

**JARIR MARKETING COMPANY  
(A Saudi Joint Stock Company)  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
AND INDEPENDENT AUDITOR'S REPORT**

**JARIR MARKETING COMPANY**  
**(A Saudi Joint Stock Company)**  
**Consolidated Financial Statements for the Year Ended December 31, 2021**

	<b>Page</b>
Independent auditor's report	1 - 4
Consolidated statement of financial position	5
Consolidated statement of income	6
Consolidated statement of comprehensive income	7
Consolidated statement of changes in shareholders' equity	8
Consolidated statement of cash flows	9
Notes to the consolidated financial statements	10 - 55



## *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, 2021, 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, 2021;
- 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 code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### *Our audit approach*

##### **Overview**

- Key Audit Matters • Carrying amounts of non-financial assets

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.



## 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
<p><b>Carrying amounts of non-financial assets</b></p> <p>As at December 31, 2021, the aggregate carrying amount of non-financial assets of the Group comprising investment properties, right-of-use assets and property and equipment amounted to Saudi Riyals 2.02 billion.</p> <p>Management performs a formal assessment at each reporting period-end to consider whether there is any indication that the non-financial assets may be impaired and therefore require a more detailed assessment of their recoverable amounts in accordance with IAS36. As a result of the exercise, no indicators of impairment as at 31 December 2021 were identified by management.</p> <p>In assessing whether there is any indication that an asset may be impaired, management considers both external and internal sources of information (e.g. financial performance of the Group, significant decline in assets value, adverse effect on the Group in the technological, market, economic or legal environment, increase in the market rates of return, decline in market capitalization, obsolescence or physical damage of an asset etc.).</p> <p>We considered this to be a key audit matter given the significance of the balances and management judgment involved in identifying potential impairment triggers.</p> <p><i>Refer to Note 2, Note 8, Note 9 and Note 10 to the consolidated financial statements for further information.</i></p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"><li>• Obtained an understanding of the design and implementation of key controls over the process of impairment indicator identification.</li><li>• Obtained the assessments prepared by management for each of the major classes of assets and the key assumptions underpinning them.</li><li>• Evaluated the reasonableness of management's assessment. This included:<ul style="list-style-type: none"><li>◦ testing the input data used in the assessment to the relevant supporting documentation;</li><li>◦ Checking the mathematical accuracy of the data used in the assessment.</li></ul></li><li>• Assessed the adequacy and appropriateness of the related disclosures in the accompanying consolidated financial statements.</li></ul>

### Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Group (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.



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

### *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 skepticism 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.
- 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.



*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)*

- 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, related safeguards.

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**

Omar M. Al Sagga  
License Number 369

March 8, 2022



**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,	
		2021	2020
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	432,199	97,090
Trade receivables	4	152,715	143,396
Inventories	5	1,234,712	1,307,859
Prepayments and other assets	6	248,313	291,381
<b>Total current assets</b>		<b>2,067,939</b>	<b>1,839,726</b>
<b>Non-current assets</b>			
Financial assets at fair value through profit or loss	7	21,710	27,951
Investment properties	8	413,339	419,811
Right-of-use assets	9	525,985	586,714
Property and equipment	10	1,083,136	1,124,515
<b>Total non-current assets</b>		<b>2,044,170</b>	<b>2,158,991</b>
<b>Total assets</b>		<b>4,112,109</b>	<b>3,998,717</b>
<b>Liabilities and shareholders' equity</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Bank borrowings and term loans	11	-	100,000
Lease liabilities	30	122,168	113,898
Accounts payable	12	1,263,029	1,072,808
Accrued expenses and other liabilities	13	157,841	141,228
Employees' incentive program		3,169	5,214
Deferred income	14	16,571	14,398
Zakat payable	15	69,768	67,175
<b>Total current liabilities</b>		<b>1,632,546</b>	<b>1,514,721</b>
<b>Non-current liabilities</b>			
Lease liabilities	30	519,873	580,704
End of service benefits	16	167,149	159,453
Employees' incentive program		20,183	14,935
Deferred income	14	3,324	3,715
<b>Total non-current liabilities</b>		<b>710,529</b>	<b>758,807</b>
<b>Total liabilities</b>		<b>2,343,075</b>	<b>2,273,528</b>
<b>Shareholders' equity</b>			
Share capital	18	1,200,000	1,200,000
Statutory reserve	19	393,957	294,771
Foreign exchange reserve		(64,860)	(64,194)
Retained earnings		239,937	294,612
<b>Net shareholders' equity</b>		<b>1,769,034</b>	<b>1,725,189</b>
<b>Total liabilities and shareholders' equity</b>		<b>4,112,109</b>	<b>3,998,717</b>

The notes on pages 10 to 55 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,	
		2021	2020
Revenue	20	9,088,260	9,305,811
Cost of sales	21	(7,858,930)	(7,977,202)
<b>Gross profit</b>		<b>1,229,330</b>	<b>1,328,609</b>
General and administrative expenses	22	(126,665)	(148,039)
Selling and marketing expenses	23	(141,439)	(127,576)
Other income, net	24	100,148	47,895
<b>Income from operations</b>		<b>1,061,374</b>	<b>1,100,889</b>
Finance cost	11.1	(42,333)	(48,478)
<b>Income before zakat and income tax</b>		<b>1,019,041</b>	<b>1,052,411</b>
Zakat	15	(26,600)	(49,000)
Income tax	15	(583)	(425)
<b>Net income for the year</b>		<b>991,858</b>	<b>1,002,986</b>
All attributable to the shareholders of the Company.			
<b>Earnings per share (Saudi Riyals):</b>			
Basic and diluted earnings per share	25	8.27	8.36

The notes on pages 10 to 55 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,	
		2021	2020
Net income for the year		991,858	1,002,986
<b>Other comprehensive (loss) / income that may be reclassified subsequently to the consolidated statement of income</b>			
Exchange differences on translation of foreign operations		(666)	2,420
<b>Other comprehensive income / (loss) that will not be reclassified subsequently to the consolidated statement of income</b>			
Remeasurement of end of service benefits	16	653	(1,307)
Other comprehensive (loss) / income for the year		(13)	1,113
<b>Total comprehensive income for the year</b>		<b>991,845</b>	<b>1,004,099</b>

All attributable to the shareholders of the Company.

The notes on pages 10 to 55 form an integral part of these consolidated financial statements.

Handwritten signatures in blue ink, including a large signature on the left and several smaller ones on the right.

