339)
Right-of-use assets		**(590,820)**	(525,985)
Property and equipment		**(1,015,482)**	(1,083,136)
Zakat provision		**47,310**	43,168
Dividends announced and paid		**(924,000)**	(948,000)
Approximate zakat base		**1,074,225**	864,620

In accordance with zakat regulations, zakat base, excluding the adjusted net income element, is subject to zakat at 2.5% adjusted by ratio of Gregorian to Hijri year number of days (e.g. 2.5% * 365/354). Zakat is calculated at 2.5% on the adjusted net income element.

15.2 Adjusted net income

	2022	2021
Income before zakat and income tax	**977,846**	1,019,041
<u>Adjustments:</u>		
Provisions during the year	**30,920**	49,488
Dividends paid in excess of retained earnings at beginning of year	**(684,063)**	(653,388)
Additions to property and equipment and investment properties	**(56,566)**	(80,883)
Adjusted net income for the year	**268,137**	334,258

(All amounts in Saudi Riyals thousands unless otherwise stated)

15 Zakat and income tax matters (continued)

15.3 Provision for zakat

The movement in the zakat provision for the year was as follows:

	2022	2021
January 1	**69,768**	67,175
Provisions*	**8,000**	26,600
Payments	**(22,458)**	(24,007)
December 31	**55,310**	69,768

* As described in note 15.4, the provision made during the current year ending December 31, 2022 is net of the amount reversed of Saudi Riyals 17 million based on the Appeal Committee's ruling regarding zakat differences for the years 2011 to 2015 resolving the dispute with ZATCA largely in favor of the Group.

15.4 Status of zakat assessments

Zakat, Tax and Customs Authority (ZATCA) finalized the assessments for the years till 2010, and there are no outstanding zakat dues.

Years from 2011 to 2015

In 2019, the Group received zakat assessments from ZATCA for the years 2011 to 2015, claiming zakat differences totaling Saudi Riyals 25.6 million as compared to zakat paid for those years. Among the several disputed matters, the main difference resulted from ZATCA disallowance of deduction of dividends in excess of the opening balance of retained earnings.

The Group duly objected to those assessments and escalated the case to the Tax Committee for Resolution of Tax Violations and Disputes (the "Dispute Committee") and subsequently escalated to the Appeal Committee for Tax Violations and Disputes ("Appeal Committee"). On November 1, 2022, the General Secretariat of Tax Committees "GSTC" notified the Group that the Appeal Committee accepted the Group's appeal for most of the matters disputed with ZATCA including the full deductibility of dividends, in excess of the opening balance of retained earnings, from the adjusted net income, and that the ruling is final. The Group received the official document of the Appeal Committee's ruling on January 11, 2023. Furthermore, on January 29, 2023, the Group received from ZATCA the notifications of the implementation of the ruling as well amendment letters revising the prior ZATCA assessments based on the ruling. Accordingly, and as the ruling actually took place on November 1, 2022 which subsequently confirmed and evidenced by the aforementioned ruling document, notifications and amendment letters, the Group reversed the zakat provision related to such disputes amounting to Saudi Riyals 17 million during the current year ending December 31, 2022.

Years from 2016 to 2018

In 2020, the Group received zakat assessments from ZATCA for the years 2016 to 2018, claiming zakat differences totaling Saudi Riyals 35.9 million as compared to zakat paid for those years. The Group duly objected to those assessments and paid 10% of the disputed amounts as required by zakat regulation (which requires payment 10% to 25% of the disputed amounts). ZATCA rejected the objection and the Group escalated the case to the Dispute Committee in due time. In August 2022 the Dispute Committee resolved that substantially all the objections made by the Group are rejected. The Group escalated its objection to the Dispute Committee's resolution to the Appeal Committee in due time, and the appeal is still under way. The major reason for zakat differences for these years was that ZATCA in their assessments did not allow deduction of dividends in excess of the opening balance of retained earnings. From the Group's perspective, those dividends are deductible in full being actually distributed to the shareholders within the respective zakatable year in which the Group deducted dividends. The opening balance of retained earnings should not be used as a barrier to deductibility of valid dividends that were declared and paid in accordance with the applicable regulations.

(All amounts in Saudi Riyals thousands unless otherwise stated)

15 Zakat and income tax matters (continued)

15.4 Status of zakat assessments (continued)

Years 2019 and 2020

In 2021, the Group received zakat assessments from ZATCA for the years 2019 and 2020, claiming zakat differences totaling Saudi Riyals 19.8 million as compared to zakat paid for those years. Zakat differences were only due to ZATCA disallowance of deduction (from the adjusted net income) of both (i) the additions on property and equipment and investment properties and (ii) dividends in excess of the opening balance of retained earnings. The Group duly objected to those assessments in due time and paid 25% of the disputed amounts as required by zakat regulation. ZATCA rejected the objection and the Group escalated the case to the Dispute Committee in due time. On January 18, 2023 the Dispute Committee resolution was officially issued accepting the deductibility of dividends in excess of the opening balance of retained earnings, from the adjusted net income, while rejecting the deductibility of the additions on property and equipment and investment properties from the adjusted net income. The Group escalated the dispute, on the deductibility of the additions on property and equipment and investment properties from the adjusted net income, to the Appeal Committee in due time, and the appeal is still under way.

These amounts paid for the year 2016 to 2020 referred to above will be recoverable if the Group managed to resolve its dispute with ZATCA in favor of the Group, otherwise payments will be part of the settlement toward the final outcome of the dispute.

The Group maintains adequate zakat provision to meet the probable zakat differences arising from such disputes for the years 2016 to 2020.

No assessment was received for the year 2021.

15.5 Income tax

The amount of income tax recognized in the consolidated statement of income typically pertains to either or both of the subsidiaries in Qatar and Egypt.

16 End of service benefits

The Company's end of service benefits plan is an unfunded plan. Cash generated by operations are quite sufficient to meet end of service benefit obligations as they become due.

16.1 Changes in the end of service benefit liability

	2022	**2021**
January 1	**167,149**	159,453
Interest cost	**3,373**	2,375
Current service cost	**19,396**	18,716
End of service benefit expense recognized in profit or loss	**22,769**	21,091
Benefits paid	**(10,750)**	(12,742)
Actuarial changes arising from experience adjustments	**(5,485)**	(6,924)
Actuarial changes arising from changes in demographic assumptions	**7,660**	8,643
Actuarial changes arising from changes in financial assumptions	**(17,877)**	(2,372)
Amount of actuarial gain included in other comprehensive income	**(15,702)**	(653)
December 31	**163,466**	167,149

End of service benefit expenses are included in the same line items in the consolidated statement of income as the related compensation cost.

Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

16 End of service benefits (continued)

16.2 Assumptions used and risks

The principal assumptions used in determining end of service benefit liability are shown below:

	2022	2021
Discount rate	**5.25%**	2.00%
Weighted average of the annual increase in compensation used in the calculation of end of service	**6.4%**	6.9%
Weighted average future number of years of service	**2.6**	3.1

The end of service benefit typically exposes the Group to actuarial risks such as interest risk, longevity risk and salary risk as follows:

Interest risk: As explained in Note 2.13, the discount rate used to calculate the present value of the end of service benefits obligation is estimated by reference to yields on the government bonds. A decrease in the bond interest rate will increase the end of service benefit liability.

Longevity risk: The present value of the end of service benefits obligation is calculated by reference to the best estimate of the number of years of employment. An increase in the number of remaining years of employment will increase the end of service benefit liability.

Salary risk: The end of service benefits liability is calculated by reference to the best estimate of future salaries of employees. An increase in the salary of employees will increase the end of service benefit liability.

A quantitative sensitivity analysis for significant assumption on the end of service benefit liability as at December 31, 2022 and 2021 is, as shown below:

	(Saudi Riyals in millions)	
	2022	**2021**
Discount rate:		
0.5 % increase	**(2.0)**	(2.5)
0.5% decrease	**2.1**	2.6

	(Saudi Riyals in millions)	
	2022	**2021**
Weighted average of the annual increase in compensation used in the calculation of end of service:		
2% increase	**8.4**	10.0
2% decrease	**(7.7)**	(9.1)
Weighted average future number of years of service:		
Increase by 1 year	**4.5**	9.8
Decrease by 1 year	**(4.3)**	(11.8)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the end of service benefit liability as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the end of service benefit liability as it is unlikely that changes in assumptions would occur in isolation of one another.

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the end of service benefit liability recognized in the consolidated statement of financial position.

(All amounts in Saudi Riyals thousands unless otherwise stated)

16 End of service benefits (continued)

16.2 Assumptions used and risks
(continued)
The methods and assumptions used in preparing the sensitivity analyses for the 2022 and 2021 presented above are consistent.

17 Related party matters

17.1 Related parties' transactions

Significant transactions with related parties in the ordinary course of business included in the consolidated financial statements are summarized below:

		2022	**2021**
Board of Directors	Salaries, wages and benefits (charged to profit or loss)	**33,431**	33,316
	Salaries, wages and benefits (in other comprehensive income)	**(4,613)**	2,344
Parties related to the Board of Directors	Construction and engineering services – cost	**26,578**	36,495
	Rent income	**3,775**	8,958
	Rent expense	**8,383**	8,383
	Consulting services – income	**761**	784
	Disposal of land	**-**	97,926

17.2 Related parties balance

Significant year-end balance arising from transactions with related parties are as follows:

	2022	**2021**
<u>Receivable from related parties</u>		
Parties related to the Board of Directors	**1,631**	9,177

17.3 Key management personnel

Key management personnel, including all members of the board of directors, compensation comprised the following:

	2022	**2021**
Short-term employee benefits	**35,699**	36,805
Post-employment benefits (end of service benefits charged to profit or loss)	**2,139**	1,890
Post-employment benefits (end of service benefits in other comprehensive income)	**(5,893)**	1,453
Other long-term benefits (long-term incentive plan)	**148**	1,645

Short-term employee benefits of the Group's key management personnel include salaries, allowances, cash and non-cash benefits, bonuses, and contributions to General Organization for Social Insurance.