**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
<b>January 1, 2021</b>		<b>1,200,000</b>	<b>294,771</b>	<b>(64,194)</b>	<b>294,612</b>	<b>1,725,189</b>
Net income for the year		-	-	-	991,858	991,858
Other comprehensive loss for the year		-	-	(666)	653	(13)
<b>Total comprehensive income for the year</b>		-	-	<b>(666)</b>	<b>992,511</b>	<b>991,845</b>
Transfer to statutory reserve		-	99,186	-	(99,186)	-
<b>Transactions with owners in their capacity as owners:</b>						
Dividends	26	-	-	-	(948,000)	(948,000)
<b>December 31, 2021</b>		<b>1,200,000</b>	<b>393,957</b>	<b>(64,860)</b>	<b>239,937</b>	<b>1,769,034</b>
<b>January 1, 2020</b>		<b>1,200,000</b>	<b>194,472</b>	<b>(66,614)</b>	<b>317,232</b>	<b>1,645,090</b>
Net income for the year		-	-	-	1,002,986	1,002,986
Other comprehensive income for the year		-	-	2,420	(1,307)	1,113
<b>Total comprehensive income for the year</b>		-	-	<b>2,420</b>	<b>1,001,679</b>	<b>1,004,099</b>
Transfer to statutory reserve		-	100,299	-	(100,299)	-
<b>Transactions with owners in their capacity as owners:</b>						
Dividends	26	-	-	-	(924,000)	(924,000)
<b>December 31, 2020</b>		<b>1,200,000</b>	<b>294,771</b>	<b>(64,194)</b>	<b>294,612</b>	<b>1,725,189</b>

The notes on pages 10 to 55 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,	
		2021	2020
<b>Cash flows from operating activities</b>			
Net income for the year		991,858	1,002,986
<u>Adjustments for non-cash items</u>			
Depreciation	8,9,10	155,163	156,863
Net impairment losses on trade receivables	4	399	5,904
(Reversal) of/ provision for slow moving inventory	5	(16,414)	9,704
(Gain) / loss on disposal of property and equipment		(38,755)	2,459
Reversal of impairment of investment property	8	(1,667)	(1,882)
Gain on termination of right of use assets		(2,307)	-
Rent concessions received		(2,733)	(17,005)
Provision for employees' incentives program		6,008	9,363
Zakat and income tax	15	27,183	49,425
Provision for end of service benefits	16	21,091	21,876
Finance cost	11.1	42,333	48,478
<u>Changes in working capital</u>			
Trade receivables		(9,718)	30,814
Inventories		89,561	(57,604)
Prepayments and other current assets		33,270	26,376
Accounts payable		190,221	159,963
Accrued expenses and other liabilities		16,420	15,991
Deferred income		1,782	859
Employees' incentive program paid		(2,805)	(6,443)
Zakat and income tax paid		(24,383)	(18,698)
Finance cost paid		(36,082)	(32,570)
End of service benefits paid	16	(12,742)	(10,092)
<b>Net cash generated from operating activities</b>		<b>1,427,683</b>	<b>1,396,767</b>
<b>Cash flows from investing activities</b>			
Additions to investment properties	8	(11,278)	(16,330)
Additions to property and equipment	10	(69,605)	(79,567)
Proceeds from sale of property and equipment		98,234	1,050
Proceeds from sale of financial assets at FVTPL		6,241	-
Collections from finance lease receivables		772	684
<b>Net cash generated from / (utilized in) investing activities</b>		<b>24,364</b>	<b>(94,163)</b>
<b>Cash flows from financing activities</b>			
Payment of lease liabilities	30	(68,092)	(69,798)
Payment of bank borrowing and term loans, net		(100,000)	(241,527)
Dividends paid	26	(948,000)	(924,000)
<b>Net cash utilized in financing activities</b>		<b>(1,116,092)</b>	<b>(1,235,325)</b>
<b>Net increase in cash and cash equivalents</b>		<b>335,955</b>	<b>67,279</b>
Effect of exchange rate changes in cash and cash equivalents		(846)	1,025
Cash and cash equivalents at beginning of the year		97,090	28,786
<b>Cash and cash equivalents at end of the year</b>	3	<b>432,199</b>	<b>97,090</b>

The notes on pages 10 to 55 form an integral part of these consolidated financial statements.

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

**Notes to consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**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) Component approach applied to property and equipment and investment properties*

In applying the component approach of IAS 16 which requires significant parts of an item of property and equipment as well as investment properties to be depreciated separately, the cost allocated to the significant parts as well as respective estimated useful lives are advised by the main contractor for the properties constructed by the Group. The reasonableness of such cost allocation and the associated useful lives are assessed by management.

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

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

*(c) 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.

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

The calculation of end of service benefits provision greatly depends on employees' estimated length of service and their estimated salary 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.

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

**Notes to consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**2 Summary of significant accounting policies (continued)**

**2.1 Basis of preparation (continued)**

(iii) *Critical accounting estimates and judgments (continued)*

(d) *Assumptions for end of service benefits provision (continued)*

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

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

(e) *Provision for 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.

(f) *Provision for slow moving inventories*

Provision for slow moving inventories is maintained at a level considered adequate to provide for *potential loss on inventory items. The level of allowance is determined and guided by the Group's policy.* An evaluation of inventories, designed to identify potential charges to provision, is performed on a continuous basis throughout the year. Management uses 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.

(g) *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.

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

**Notes to consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**2 Summary of significant accounting policies (continued)**

**2.1 Basis of preparation (continued)**

(iv) *Changes in accounting policy and disclosures*

***Amended IFRS standards adopted by the Group***

The Group has applied the following amendment for the first time for its reporting periods commencing on or after January 1, 2021:

**Amendment to IFRS 16: COVID-19 related rent concessions beyond June 30, 2021**

In May 2020, IFRS 16 was amended to provide a practical expedient for rent concessions that arise as a direct consequence of the COVID-19 pandemic allowing a lessee not to assess whether a rent concession that meets certain criteria is a lease modification and account for such rent concession as if it was not lease modifications. During the year ended December 31, 2020 the Group elected to apply the practical expedient provided by the amendment to IFRS 16 to all qualifying COVID-19-related rent concessions received by the Group during that year.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if certain conditions are met. One of the conditions was that a reduction in lease payments affects only payments originally due on or before June 30, 2021.

In March 2021, IFRS 16 was amended to extend the practical expedient so that lessees can apply it to rent concessions for which reductions in lease payments affect payments originally due on or before June 30, 2022. This amendment changes only the date within the conditions required to be eligible to apply the practical expedient and does not introduce a new practical expedient. This amendment is applicable for annual reporting periods beginning on or after April 1, 2021 with early application permitted, including in financial statements not authorized for issue at March 31, 2021. The Group has elected to early adopt this amendment for its annual reporting period beginning on January 1, 2021, resulting in additional reduction of lease liabilities of Saudi Riyals 220 thousand which has been recognized and presented in 'other income, net' in the consolidated statement of income for the year ended December 31, 2021.

The application of the practical expedient including the aforementioned amendment to the practical expedient resulted in the reduction of lease liabilities of Saudi Riyals 2.7 million which has been recognized and presented in 'other income, net' in the consolidated statement of income for the year ended December 31, 2021, in which the events or conditions that trigger those payments occur (2020: Saudi Riyals 17.0 million).

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

The following amendments to standards have been published by IASB that are not mandatory for the annual reporting period beginning on January 1, 2021, and where early application is permitted by these amendments the Group has not early adopted them. All these amendments are effective either for annual reporting periods beginning on or after January 1, 2022 or 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 37: Onerous Contracts - Costs of Fulfilling a Contract
- Amendments to IAS 16: Property, Plant and Equipment - Proceeds before Intended Use
- Amendments to IFRS 3: Reference to the Conceptual Framework
- 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.

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

**Notes to consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**2 Summary of significant accounting policies (continued)**

**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.

**2.3 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.

## JARIR MARKETING COMPANY

(A Saudi Joint Stock Company)

Notes to consolidated financial statements for the year ended December 31, 2021

(All amounts in Saudi Riyals thousands unless otherwise stated)

### 2 Summary of significant accounting policies (continued)

#### 2.3 Foreign currency (continued)

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.

##### (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.



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

**Notes to consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**2 Summary of significant accounting policies (continued)**

**2.4 Financial Instruments (continued)**

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

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.