18 Share capital

The share capital of the Company as of December 31, 2022 comprises of 120 million shares (2021: 120 million shares) stated at Saudi Riyals 10 per share.

19 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. The Ordinary General Assembly may decide to discontinue setting aside such percentage if the reserve reaches at least 30% of paid-in capital. The Ordinary General Assembly of the Company in its meeting held on March 1, 2022 decided to discontinue setting aside more amounts to the statutory reserve as it exceeded 30% of paid-in capital. This reserve is currently not available for distribution to the shareholders of the Company.

20 Revenue

Set out below is the disaggregation of the Group's revenue:

The following table sets out the Group's revenue disaggregated by products and services category by reportable segment:

	(Saudi Riyals in millions)				
2022	**Retail outlets**	**Wholesale**	**E-commerce**	**All other segments**	**Total**
Smartphones, electronics and accessories	**4,582**	**-**	**643**	**8**	**5,233**
Other IT and digital products and services	**2,360**	**1**	**509**	**27**	**2,897**
Books and office, school and arts supplies	**839**	**296**	**40**	**87**	**1,262**
	7,781	**297**	**1,192**	**122**	**9,392**

	(Saudi Riyals in millions)				
2021	**Retail outlets**	**Wholesale**	**E-commerce**	**All other segments**	**Total**
Smartphones, electronics and accessories	4,659	-	372	3	5,034
Other IT and digital products and services	2,623	2	388	30	3,043
Books and office, school and arts supplies	711	190	30	80	1,011
	7,993	192	790	113	9,088

The following table sets out the Group's revenue disaggregated by products and services category by geographical market:

	(Saudi Riyals in millions)		
2022	**Kingdom of Saudi Arabia**	**Other Gulf Countries and Egypt**	**Total**
Smartphones, electronics and accessories	**5,063**	**170**	**5,233**
Other IT and digital products and services	**2,728**	**169**	**2,897**
Books and office, school and arts supplies	**1,116**	**146**	**1,262**
	8,907	**485**	**9,392**
2021			
Smartphones, electronics and accessories	4,890	144	5,034
Other IT and digital products and services	2,838	205	3,043
Books and office, school and arts supplies	868	143	1,011
	8,596	492	9,088

All the above revenues are recognized at a point in time.

(All amounts in Saudi Riyals thousands unless otherwise stated)

21 Cost of sales

	2022	2021
Purchases of goods	**7,558,846**	7,182,674
Changes in inventories	**(84,618)**	73,147
Cost of goods sold	**7,474,228**	7,255,821
Salaries, wages and benefits	**350,441**	350,932
Depreciation	**148,077**	136,828
Rental	**8,979**	7,119
Other	**122,595**	108,230
	8,104,320	7,858,930

22 General and administrative expenses

	2022	2021
Salaries, wages and benefits	**96,021**	94,286
Professional services	**5,693**	3,984
Other employees related expenses	**4,556**	3,931
Depreciation	**5,590**	4,686
Maintenance	**3,356**	3,958
Other	**16,345**	15,820
	131,561	126,665

23 Selling and marketing expenses

	2022	2021
Advertising	**95,771**	57,187
Salaries, wages and benefits	**46,416**	47,155
Provision for doubtful debts	**1,608**	381
Depreciation	**470**	502
Freight to customers	**12,656**	10,730
Other	**37,070**	25,484
	193,991	141,439

24 Other income, net

This mainly includes rental revenue from operating leases on investment properties as well as subleases within leased properties where the Group is lessee netted-off with related expenses and other expenses.

On March 29, 2022, the Board of Directors agreed to sell a building owned by the Group, located in Khobar, and accordingly the carrying amount of the property of Saudi Riyals 166.4 million was reclassified (Saudi Riyals 60.4 million reclassified from property and equipment, and Saudi Riyals 106.0 million reclassified investment property) as held for sale in the condensed consolidated interim financial statements for the period ending March 31, 2022. During the three-month period ending June 30, 2022, the Group concluded the sale of the building to a Real Estate Investment Trust “REIT” for a price of Saudi Riyals 178.0 million, as the title of the building was duly transferred and the property was handed over to REIT. The sale arrangement included a leaseback of the space that was operating as a Jarir bookstore outlet, and the leaseback involved a non-cancellable term of seven years.

The total gain realized amounted to Saudi Riyals 11.6 million of which an amount of Saudi Riyals 1.4 million is related to the rights retained by the Group as a seller-lessee. The remaining portion of the gain amounting to Saudi Riyals 10.2 million is recognized in other income during the year ending December 31, 2022.

24 Other income, net (continued)

Other income for the prior year ending December 31, 2021, included, among others: (i) a capital gain of Saudi Riyals 38.5 million on the disposal of a parcel of land to a related party for an amount Saudi Riyals 97.9 million after the transaction had been reviewed and approved by the unrelated members of the audit committee and the Board of Directors, (ii) insurance compensation amounting to Saudi Riyals 11.1 million received for a business interruption claim related to a fire incident back in 2016 after winning a dispute with the insurance company based on the decision of the Appeal Committee for resolution of insurance disputes and violations.

25 Finance income

Finance income comprises the income on term deposits in form of Murabaha Investment account opened with a local bank.

26 Exchange differences on translation of foreign operations

Exchange differences on translation of foreign operations, included in the consolidated statement of comprehensive income, amounted to Saudi Riyals 29.0 million for the current year ending December 31, 2022, is mainly attributed to the exchange differences loss arising from the Company's net investment in its subsidiary in Egypt, of which the functional currency is the Egyptian Pound, affected by the Egyptian Pound currency devaluation, which started in March 2022 by the Egyptian authorities. On October 27, 2022, the Egyptian authorities even decided to follow a flexible exchange rate regime under which the Egyptian Pound exchange rate against foreign currencies is determined by the forces of supply and demand. The Egyptian Pound exchange rate against foreign currencies continued to unfavorably change subsequent to December 31, 2022 and there could be further unfavorable changes in future. Such exchange difference loss does not affect the statement of income but it is recognized in the comprehensive income with a corresponding recognition in the foreign exchange reserve.

27 Earnings per share

Earnings per share has been calculated by dividing net income for the years ended December 31, 2022 and 2021 by 120 million shares.

28 Dividends

Based on the pre-approval of the General Assembly, the Board of Directors in their meetings held on March 8, May 9, August 4, and November 8, 2022 resolved to distribute interim cash dividend amounting to Saudi Riyals 234 million, Saudi Riyals 246 million, Saudi Riyals 174 million, and Saudi Riyals 270 million respectively, which were paid to the shareholders the year ended December 31, 2022 (Saudi Riyals 7.7 per share).

Based on the pre-approval of the General Assembly, the Board of Directors in their meeting held on March 16, May 26, August 10, and November 3, 2021 resolved to distribute interim cash dividend amounting to Saudi Riyals 282 million, Saudi Riyals 252 million, Saudi Riyals 168 million, and Saudi Riyals 246 million respectively, which were paid to the shareholders the year ended December 31, 2021 (Saudi Riyals 7.90 per share).

29 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 three major operating segments namely, retail outlets, wholesale and E-commerce. 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 mainly include corporate sales and rentals.

29 Segment information (continued)

a) Operating segments (continued)

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, smart TV's, 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.
E-commerce	Online sales through "Jarir.com" website and "Jarir Bookstore app" of the same products and services offered in the retail outlets.

The segmental information for the year ended December 31, was as follows:

	(Saudi Riyals in millions)				
	Retail outlets	**Wholesale**	**E-Commerce**	**All other segments**	**Consolidated**
2022					
Revenue	**7,781**	**297**	**1,192**	**122**	**9,392**
Income before zakat and income tax	**800**	**52**	**54**	**72**	**978**
Depreciation	**(152.2)**	**(1.7)**	**(0.2)**	**(12.9)**	**(167)**
Reversal of impairment loss on non-financial assets	**-**	**-**	**-**	**2.6**	**2.6**
Finance cost	**(37.8)**	**-**	**-**	**(2.9)**	**(40.7)**
2021					
Revenue	7,993	192	790	113	9,088
Income before zakat and income tax	858	15	33	113	1,019
Depreciation	(139.7)	(2.0)	(0.2)	(13.2)	(155.1)
Reversal of impairment loss on non-financial assets	-	-	-	1.7	1.7
Finance cost	(39.6)	(0.1)	-	(2.6)	(42.3)

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

Management uses segment income before tax to measure performance being the most relevant in evaluating the results of segments.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2.20 above.

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 and information about non-current assets by location for the year ended and as of December 31, are detailed below.

29 Segment information (continued)

b) Geographical information (continued)

	(Saudi Riyals in millions)		
	Kingdom of Saudi Arabia	**Other Gulf Countries and Egypt**	**Consolidated**
2022			
Sales to external customers	**8,907**	**485**	**9,392**
Non-current assets	**1,672**	**251**	**1,923**
2021			
Sales to external customers	8,596	492	9,088
Non-current assets	1,844	200	2,044

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. The Group maintains separate accounts for each country.

Refer to Note 20 for an analysis of the Group's sales from its major products and services categories to external customers.

30 Seasonality of operations

The Group's sales are positively affected by the back to school seasons, particularly sales of school and office supplies. The sales in the current year ending December 31, 2022 were positively affected, as compared with the prior year, by a back to school seasons (both the grand season back to school from year-end holiday which typically falls in the third quarter and the small seasons back to school from school breaks) after the in-person education in the Kingdom has been resumed in January 2022 for the students of kindergarten and elementary stages (which have a greater impact on the Group sales) for the first time since the implementation of COVID 19 precautionary measures which had included the shift to remote learning.

31 Commitments and contingencies

31.1 Contingencies

Contingencies are as follows:	**(Saudi Riyals in millions)**	
	2022	**2021**
Letters of credit	**257.2**	228.0
Letters of guarantee	**14.8**	14.7

31.2 Capital commitments

At December 31, 2022, the Group had capital commitments of Saudi Riyals 30.2 million (December 31, 2021: Saudi Riyals 29.8 million). This balance includes capital commitment of Saudi Riyals 15.7 million with a party related to the Board of Directors (December 31, 2021: Saudi Riyals 26.9 million). These commitments are principally relating to the construction of the buildings and leasehold improvements which will comprise spaces for Group's own use including its retail outlets, and spaces to earn rentals.