*(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.

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

**Notes to consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**2 Summary of significant accounting policies** (continued)

**2.4 Financial Instruments** (continued)

*(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.

**2.7 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.

**JARIR MARKETING COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**2 Summary of significant accounting policies** (continued)

**2.7 Lease accounting** (continued)

*(i) The Group as a lessee* (continued)

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.

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.

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

**Notes to consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**2 Summary of significant accounting policies** (continued)

**2.7 Lease accounting** (continued)

*(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.

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

Buildings	20 - 33 years
Machinery and equipment	5 - 13.33 years
Furniture and fixtures	5 - 10 years
Motor vehicles	4 years
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.

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

**Notes to consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**2 Summary of significant accounting policies (continued)**

**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 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.

**2.11 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 arising from final assessments are accounted for in the reporting period in which such assessments are finalized, with associated adjustments to zakat provision recognized in the consolidated statement of income.

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

**2.12 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.

**JARIR MARKETING COMPANY**

**(A Saudi Joint Stock Company)**

**Notes to consolidated financial statements for the year ended December 31, 2021**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**2 Summary of significant accounting policies (continued)**

**2.12 Employee benefits (continued)**

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

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

End of service benefits costs are categorized as follows:

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

**2.13 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. This reserve is not available for distribution to the shareholders of the Company.

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

**Notes to consolidated financial statements for the year ended December 31, 2021**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**2 Summary of significant accounting policies (continued)**

**2.14 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.

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) Wholesales*

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, wholesales 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.

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

**Notes to consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**2 Summary of significant accounting policies** (continued)

**2.14 Sales revenue** (continued)

*(iv) Online sales* (continued)

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. As per the terms of the gift voucher, its validity is one year.

**2.15 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.

**2.16 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 terms 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.

**2.17 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.

**2.18 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.



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

**Notes to consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**2 Summary of significant accounting policies (continued)**

**2.19 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.

**2.20 Fair value measurement**

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

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

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

**2.21 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.

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

**Notes to consolidated financial statements for the year ended December 31, 2021**  
 (All amounts in Saudi Riyals thousands unless otherwise stated)

**2 Summary of significant accounting policies** (continued)

**2.21 Current versus non-current classification** (continued)

All other assets are classified as non-current.

A liability is current when:

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

All other liabilities are classified as non-current.

**3 Cash and cash equivalents**

	<b>2021</b>	<b>2020</b>
Cash at bank	<b>427,393</b>	92,417
Cash in hand	<b>4,806</b>	4,673
	<b>432,199</b>	97,090

**4 Trade receivables**

	<b>2021</b>	<b>2020</b>
Trade receivables	<b>175,804</b>	166,620
Less: allowance for impairment of trade receivables	<b>(23,089)</b>	(23,224)
	<b>152,715</b>	143,396

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

	<b>2021</b>	<b>2020</b>
January 1	<b>23,224</b>	17,370
Additions	<b>401</b>	5,907
Write-offs	<b>(534)</b>	(50)
Reversals	<b>(2)</b>	(3)
December 31	<b>23,089</b>	23,224

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

**Notes to consolidated financial statements for the year ended December 31, 2021**  
 (All amounts in Saudi Riyals thousands unless otherwise stated)

**5 Inventories**

	<b>2021</b>	<b>2020</b>
Smart phones, electronics and accessories	<b>611,723</b>	530,833
Computers and related supplies and programs	<b>301,761</b>	339,364
Office supplies	<b>120,220</b>	150,404
Books	<b>116,576</b>	122,002
School supplies	<b>110,042</b>	182,943
Video games and smart TVs	<b>57,260</b>	82,145
Engineering and technical supplies	<b>47,667</b>	35,696
Goods in transit	<b>1,579</b>	1,197
Other	<b>3,918</b>	15,723
	<b>1,370,746</b>	1,460,307
Less: provision for slow moving inventories	<b>(136,034)</b>	(152,448)
	<b>1,234,712</b>	1,307,859

Movement in provision for slow moving inventories is as follows:

	<b>2021</b>	<b>2020</b>
January 1	<b>152,448</b>	142,744
Additions	-	9,704
Reversal	<b>(16,414)</b>	-
December 31	<b>136,034</b>	152,448

**6 Prepayments and other current assets**

	<b>2021</b>	<b>2020</b>
Advances to suppliers	<b>88,697</b>	127,801
Prepaid rentals	<b>8,581</b>	8,612
Employees receivable	<b>30,639</b>	31,542
Less: Provision for doubtful employee receivables	<b>(1,826)</b>	(2,617)
	<b>28,813</b>	28,925
Other prepayments	<b>16,270</b>	16,275
Claims on vendors	<b>63,906</b>	78,877
Lease and other receivables	<b>59,672</b>	45,046
Less: Provision for doubtful lease receivables	<b>(17,626)</b>	(14,155)
	<b>42,046</b>	30,891
	<b>248,313</b>	291,381

**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 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.

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

**Notes to consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**8 Investment properties**

	Land	Buildings	Construction and other work in progress	Total
<b>Cost</b>				
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	<u>123,611</u>	<u>275,512</u>	<u>80,122</u>	<u>479,245</u>

**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	-	<u>(62,097)</u>	<u>(3,809)</u>	<u>(65,906)</u>
<b>Net book value</b>	<u>123,611</u>	<u>213,415</u>	<u>76,313</u>	<u>413,339</u>

	Land	Buildings	Construction and other work in progress	Total
<b>Cost</b>				
January 1, 2020	126,537	247,910	87,362	461,809
Additions to owned assets	-	-	16,330	16,330
Disposals of owned assets	-	(51)	-	(51)
Lease modifications /reassessment /termination	-	(456)	-	(456)
Transfers from construction and other work in progress	-	14,977	(14,977)	-
Net transfers to property and equipment	(2,307)	(20)	(2,101)	(4,428)
Exchange difference	-	351	685	1,036
December 31, 2020	<u>124,230</u>	<u>262,711</u>	<u>87,299</u>	<u>474,240</u>

**Accumulated depreciation and  
impairment**

January 1, 2020	-	(36,259)	(7,226)	(43,485)
Depreciation of owned assets	-	(6,647)	-	(6,647)
Depreciation of right-of-use assets	-	(6,038)	-	(6,038)
Disposals	-	51	-	51
Reversal of impairment	-	-	1,882	1,882
Exchange difference	-	(73)	(119)	(192)
December 31, 2020	-	<u>(48,966)</u>	<u>(5,463)</u>	<u>(54,429)</u>
<b>Net book value</b>	<u>124,230</u>	<u>213,745</u>	<u>81,836</u>	<u>419,811</u>

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

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

**Notes to consolidated financial statements for the year ended December 31, 2021**  
 (All amounts in Saudi Riyals thousands unless otherwise stated)

**8 Investment properties** (continued)

**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, 2021		December 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Freehold office, retail and residential properties in KSA	341.6	697.0	340.6	723.1
Freehold office and retail properties in Egypt	47.1	108.9	45.9	104.7
Right-of-use assets	24.6	65.6	33.3	73.5
<b>Total</b>	<b>413.3</b>	<b>871.5</b>	<b>419.8</b>	<b>901.3</b>

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.

*(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 number 1210000001 and 1210000730, respectively). Barcode Company is 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.