32 Leases

32.1 Leases where the Group is as lessee

The Group leases showrooms, storage spaces, and employee housing. The Group also leases retail spaces, for a subsequent sublease, that are attached to showrooms it leases as part of the showroom lease deal, but not on a standalone basis. The leases typically run for periods between 5 and 25 years and on a fixed rent basis with escalation clauses. Refer to Note 8 and 9 for information about right of use assets arising from leases for which the Group is a lessee.

(All amounts in Saudi Riyals thousands unless otherwise stated)

32 **Leases** (continued)

32.1 **Leases where the Group is as lessee** (continued)

(i) The following table presents sets out the amounts recognized in the statement of income relating to leases for the year ended December 31 where the Group is a lessee:

	2022	2021
Interest on lease liabilities included in finance cost	**(40,584)**	(41,334)
Lease expenses of short-term leases	**(5,577)**	(6,772)
Lease expenses relating to variable lease payments not included in the lease liabilities	**(3,484)**	(374)
Rental income from subleases of right of use investment properties	**14,916**	11,736
Depreciation expense of all right of use assets	**(102,901)**	(92,731)

(ii) The following table set outs the carrying amounts of lease liabilities and the movements during the year including changes arising from financing activities:

	2022	2021
*January 1	**642,041**	694,602
Additions	**98,995**	44,797
Interest on lease liabilities	**40,584**	41,334
Payments for the principal portion (financing activities cash flows)	**(102,800)**	(68,092)
Payments of interest portion (operating activities cash flows)	**(38,537)**	(35,069)
Modification, termination, remeasurement, and rent concession	**80,566**	(35,531)
December 31	**720,849**	642,041

Classified in the consolidated statement of financial position as at December 31, as follow:

	2022	2021
Current portion of lease liabilities	**137,699**	122,168
Non-current portion of lease liabilities	**583,150**	519,873
	720,849	642,041

(iii) The total cash outflows for leases amount to Saudi Riyals 149.9 million during the year ended December 31, 2022 (2021: Saudi Riyals 117.3 million).

(iv) The Group is committed to lease contracts that have not yet commenced as at December 31. The future lease payments for the non-cancellable period on these lease contracts are as follows:

	2022	2021
Within one year	**10,162**	9,736
After one year but not more than five years	**52,574**	53,578
More than five years	**30,672**	32,839

32.2 **Leases as lessor**

The Group leases out its investment properties which consist of its owned as well as leased properties. These leases are classified as operating leases except for certain sub-leases which are classified as finance sub-leases.

32 Leases (continued)

32.2 Leases as lessor (continued)

a) Operating lease

The future maturity analysis of the undiscounted lease payments to be received:

	(Saudi Riyals in millions)	
	2022*	**2021**
Not later than 1 year	**42.8**	51.4
Later than 1 year and not later than 5 years	**30.6**	75.8
Later than 5 years	**1.0**	100.0
	74.4	227.2

* The future undiscounted lease payments to be received is affected by the disposal of a building owned by the Group, located in Khobar, during the current year ending December 31, 2022 as described in note 24.

Operating lease payments to be received relate to the investment property owned by the Group, as well as subleases within leased properties where the Group is lessee, with lease terms between 1 to 20 years. Dependent on the lease terms, some lease contracts contain escalation clauses. Lessees do not have options to buy the leased properties.

The total future sublease payments to be received related to leased properties, where the Group is lessee under the head lease, amounts to SAR 17,4 million (SAR 20.5 million in 2021).

b) Finance lease

(i) The following table presents the finance income from the net investment in the lease:

	For the year ended December 31, 2022	**For the year ended December 31, 2021**
Finance income on the net investment in finance leases	**45**	107

(ii) Maturity analysis of finance lease payments as at December 31 is as follows:

	2022	**2021**
Year 1	**158**	880
Year 2	**-**	158
Gross investment in the lease	**158**	1,038
Unearned finance income	**(1)**	(15)
Net investment in the lease	**157**	1,023

33 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, and the carrying amounts of all such financial instruments are a reasonable approximation of fair value.

(All amounts in Saudi Riyals thousands unless otherwise stated)

34 Categories of financial instruments

Financial assets

	Line item in the statement of financial position	December 31, 2022	December 31, 2021
(i) Amortized cost			
Cash at banks and in hand	Cash and cash equivalent	**526,183**	432,199
Trade receivables (net)	Trade receivables	**193,102**	152,715
Employees receivables (net)	Prepayments and other assets	**36,229**	28,813
Lease receivables (net)	Prepayments and other assets	**30,451**	33,713
Other receivables (net)	Prepayments and other assets	**3,757**	8,333
(ii) Fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	Financial assets at FVTPL	**21,710**	21,710

Financial liabilities

	Line item in the statement of financial position	December 31, 2022	December 31, 2021
(i) Amortized cost			
Trade payables	Accounts payable	**1,070,582**	1,092,457
Other payables	Accounts payable	**115,186**	80,670
Lease liabilities	Lease liabilities- current liabilities	**137,699**	122,168
	Lease liabilities- non-current liabilities	**583,150**	519,873
Other accrued liabilities	Accrued expenses and other liabilities	**73,278**	38,092

35 Financial instruments – risk management

The principal financial risks faced by the Group relate to credit risk, foreign currency risk, interest rate risk and liquidity risk.

The Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no significant changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods.

The Board has overall responsibility for setting the Group's risk management objectives and policies and the Group's finance function assist the Board in discharging its responsibility by designing and operating processes that ensure the effective implementation of the objectives and policies.

The overall objective of the Board is to set policies that seek to reduce risk to the minimum.

35.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group is mainly exposed to credit risk from trade and other receivables, and the Group’s holdings of cash and cash equivalents.

(All amounts in Saudi Riyals thousands unless otherwise stated)

35 Financial instruments – risk management (continued)

35.1 Credit risk (continued)

The Group considers its maximum credit risk equivalent to the carrying amount of the Group's total financial assets.

Most of the Group's customers have been transacting with the Group for long time and no or very small impairment loss has been recognized against these customers.

It is Group policy to assess the credit risk of new customers before entering contracts. Credit limits are established for each customer, which represents the maximum open amount without requiring approval from the management.

Management determines concentrations of credit risk through a monthly review of the trade receivables' ageing analysis, and follow-up action is taken to recover overdue debts.

Trade receivables consist of a large number of unrelated customers and there are no significant concentrations of credit risk through exposure to individual customers.

Credit terms typically range from 30-90 days for trade receivables, with a few exceptions.

Credit risk also arises from cash with banks. For banks, only those with sound credit ratings are accepted.

The Group establishes an allowance for impairment that represents its estimate of credit loss in respect of trade and other receivables.

The following table details the risk profile of trade receivables based on the Group's provision matrix for each segment; wholesale, corporate sales and lease receivables:

Trade receivables:

(i) Corporate sales trade receivables

	Corporate sales trade receivables – age in days						
	Total	**0-90**	**91-180**	**181-360**	**361-720**	**Over 720**	**Credit impaired**
As at December 31, 2022	**142,903**	**115,588**	**11,246**	**6,084**	**4,677**	**1,148**	**4,160**
Estimated credit loss rate		**2%**	**5%**	**20%**	**40%**	**75%**	**100%**
Estimated credit loss	**10,983**	**2,312**	**562**	**1,217**	**1,871**	**861**	**4,160**
As at December 31, 2021	110,054	81,172	10,397	8,688	4,848	914	4,035
Estimated credit loss rate		2%	5%	20%	40%	75%	100%
Estimated credit loss	10,541	1,624	520	1,738	1,939	685	4,035

The increase in the gross corporate sales trade receivables did not proportionately reflcet on the impairment loss allowance due to the favorable change of the ages of receivables.

(ii) Wholesale trade receivables

	Wholesale trade receivables – age in days						
	Total	**0-90**	**91-180**	**181-360**	**361-720**	**Over 720**	**Credit impaired**
As at December 31, 2022	**63,635**	**43,880**	**8,328**	**4**	**530**	**35**	**10,858**
Estimated credit loss rate		**4%**	**8%**	**25%**	**75%**	**90%**	**100%**
Estimated credit loss	**13,709**	**1,755**	**666**	**1**	**397**	**32**	**10,858**
As at December 31, 2021	56,296	30,468	11,454	2,444	6,635	4,686	609
Estimated credit loss rate		4%	8%	25%	75%	90%	100%
Estimated credit loss	12,548	1,219	916	611	4,976	4,217	609

(All amounts in Saudi Riyals thousands unless otherwise stated)

35 Financial instruments – risk management (continued)

35.1 Credit risk (continued)

Trade receivables: (continued)

(ii) Wholesale trade receivables (continued)

The increase in the gross wholesale trade receivables contributed to the increase of the impairment loss allowance being directly linked to the gross amounts of receivables.

(iii) Other trade receivables (Neither past due nor impaired)

As at December 31, 2022	**11,257**
As at December 31, 2021	9,454

Total trade receivales (Gross)

As at December 31, 2022	**217,795**
As at December 31, 2021	175,804

		Lease receivables – age in days					
Lease receivables:	**Total**	**0-90**	**91-180**	**181-360**	**361-720**	**Over 720**	**Credit impaired**
As at December 31, 2022	**51,466**	**9,620**	**6,491**	**10,479**	**10,293**	**2,982**	**11,601**
Estimated credit loss rate		**2%**	**5%**	**20%**	**40%**	**90%**	**100%**
Estimated credit loss	**21,015**	**193**	**325**	**2,096**	**4,117**	**2,683**	**11,601**
As at December 31, 2021	51,339	6,654	12,033	14,654	5,958	4,631	7,409
Estimated credit loss rate		2%	5%	20%	40%	90%	100%
Estimated credit loss	17,626	133	602	2,931	2,383	4,168	7,409

The increase of the impairment loss allowance is mainly attributed to the unfavorable change of the ages of certain receivables moving to olders ages.

Life time expected credit loss recognized

The following table shows the movement in lifetime expected credit loss that has been recognized for receivables in accordance with the simplified approach set out in IFRS 9.

	Trade receivables	**Lease receivables**
January 1, 2022	**23,089**	**17,626**
Amounts added	**1,604**	**3,404**
December 31, 2022	**24,693**	**21,030**
January 1, 2021	23,224	14,155
Amounts added	399	3,471
Receivables written off being uncollectible	(534)	-
December 31, 2021	23,089	17,626

(All amounts in Saudi Riyals thousands unless otherwise stated)

35 Financial instruments – risk management (continued)

35.1 Credit risk (continued)

Credit quality and exposure

The tables below detail the credit quality of the Group's financial assets and the Group's maximum exposure to credit risk by credit risk rating grades:

	Internal credit rating	12 months or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
December 31, 2022					
Trade receivables	Provision matrix	Lifetime ECL	**217,795**	**24,693**	**193,102**
Employees receivables	Mostly performing	12 months ECL	**37,667**	**1,438**	**36,229**
Lease receivables	Provision matrix	Lifetime ECL	**51,466**	**21,015**	**30,451**
Finance lease receivables	Performing	Lifetime ECL	**157**	**-**	**157**
Other receivables	Performing	12 months ECL	**3,600**	**-**	**3,600**

	Internal credit rating	12 months or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
December 31, 2021					
Trade receivables	Provision matrix	Lifetime ECL	175,804	23,089	152,715
Employees receivables	Mostly performing	12 months ECL	30,639	1,826	28,813
Lease receivables	Provision matrix	Lifetime ECL	51,339	17,626	33,713
Finance lease receivables	Performing	Lifetime ECL	1,023	-	1,023
Other receivables	Performing	12 months ECL	7,310	-	7,310

35.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates.

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities when (i) revenue or expense is denominated in a foreign currency, (ii) recognized assets and liabilities denominated in foreign currencies and (iii) the Group's net investments in foreign subsidiaries.

The Group exposure to foreign currency risk principally involves the following currencies:

United State Dollars (USD), Qatari Riyal (QAR), United Arab Emirates Dirham (AED), Kuwaiti Dinar (KWD), Egyptian Pounds (EGP), Euro (EUR), Pound Sterling (GBP), and Japanese Yen (JPY). The USD represents the major foreign currency and payments to most of foreign vendors are made in USD. Management believes that the Group's major exposure to currency risk is alleviated by the fact that Saudi Riyal, the Company's functional currency and the Group's presentation currency, QAR and AED are all pegged to USD, which represent most of the currency exposure.

Fluctuation in exchange rates of the other currencies is closely monitored by management.

35 Financial instruments – risk management (continued)

35.2 Foreign currency risk (continued)

The exposure to the risk of changes in EGP mainly relates to Group's subsidiary in Egypt. Depreciation of the EGP and the resulting diminution of the net investment in Group's subsidiary in Egypt is mitigated by the appreciation of real estate assets which represent the vast majority of the subsidiary's net asset. Such appreciation is not recognized in the consolidated financial statements due to the adoption of cost model in accounting for investment properties. Refer to Note 8.1.

The carrying amounts of the Group's USD denominated monetary assets and monetary liabilities at the end of the reporting period are summarized as follows:

	(Saudi Riyals in millions)	
	December 31, 2022	**December 31, 2021**
Trade payables	**(87.1)**	(119.1)
Cash at banks	**1.1**	0.1
Net position	**(86.0)**	(119.0)

Foreign currency sensitivity

While it unforeseeable that the USD exchange rate will change against the Saudi Riyal, being pegged to the USD, the following tables demonstrate the sensitivity to the change in USD exchange rate, with all other variables held constant. The impact on the Group's profit (before zakat and income tax) is due to changes in the value of monetary assets and liabilities. Apart from the impact on the Group's profit (before zakat and income tax), there will be no impact on the Group's equity. A positive number below indicates an increase in profit.

	(Saudi Riyals in millions) Effect on profit before zakat and income tax	
	2022	**2021**
Change in USD rate		
5 % increase	**(4.3)**	(5.9)
5% decrease	**4.3**	5.9

35.3 Interest rate risk

The Group is exposed to cash flow interest rate risk from bank borrowings at variable rate. Where the Group wishes to obtain loans, the Group usually uses short-term Shariaa compliant loans that are repayable in less than a year. The use of long term was limited only to financing large capital expenditures, which has been infrequent historically. The Group's bank loans typically bear variable interest at a spread above SIBOR.

Overdraft is usually used for immediate and temporary cash needs, and it bears variable interest at a spread above SIBOR.

In the past few years, the Group has not been exposed to significant interest rate risk due to the low level of borrowings. In managing its capital, the Group might increase its borrowing within the Group's limit of the ratio of net debt to shareholders equity as explained in Note 36.

Where the Group plans to increase interest-bearing bank borrowings (other than those with short term contractual maturities) above 15% of equity, it is the Group's policy to keep borrowings at fixed rates of interest between 30% and 50% of its total interest-bearing bank borrowings.