**JARIR MARKETING COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**8 Investment properties** (continued)

**8.1 Fair value of investment property** (continued)

(ii) *Freehold office and retail properties in Egypt* (continued)

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, 2021, 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). The respective reversal of prior impairment loss amounting Saudi Riyals 1.7 million is recognized in the consolidated statement of income for the year ended December 31, 2021, (2020: Saudi Riyals 1.9 million).

(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, 2021 compared to December 31, 2020 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:

	<b>2021</b>	<b>2020</b>
Rental income	<b>52,399</b>	43,418
Maintenance and repair expenses from property that generated rental income	<b>1,202</b>	1,308
Maintenance and repair expenses from property that did not generate rental income	<b>311</b>	612

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.

**JARIR MARKETING COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to consolidated financial statements for the year ended December 31, 2021**  
 (All amounts in Saudi Riyals thousands unless otherwise stated)

**9 Right-of-use assets**

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

	<b>2021</b>	<b>2020</b>
	<b>Buildings</b>	<b>Buildings</b>
Carrying amount as at December 31	<b>525,985</b>	586,714
Additions during the year	<b>53,285</b>	13,345
Lease modifications/reassessment/termination	<b>(32,917)</b>	(10,973)
Depreciation charge for the year	<b>86,929</b>	85,619
Net transfer from investment property	<b>3,861</b>	-

**JARIR MARKETING COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**10 Property and equipment**

	Construction and other work in progress (CWIP)						Total	
	Land	Buildings	Machinery and equipment	Furniture and fixtures	Motor vehicles	Computers		Leasehold improvements
<b>Cost</b>								
January 1, 2021	490,759	563,009	11,924	177,335	21,504	64,457	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	(86,107)	-
Net transfers from (to) investment property	619	(591)	-	-	-	-	3,508	3,536
Exchange difference	-	1	-	-	-	-	69	70
December 31, 2021	<b>431,945</b>	<b>600,182</b>	<b>13,982</b>	<b>194,962</b>	<b>21,647</b>	<b>74,421</b>	<b>84,920</b>	<b>1,611,519</b>
<b>Accumulated depreciation</b>								
January 1, 2021	-	(143,753)	(10,933)	(110,802)	(18,528)	(51,133)	-	(475,499)
Additions	-	(19,157)	(710)	(10,876)	(1,557)	(5,592)	-	(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)	-	(528,383)
<b>Net book value</b>	<b>431,945</b>	<b>437,279</b>	<b>2,361</b>	<b>73,566</b>	<b>3,349</b>	<b>17,833</b>	<b>84,920</b>	<b>1,083,136</b>



**JARIR MARKETING COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to consolidated financial statements for the year ended December 31, 2021**  
 (All amounts in Saudi Riyals thousands unless otherwise stated)

**10 Property and equipment (continued)**

	Land	Buildings	Machinery and equipment	Furniture and fixtures	Motor vehicles	Computers	Leasehold improvements	Construction and other work in progress (CWIP)	Total
<b>Cost</b>									
January 1, 2020	488,452	509,725	11,930	164,510	21,147	56,945	149,543	120,908	1,523,160
Additions	-	-	49	3,216	1,248	2,566	6	72,482	79,567
Disposals	-	-	(55)	(2,136)	(1,436)	(66)	(4,003)	-	(7,696)
Net transfers from investment property	2,307	20	-	-	-	-	-	2,101	4,428
Transfers from CWIP	-	53,255	-	11,743	545	5,011	15,499	(86,053)	-
Exchange difference	-	9	-	2	-	1	-	543	555
December 31, 2020	490,759	563,009	11,924	177,335	21,504	64,457	161,045	109,981	1,600,014
<b>Accumulated depreciation</b>									
January 1, 2020	-	(126,485)	(10,512)	(100,884)	(18,785)	(44,231)	(120,227)	-	(421,124)
Additions	-	(17,266)	(477)	(10,666)	(1,177)	(6,960)	(22,013)	-	(58,559)
Disposals	-	-	56	748	1,434	58	1,890	-	4,186
Exchange difference	-	(2)	-	-	-	-	-	-	(2)
December 31, 2020	-	(143,753)	(10,933)	(110,802)	(18,528)	(51,133)	(140,350)	-	(475,499)
<b>Net book value</b>	490,759	419,256	991	66,533	2,976	13,324	20,695	109,981	1,124,515

As at December 31, 2021, property and equipment and investment property include lands amounting to Saudi Riyals 24.7 million (2020: 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.

**JARIR MARKETING COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**11 Bank borrowings and term loans**

	<u>Interest rate</u>	<u>Outstanding balance</u>	<u>Contractual maturity</u>
<b>As at December 31, 2021</b>	-	<u>-</u>	-
<b>As at December 31, 2020</b>			
Short term Tawarruq facility	1.45%	<u>100,000</u>	Due on January 4 and 5, 2021
<b>Total</b>		<u>100,000</u>	

Changes in bank borrowings and term loans arose from cash flows.

**11.1 Finance cost**

	<b>2021</b>	<b>2020</b>
Interest on overdraft facility (Islamic debit current account)	175	676
Interest on overdraft facility – conventional	4	57
Interest on Murabaha/Tawarruq term loans	820	2,060
Interest on lease liabilities	<u>41,334</u>	45,685
	<u>42,333</u>	<u>48,478</u>

**12 Accounts payable**

	<b>2021</b>	<b>2020</b>
Trade payables	1,092,457	935,601
Advances from customers	82,523	86,604
Employees	7,379	8,937
Other	<u>80,670</u>	41,666
	<u>1,263,029</u>	<u>1,072,808</u>

**13 Accrued expenses and other liabilities**

	<b>Note</b>	<b>2021</b>	<b>2020</b>
Accrued bonus and commission		71,848	76,133
Warranty charges provision	13.1	25,341	17,108
Accrued salaries, wages and benefits		22,560	28,015
Other		<u>38,092</u>	19,972
		<u>157,841</u>	<u>141,228</u>

**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.

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

**Notes to consolidated financial statements for the year ended December 31, 2021**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**13 Accrued expenses and other liabilities** (continued)

**13.1 Warranty provision** (continued)

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:

	<b>2021</b>	<b>2020</b>
January 1	<b>17,108</b>	13,164
Added during the year	<b>35,727</b>	25,387
Utilized during the year	<b>(27,494)</b>	(21,443)
December 31	<b>25,341</b>	17,108

**14 Deferred income**

	<b>Note</b>	<b>2021</b>	<b>2020</b>
Gain on sale and lease back	14.1	<b>3,715</b>	4,106
Rental income	14.2	<b>16,180</b>	14,007
		<b>19,895</b>	18,113
Current maturity shown under current liabilities		<b>(16,571)</b>	(14,398)
		<b>3,324</b>	3,715

**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, 2021 and 2020. 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.

**JARIR MARKETING COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**15 Zakat and income tax matters (continued)**

**15.1 Component of zakat base**

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

	Note	2021	2020
Share capital at beginning of year		1,200,000	1,200,000
Statutory reserve at beginning of year		294,771	194,472
Retained earnings at beginning of year		294,612	317,232
Foreign currency translation reserve		(64,860)	(64,194)
Provisions		345,582	312,937
Loans and equivalents		32,947	24,127
Liabilities used to finance deductible assets		642,041	694,602
Adjusted net income for the year	15.2	334,258	424,660
Additions to property and equipment and investment properties		80,883	95,897
Dividends paid during the year in excess of retained earnings at beginning of year		653,388	606,768
Financial assets at fair value through profit or loss		(21,710)	(27,951)
Investment properties		(413,339)	(419,811)
Right-of-use assets		(525,985)	(586,714)
Property and equipment		(1,083,136)	(1,124,515)
Zakat provision		43,168	18,175
Dividends announced and paid		(948,000)	(924,000)
Approximate zakat base		<u>864,620</u>	<u>741,685</u>

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**

	2021	2020
Income before zakat and income tax	1,019,041	1,052,411
<u>Adjustments:</u>		
Provisions during the year	49,488	74,914
Dividends paid in excess of retained earnings at beginning of year	(653,388)	(606,768)
Additions to property and equipment and investment properties	(80,883)	(95,897)
Adjusted net income for the year	<u>334,258</u>	<u>424,660</u>

**15.3 Provision for zakat**

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

	2021	2020
January 1	67,175	36,727
Provisions	26,600	49,000
Payments	(24,007)	(18,552)
December 31	<u>69,768</u>	<u>67,175</u>

## **JARIR MARKETING COMPANY**

**(A Saudi Joint Stock Company)**

**Notes to consolidated financial statements for the year ended December 31, 2021**

(All amounts in Saudi Riyals thousands unless otherwise stated)

### **15 Zakat and income tax matters (continued)**

#### **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. 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.

The Group duly objected to those assessments and escalated the case to the General Secretariat of Tax Committees "GSTC". In March 2021 the Tax Committee for Resolution of Tax Violations and Disputes (the "Committee") resolved that substantially all the objections made by the Group are rejected. The Group escalated its objection to the Committee's resolution to the Appeal Committee for Tax Violations and Disputes in due time.

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 General Secretariat of Tax Committees "GSTC" in due time and the case is still under way.

In August 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. 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 General Secretariat of Tax Committees "GSTC" in due time and the case is still under way.

These amounts paid 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 major reason for those zakat differences was that ZATCA in their assessments did not allow deduction of dividends in excess of the opening balance of retained earnings. The Group has been adopting a generous dividend payout policy consistently coupled with quarterly dividends, and has been maintaining relatively low year-end retained earnings largely because of this dividend policy, and the several capitalizations of retained earnings took place in the past, and therefore, in each of the aforementioned years, total dividends exceeded 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.

While the Group believes it has rightfully deducted such dividends from zakat calculation base in accordance with Sharia principles, the Group maintains adequate zakat provision to meet the probable zakat differences arising from such disputes.

#### **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.

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

**Notes to consolidated financial statements for the year ended December 31, 2021**  
 (All amounts in Saudi Riyals thousands unless otherwise stated)

**16 End of service benefits (continued)**

**16.1 Changes in the end of service benefit liability**

	<b>2021</b>	<b>2020</b>
January 1	<b>159,453</b>	146,362
Interest cost	<b>2,375</b>	3,709
Current service cost	<b>18,716</b>	18,167
End of service benefit expense recognized in profit or loss	<b>21,091</b>	21,876
Benefits paid	<b>(12,742)</b>	(10,092)
Actuarial changes arising from experience adjustments	<b>(6,924)</b>	(9,770)
Actuarial changes arising from changes in demographic assumptions	<b>8,643</b>	5,544
Actuarial changes arising from changes in financial assumptions	<b>(2,372)</b>	5,533
Amount of actuarial (gain) loss included in other comprehensive income	<b>(653)</b>	1,307
December 31	<b>167,149</b>	159,453

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.

**16.2 Assumptions used and risks**

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

	<b>2021</b>	<b>2020</b>
Discount rate	<b>2.00%</b>	1.50%
Weighted average of the annual increase in compensation used in the calculation of end of service	<b>6.9%</b>	6.20%
Weighted average future number of years of service	<b>3.1</b>	3.7

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 2.12, the discount rate used to calculate the present value of the end of service benefits obligation is estimated by reference to yields on the governmental 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.

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

**Notes to consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**16 End of service benefits** (continued)

**16.2 Assumptions used and risks** (continued)

A quantitative sensitivity analysis for significant assumption on the end of service benefit liability as at December 31, 2021 and 2020 is, as shown below:

	(Saudi Riyals in millions)	
	2021	2020
<b>Discount rate:</b>		
0.5 % increase	(2.5)	(2.9)
0.5% decrease	2.6	3.0

	(Saudi Riyals in millions)	
	2021	2020
<b>Weighted average of the annual increase in compensation used in the calculation of end of service:</b>		
2% increase	10.0	11.6
2% decrease	(9.1)	(10.5)

**Weighted average future number of years of service:**

Increase by 1 year	9.8	13.3
Decrease by 1 year	(11.8)	(9.3)

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.

The methods and assumptions used in preparing the sensitivity analyses for the 2021 and 2020 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:

	2021	2020
Board of directors		
Salaries, wages and benefits (charged to profit or loss)	33,316	33,608
Salaries, wages and benefits (in other comprehensive income)	2,344	859
Parties related to the Board of Directors		
Construction and engineering services - cost	36,495	70,954
Rent income	8,958	8,958
Rent expense	8,383	6,993
Consulting services – income	784	767
Disposal of land	97,926	-

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

**Notes to consolidated financial statements for the year ended December 31, 2021**  
 (All amounts in Saudi Riyals thousands unless otherwise stated)

**17 Related party matters** (continued)

**17.2 Related parties balance**

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

	<b>2021</b>	<b>2020</b>
<u>Receivable from related parties</u>		
Parties related to the Board of Directors	<b>9,177</b>	4,834

**17.3 Key management personnel**

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

	<b>2021</b>	<b>2020</b>
Short-term employee benefits	<b>36,805</b>	36,530
Post-employment benefits (end of service benefits charged to profit or loss)	<b>1,890</b>	1,906
Post-employment benefits (end of service benefits in other comprehensive income)	<b>1,453</b>	3,444
Other long-term benefits (long-term incentive plan)	<b>1,645</b>	1,410

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, 2021 comprises of 120 million shares (2020: 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)				
<b>2021</b>	<b>Retail outlets</b>	<b>Wholesale</b>	<b>E-commerce</b>	<b>All other segments</b>	<b>Total</b>
Smartphones, electronics and accessories	<b>4,659</b>	-	<b>372</b>	<b>3</b>	<b>5,034</b>
Other IT and digital products and services	<b>2,623</b>	<b>2</b>	<b>388</b>	<b>30</b>	<b>3,043</b>
Books and office, school and arts supplies	<b>711</b>	<b>190</b>	<b>30</b>	<b>80</b>	<b>1,011</b>
	<b>7,993</b>	<b>192</b>	<b>790</b>	<b>113</b>	<b>9,088</b>



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

**Notes to consolidated financial statements for the year ended December 31, 2021**  
 (All amounts in Saudi Riyals thousands unless otherwise stated)

**20 Revenue (continued)**

(Saudi Riyals in millions)					
<b>2020</b>	<b>Retail outlets</b>	<b>Wholesale</b>	<b>E-commerce</b>	<b>All other segments</b>	<b>Total</b>
Smartphones, electronics and accessories	4,203	-	623	3	4,829
Other IT and digital products and services	2,847	3	533	39	3,422
Books and office, school and arts supplies	694	222	61	78	1,055
	<u>7,744</u>	<u>225</u>	<u>1,217</u>	<u>120</u>	<u>9,306</u>