During 2022 and 2021, the Group's interest-bearing bank borrowings at variable rate were denominated only in Saudi Riyals.

The Group had no outstanding interest bearing borrowings at December 31 2022 or December 31 2021, and therefore had no interest risk exposure at these dates.

35 Financial instruments – risk management (continued)

35.4 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdraft and bank loans to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due.

The operational cash flow of the Group is normally predictable. The Group maintains a short cash conversion cycle reflecting the nature of the business, receivables management and the credit terms extended by the vendors. Cash flow forecasts are regularly produced to assist management in identifying future liquidity requirements.

(i) Contractual maturities of financial liabilities

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual payments (undiscounted cash flows):

	Less than 6 months	6-12 months	1-5 years	More than 5 years	Total
December 31, 2022					
Trade payables	**1,070,582**	**-**	**-**	**-**	**1,070,582**
Other payables	**115,186**	**-**	**-**	**-**	**115,186**
Other accrued liabilities	**73,278**	**-**	**-**	**-**	**73,278**
Lease liabilities	**76,480**	**64,628**	**369,261**	**499,504**	**1,009,873**
Total	**1,335,526**	**64,628**	**369,261**	**499,504**	**2,268,919**

	Less than 6 months	6-12 months	1-5 years	More than 5 years	Total
December 31, 2021					
Trade payables	1,092,457	-	-	-	1,092,457
Other payables	80,670	-	-	-	80,670
Other accrued liabilities	38,092	-	-	-	38,092
Lease liabilities	70,360	54,513	287,203	537,177	949,253
Total	1,281,579	54,513	287,203	537,177	2,160,472

Lease liabilities included in the consolidated statement of financial position are carried at the present value of the lease payments that are not paid at that date. Refer to Note 32.

(ii) Financing arrangements

The Group had access to the following unutilized funding facilities at the end of the reporting period:

	(Saudi Riyals in millions)	
	2022	**2021**
Short and medium-term loans	**515**	800
Overdrafts	**150**	225
Total	**665**	1,025

(All amounts in Saudi Riyals thousands unless otherwise stated)

36 Capital management

The primary objective of the Group's capital management is to maximize the returns to the shareholders. It is the Group's policy is to maintain a strong capital base to maintain investors and creditors and to sustain future development of the business.

For the purpose of the Group's capital management, capital includes issued and paid up capital and all other equity reserves attributable to the shareholders of the Company.

Management monitors the return on capital and the level of dividends the shareholders and seeks to maintain a balance between the higher returns (which could be enhanced by higher levels of borrowing) and the benefit and security provided by a sound capital position.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and its financial needs. To maintain or adjust the capital structure, the Group may issue new shares or adjust the dividend payment to shareholders, while maintaining dividend payout at no less than 80%.

The Group monitors capital using a ratio of net debt to shareholders equity. Net debt includes bank borrowings and term loans less cash and cash equivalents. The Group's policy is to keep this ratio below 50%.

At year end, the Group's net debt was as follows:

	December 31, 2022	**December 31, 2021**
Total borrowings and term loans	**-**	-
Less: cash and cash equivalents	**(526,183)**	(432,199)
Net debt	**(526,183)**	(432,199)
Ratio of net debt to shareholders' equity	**(29.2%)**	(24.4%)

37 COVID-19

Late 2019, an outbreak of coronavirus, COVID-19, emerged in China and subsequently spread to the whole world. The World Health Organization officially declared COVID-19 as a pandemic on March 11, 2020. Currently, the number of worldwide and local daily cases including critical case significantly went down after several waves of the pandemic.

In response to COVID-19 pandemic, authorities in the Kingdom and the countries the Group operates in have taken various measures to control the spread of the pandemic. However, the majority of these measures have been eased as the number of cases went down and vaccination coverage increased.

As explained in note 30, sales of school and office supplies during the current year ended December 31, 2022, as compared to the prior year, were positively affected by the resumption of the in-person education.

The negative consequential impact of the pandemic on the supply side is improving but not fully recovered.

Apart from these impacts, no major impact is seen in the current reporting period on the Group's operations.

The Group assessed the impact of COVID-19 on its consolidated financial statements based on the information available until the date the consolidated financial statements are authorized for issue.

37 COVID-19 (continued)

In particular, the Group analyzed relevant available information and concluded that there are no significant adjustments that need to be made with respect to:

- Impairment for non-financial assets,
- Write-down of inventories to net realizable value and the current provision is assessed to be adequate.

Notwithstanding the above, the future impact of COVID-19 on the Group's operations and its financial performance depends on several factors that are outside the Group's control. Factors include, but are not limited to, the future developments of the pandemic and coronavirus variants, rate of vaccination including boosters, the extent and duration of measures imposed or recommended by authorities, adequacy of supply, logistics performance, general economic performance, oil prices, and changes in consumers' disposable income and spending patterns. Such impacts could affect traffic to showrooms and consumer spending on the Group's product which would adversely affect sales and profits, and there could be material changes to the financial statements in subsequent periods.