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

(Saudi Riyals in millions)			
<b>2021</b>	<b>Kingdom of Saudi Arabia</b>	<b>Other Gulf Countries and Egypt</b>	<b>Total</b>
Smartphones, electronics and accessories	<b>4,890</b>	<b>144</b>	<b>5,034</b>
Other IT and digital products and services	<b>2,838</b>	<b>205</b>	<b>3,043</b>
Books and office, school and arts supplies	<b>868</b>	<b>143</b>	<b>1,011</b>
	<u><b>8,596</b></u>	<u><b>492</b></u>	<u><b>9,088</b></u>
<b>2020</b>			
Smartphones, electronics and accessories	4,713	116	4,829
Other IT and digital products and services	3,192	230	3,422
Books and office, school and arts supplies	914	141	1,055
	<u>8,819</u>	<u>487</u>	<u>9,306</u>

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

**21 Cost of sales**

	<b>2021</b>	<b>2020</b>
Purchases of goods	7,182,674	7,484,707
Changes in inventories	73,147	(47,899)
Cost of goods sold	<u>7,255,821</u>	<u>7,436,808</u>
Salaries, wages and benefits	350,932	309,277
Depreciation	136,828	137,186
Rental	7,119	4,033
Other	108,230	89,898
	<u>7,858,930</u>	<u>7,977,202</u>

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

**Notes to consolidated financial statements for the year ended December 31, 2021**  
 (All amounts in Saudi Riyals thousands unless otherwise stated)

**22 General and administrative expenses**

	<b>2021</b>	<b>2020</b>
Salaries, wages and benefits	<b>94,286</b>	93,580
Professional services	<b>3,984</b>	4,153
Depreciation	<b>4,686</b>	6,484
Utilities	<b>2,277</b>	2,060
Maintenance	<b>3,958</b>	2,909
Rentals	<b>15</b>	189
Voluntary contributions and donations *	<b>2,036</b>	25,130
Other	<b>15,423</b>	13,534
	<b>126,665</b>	<b>148,039</b>

\* Voluntary contributions and donations for the year ended December 31, 2020 included the Group's voluntary contribution made to the Ministry of Health's Health Endowment Fund for an amount of Saudi Riyals 20 million and the voluntary contribution to support Atta Digital campaign sponsored by the Ministry of Communications and Information Technology for an amount of Saudi Riyals 4.75 million.

**23 Selling and marketing expenses**

	<b>2021</b>	<b>2020</b>
Advertising	<b>57,187</b>	22,158
Salaries, wages and benefits	<b>47,155</b>	52,749
Depreciation	<b>502</b>	475
Freight to customers	<b>10,730</b>	19,792
Other	<b>25,865</b>	32,402
	<b>141,439</b>	<b>127,576</b>

**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. Other income for the 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 respectively. That parcel of land was initially acquired to develop a showroom and a new headquarters but the plan later was abandoned. The price offered by the related party matched the average of the valuations conducted by three accredited, independent valuers and which is deemed by the Group as a good opportunity that will allow the Group to use the sale proceeds in a better operating or investing alternative than maintaining the parcel of land, (ii) insurance compensation amounting to Saudi Riyals 11.1 million received for a business interruption claim related to a fire incident back in 2016. The Group did not accept the insurance compensation offered by the insurance company as it was not enough to compensate the Group for estimated lost profits due to the fire incident in accordance with the related insurance policy terms and conditions, and escalated the case to the Preliminary Committee and subsequently to the Appeal Committee for resolution of insurance disputes and violations which ordered the insurance company to indemnify the Group for business interruption loss amounting to Saudi Riyals 11.1 million.

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

**Notes to consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**25 Earnings per share**

Earnings per share has been calculated by dividing net income for the years ended December 31, 2021 and 2020 by 120 million shares.

**26 Dividends**

Based on the pre-approval of the General Assembly, the Board of Directors in their meetings 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).

Based on the pre-approval of the General Assembly, the Board of Directors in their meeting held on March 12, June 10, August 10, 2020 and November 3, 2020 resolved to distribute interim cash dividends amounting to Saudi Riyals 264 million, Saudi Riyals 204 million, Saudi Riyals 204 million and Saudi Riyals 252 million respectively, which were paid to the shareholders during the year ended December 31, 2020 (a total of Saudi Riyals 7.70 per share).

**27 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.

The following summary describes the operations of each reportable segment.

<b>Reportable segment</b>	<b>Operation</b>
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.

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

**Notes to consolidated financial statements for the year ended December 31, 2021**  
 (All amounts in Saudi Riyals thousands unless otherwise stated)

**27 Segment information** (continued)

*a) Operating segments* (continued)

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
<b>2021</b>					
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)
<b>2020</b>					
Revenue	7,744	225	1,217	120	9,306
Income before zakat and income tax	896	13	82	61	1,052
Depreciation	(141.4)	(2.4)	(0.2)	(12.8)	(156.8)
Reversal of impairment loss on non-financial assets	-	-	-	1.9	1.9
Finance cost	(45.3)	(0.1)	-	(3.1)	(48.5)

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 2.19 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.

	(Saudi Riyals in millions)		
	Kingdom of Saudi Arabia	Other Gulf Countries and Egypt	Consolidated
<b>2021</b>			
Sales to external customers	8,596	492	9,088
Non-current assets	1,844	200	2,044
<b>2020</b>			
Sales to external customers	8,819	487	9,306
Non-current assets	1,905	254	2,159

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

**Notes to consolidated financial statements for the year ended December 31, 2021**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**27 Segment information** (continued)

*b) Geographical information* (continued)

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.

**28 Seasonality of operations**

The Group's sales are positively affected by the back to school seasons, particularly sales of school and office supplies. Normally, the grand season (back to school from year-end holiday) falls in the third quarter while the small season (back to school from mid-year break) falls in the first quarter, but may partly fall in the fourth quarter (of the preceding financial year) depending on the school calendar. The grand season usually has a greater impact than the small season. The back to school seasons falling in the years ended December 31, 2021 and 2020 (except for the small season fell in the three-month period ended March 31, 2020) were negatively impacted by the precautionary measure taken by the competent authorities shifting the traditional education format to remote learning to control the spread of coronavirus pandemic, resulting in a significant decrease in sales of school and office supplies as compared to the prior years. While the in-person education in the Kingdom for the new school year started in 2021 has been generally resumed for the intermediate and secondary stages, the students of kindergarten and elementary stages (which have a greater impact on the Group sales) continued to receive distant learning in 2021.

**29 Commitments and contingencies**

**29.1 Contingencies**

Contingencies are as follows:

	(Saudi Riyals in millions)	
	2021	2020
Letters of credit	228.0	174.9
Letters of guarantee	14.7	15.5

**29.2 Capital commitments**

At December 31, 2021, the Group had capital commitments of Saudi Riyals 29.8 million (December 31, 2020: Saudi Riyals 48.9 million). This balance includes capital commitment of Saudi Riyals 26.9 million with a party related to the Board of Directors (December 31, 2020: Saudi Riyals 43.9 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.

**30 Leases**

**30.1 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.

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

**Notes to consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**30 Leases** (continued)

**30.1 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:*

	<b>2021</b>	<b>2020</b>
Interest on lease liabilities included in finance cost	<b>(41,334)</b>	(45,685)
Lease expenses of short-term leases (and those ending within 12 months of initial application date of IFRS 16)	<b>(6,772)</b>	(3,301)
Lease expenses relating to variable lease payments not included in the lease liabilities	<b>(374)</b>	(920)
Rental income from subleases of right of use investment properties	<b>11,736</b>	9,913
Depreciation expense of all right of use assets	<b>(92,731)</b>	(91,657)

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

	<b>2021</b>	<b>2020</b>
*January 1	<b>694,602</b>	758,728
Additions	<b>44,797</b>	11,410
Interest on lease liabilities	<b>41,334</b>	45,685
Payments for the principal portion (financing activities cash flows)	<b>(68,092)</b>	(69,798)
Payments of interest portion (operating activities cash flows)	<b>(35,069)</b>	(29,269)
Modification, termination, remeasurement, and rent concession	<b>(35,531)</b>	(22,154)
December 31	<b>642,041</b>	694,602

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

	<b>2021</b>	<b>2020</b>
Current portion of lease liabilities	<b>122,168</b>	113,898
Non-current portion of lease liabilities	<b>519,873</b>	580,704
	<b>642,041</b>	694,602

(iii) *The total cash outflows for leases amount to Saudi Riyals 117.3 million during the year ended December 31, 2021 (2020: Saudi Riyals 105.8 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:*

	<b>2021</b>	<b>2020</b>
Within one year	<b>9,736</b>	13,855
After one year but not more than five years	<b>53,578</b>	77,132
More than five years	<b>32,839</b>	6,869

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

**Notes to consolidated financial statements for the year ended December 31, 2021**  
 (All amounts in Saudi Riyals thousands unless otherwise stated)

**30 Leases (continued)**

**30.2 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.

*a) Operating lease*

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

	(Saudi Riyals in millions)	
	<b>2021</b>	<b>2020</b>
Not later than 1 year	<b>51.4</b>	38.8
Later than 1 year and not later than 5 years	<b>75.8</b>	78.7
Later than 5 years	<b>100.0</b>	110.7
	<b>227.2</b>	<b>228.2</b>

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 20.5 million (SAR 30.8 million in 2020).

*b) Finance lease*

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

	<b>For the year ended December 31, 2021</b>	<b>For the year ended December 31, 2020</b>
Finance income on the net investment in finance leases	<b>107</b>	165

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

	<b>2021</b>	<b>2020</b>
Year 1	<b>880</b>	910
Year 2	<b>158</b>	880
Year 3	<b>-</b>	158
Gross investment in the lease	<b>1,038</b>	1,948
Unearned finance income	<b>(15)</b>	(153)
Net investment in the lease	<b>1,023</b>	1,795

The non-current portion of the finance lease receivables amounting to Saudi Riyals 145 thousand (2020: Saudi Riyals 918 thousand) is not individually material to warrant a separate line item in the consolidated statement of financial position and therefore is aggregated (together with the current portion) within the "prepayments and other assets" line item.

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

**Notes to consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**31 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.

**32 Categories of financial instruments**

**Financial assets**

	<b>Line item in the statement of financial position</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<i>(i) Amortized cost</i>			
Cash at banks and in hand	Cash and cash equivalent	<b>432,199</b>	97,090
Trade receivables (net)	Trade receivables	<b>152,715</b>	143,396
Employees receivables (net)	Prepayments and other assets	<b>28,813</b>	28,925
Lease receivables (net)	Prepayments and other assets	<b>33,713</b>	24,952
Other receivables (net)	Prepayments and other assets	<b>8,333</b>	5,939
<i>(ii) Fair value through profit or loss</i>			
Financial assets mandatorily measured at fair value through profit or loss	Financial assets at FVTPL	<b>21,710</b>	27,951

**Financial liabilities**

	<b>Line item in the statement of financial position</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<i>(i) Amortized cost</i>			
Trade payables	Accounts payable	<b>1,092,457</b>	935,601
Other payables	Accounts payable	<b>80,670</b>	41,666
Bank borrowings	Bank borrowings and term loans	-	100,000
Lease liabilities	Lease liabilities- current liabilities	<b>122,168</b>	113,898
	Lease liabilities- non-current liabilities	<b>519,873</b>	580,704
Other accrued liabilities	Accrued expenses and other liabilities	<b>38,092</b>	19,972

**33 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.



**JARIR MARKETING COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to consolidated financial statements for the year ended December 31, 2021**  
 (All amounts in Saudi Riyals thousands unless otherwise stated)

**33 Financial instruments – risk management** (continued)

**33.1 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.

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*

	<b>Corporate sales trade receivables – age in days</b>						<b>Credit impaired</b>
	<b>Total</b>	<b>0-90</b>	<b>91-180</b>	<b>181-360</b>	<b>361-720</b>	<b>Over 720</b>	
<b>As at December 31, 2021</b>	<b>110,054</b>	<b>81,172</b>	<b>10,397</b>	<b>8,688</b>	<b>4,848</b>	<b>914</b>	<b>4,035</b>
Estimated credit loss rate		2%	5%	20%	40%	75%	100%
Estimated credit loss	<b>10,541</b>	<b>1,624</b>	<b>520</b>	<b>1,738</b>	<b>1,939</b>	<b>685</b>	<b>4,035</b>
<b>As at December 31, 2020</b>	<b>79,508</b>	<b>55,682</b>	<b>6,094</b>	<b>7,991</b>	<b>1,959</b>	<b>1,450</b>	<b>6,332</b>
Estimated credit loss rate		2%	5%	20%	40%	75%	100%
Estimated credit loss	<b>11,220</b>	<b>1,114</b>	<b>304</b>	<b>1,598</b>	<b>784</b>	<b>1,088</b>	<b>6,332</b>

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

**Notes to consolidated financial statements for the year ended December 31, 2021**  
 (All amounts in Saudi Riyals thousands unless otherwise stated)

**33 Financial instruments – risk management (continued)**

**33.1 Credit risk (continued)**

**Trade receivables (continued):**

Despite the increase in the gross corporate sales trade receivables, the decrease in the impairment loss allowance is mainly attributed to the decrease of certain credit impaired receivables due to settlement.

(ii) *Wholesale trade receivables*

	Wholesale trade receivables – age in days						Credit impaired
	Total	0-90	91-180	181-360	361-720	Over 720	
<b>As at December 31, 2021</b>	<b>56,296</b>	<b>30,468</b>	<b>11,454</b>	<b>2,444</b>	<b>6,635</b>	<b>4,686</b>	<b>609</b>
Estimated credit loss rate		4%	8%	25%	75%	90%	100%
Estimated credit loss	<b>12,548</b>	<b>1,219</b>	<b>916</b>	<b>611</b>	<b>4,976</b>	<b>4,217</b>	<b>609</b>
<b>As at December 31, 2020</b>	<b>72,761</b>	<b>26,692</b>	<b>27,478</b>	<b>11,451</b>	<b>4,424</b>	<b>1,593</b>	<b>1,123</b>
Estimated credit loss rate		4%	8%	25%	75%	90%	100%
Estimated credit loss	<b>12,004</b>	<b>1,068</b>	<b>2,198</b>	<b>2,863</b>	<b>3,318</b>	<b>1,434</b>	<b>1,123</b>

Despite the decrease in the gross wholesale trade receivables, the increase in the impairment loss allowance is attributed to the change of the ages of certain receivables moving to older ages.

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

As at December 31, 2021	<b>9,454</b>
As at December 31, 2020	14,351

**Total trade receivables (Gross)**

As at December 31, 2021	<b>175,804</b>
As at December 31, 2020	166,620

Lease receivables:	Lease receivables – age in days						Credit impaired
	Total	0-90	91-180	181-360	361-720	Over 720	
As at December 31, 2021	<b>51,339</b>	<b>6,654</b>	<b>12,033</b>	<b>14,654</b>	<b>5,958</b>	<b>4,631</b>	<b>7,409</b>
Estimated credit loss rate		2%	5%	20%	40%	90%	100%
Estimated credit loss	<b>17,626</b>	<b>133</b>	<b>602</b>	<b>2,931</b>	<b>2,383</b>	<b>4,168</b>	<b>7,409</b>
As at December 31, 2020	39,107	5,096	11,226	8,479	3,727	2,742	7,837
Estimated credit loss rate		2%	5%	20%	40%	90%	100%
Estimated credit loss	14,155	102	561	1,696	1,491	2,468	7,837

**JARIR MARKETING COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**33 Financial instruments – risk management (continued)**

**33.1 Credit risk (continued)**

**Total trade receivables (Gross) (continued)**

The increase in the gross lease receivables contributed to the increase of the impairment loss allowance being directly linked to the gross amounts of receivables. The increase of the impairment loss allowance is also attributed to the change of the ages of certain receivables moving to older 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
<b>January 1, 2021</b>	<b>23,224</b>	<b>14,155</b>
Amounts added	399	3,471
Receivables written off being uncollectible	(534)	-
<b>December 31, 2021</b>	<b>23,089</b>	<b>17,626</b>
<b>January 1, 2020</b>	17,370	11,931
Amounts added	5,904	2,224
Receivables written off being uncollectible	(50)	-
<b>December 31, 2020</b>	<b>23,224</b>	<b>14,155</b>

**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
<b>December 31, 2021</b>					
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

**JARIR MARKETING COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**33 Financial instruments – risk management (continued)**

**33.1 Credit risk (continued)**

**Credit quality and exposure (continued)**

<b>December 31, 2020</b>	<b>Internal credit rating</b>	<b>12 months or lifetime ECL</b>	<b>Gross carrying amount</b>	<b>Loss allowance</b>	<b>Net carrying amount</b>
Trade receivables	Provision matrix	Lifetime ECL	166,620	23,224	143,396
Employees receivables	Mostly performing	12 months ECL	31,542	2,617	28,925
Lease receivables	Provision matrix	Lifetime ECL	39,107	14,155	24,952
Finance lease receivables	Performing	Lifetime ECL	1,795	-	1,795
Other receivables	Performing	12 months ECL	4,144	-	4,144

**33.2 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.

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 recognized in the financial statement due the adoption of cost model in accounting for investment properties. Refer to Note 8.1.

**JARIR MARKETING COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**33 Financial instruments – risk management** (continued)

**33.2 Foreign currency risk** (continued)

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, 2021	December 31, 2020
Trade payables	(119.1)	(106.5)
Cash at banks	0.1	0.7
Net position	<u>(119.0)</u>	<u>(105.8)</u>

**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)	
	<u>Effect on profit before zakat and income tax</u>	
	2021	2020
<b>Change in USD rate</b>		
5 % increase	(5.9)	(5.3)
5% decrease	5.9	5.3

**33.3 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 34.

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 2021 and 2020, the Group's interest-bearing bank borrowings at variable rate were denominated only in Saudi Riyals.

For the outstanding banks borrowings the Group had at December 31, refer to Note 11.

**JARIR MARKETING COMPANY**

**(A Saudi Joint Stock Company)**

**Notes to consolidated financial statements for the year ended December 31, 2021**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**33 Financial instruments – risk management (continued)**

**33.3 Interest rate risk (continued)**

The sensitivity analysis in the following table has been determined based on the exposure to interest rate for the interest-bearing bank borrowings at the end of the reporting period. The analysis is prepared assuming the amount of the bank borrowings outstanding at the end of the reporting period was outstanding for the whole year, and a 50 basis point increase or decrease in the interest rate is used as a reasonably possible change in interest rates. With all other variables held constant, the Group's profit before Zakat and income tax would be affected as follows:

	(Saudi Riyals in millions)	
	<b>Effect on profit before zakat and income tax</b>	
	<b>2021</b>	<b>2020</b>
<b>Change in interest rate</b>		
50 basis points increase	-	(0.5)
50 basis points decrease	-	0.5

**33.4 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):

	<b>Less than 6 months</b>	<b>6-12 months</b>	<b>1-5 years</b>	<b>More than 5 years</b>	<b>Total</b>
<b>December 31, 2021</b>					
Trade payables	1,092,457	-	-	-	1,092,457
Other payables	80,670	-	-	-	80,670
Other accrued liabilities	38,092	-	-	-	38,092
Bank Borrowings	-	-	-	-	-
Lease liabilities	70,360	54,513	287,203	537,177	949,253
<b>Total</b>	<b>1,281,579</b>	<b>54,513</b>	<b>287,203</b>	<b>537,177</b>	<b>2,160,472</b>
	<b>Less than 6 months</b>	<b>6-12 months</b>	<b>1-5 years</b>	<b>More than 5 years</b>	<b>Total</b>
<b>December 31, 2020</b>					
Trade payables	935,601	-	-	-	935,601
Other payables	41,666	-	-	-	41,666
Other accrued liabilities	19,972	-	-	-	19,972
Bank Borrowings	100,000	-	-	-	100,000
Lease liabilities	57,553	59,584	320,797	626,836	1,064,770
<b>Total</b>	<b>1,154,792</b>	<b>59,584</b>	<b>320,797</b>	<b>626,836</b>	<b>2,162,009</b>

**JARIR MARKETING COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**33 Financial instruments – risk management** (continued)

**33.4 Liquidity risk** (continued)

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 30.

(ii) *Financing arrangements*

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

	(Saudi Riyals in millions)	
	<b>2021</b>	<b>2020</b>
Short and medium-term loans	<b>800</b>	860
Overdrafts	<b>225</b>	150
Total	<b>1,025</b>	1,010

**34 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:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Total borrowings and term loans	-	100,000
Less: cash and cash equivalents	<b>(432,199)</b>	(97,090)
Net debt	<b>(432,199)</b>	2,910
Ratio of net debt to shareholders' equity	<b>(24.4%)</b>	0.2%

**JARIR MARKETING COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to consolidated financial statements for the year ended December 31, 2021**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**35 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. While number of daily cases worldwide went down after the first wave, waves of the pandemic are still hitting many countries around the world with different levels of severity. Covid-19 vaccination is generally progressing in the Kingdom and the countries the Group operates in.

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, many of these measures have been eased as the number of cases went down and vaccination coverage increased.

As explained in note 28, sales of school and office supplies during the current year ended December 31, 2021, as compared to the prior year, were negatively impacted by the precautionary measure taken by the competent authorities shifting the traditional education format to remote learning to control the spread of coronavirus pandemic, as the prior year had a normal small season which fell in the three-month period ended March 31, 2020, before COVID-19 was declared a pandemic.

A negative consequential impact of the pandemic on the supply side is still seen and it is believed that sales performance would likely have been better had supplies performance been as it was pre-COVID-19, however, impact on financial performance cannot be reliably quantified.

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.

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 which would adversely affect sales and profits, and there could be material changes to the financial statements in subsequent periods.