

JARIR MARKETING COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
AND INDEPENDENT AUDITOR'S REPORT

JARIR MARKETING COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Page
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 - 41



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, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2018;
- 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 a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing as 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

- Implementation of IFRS 15 "Revenue from contracts with customers"

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 matter

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><i>Implementation of IFRS 15 "Revenue from contracts with customers"</i></p> <p>The Group adopted International Financial Reporting Standard 15 "Revenue from contracts with customers" with effect from 1 January 2018 and this new standard supersedes the requirements of IAS 18 "Revenue".</p> <p>Management performed a detailed analysis of each type of revenue contract to identify differences between the requirements of the two standards, identify the changes required to be made to existing accounting policies and determine the transition adjustments and consequential changes to processes and controls required particularly in connection with the separation of different performance obligations that there may be within a given contract.</p> <p>Management also assessed the additional disclosures required to be made by the new standard in the consolidated financial statements.</p> <p>We considered this a key audit matter as revenue is a key financial statement item and performance metric and the application of IFRS 15 can require judgment by management and the use of significant assumptions.</p> <p><i>Refer to Note 2.13 for accounting policy and Note 19 and Note 26 for the related disclosure in the accompanying consolidated financial statements.</i></p>	<p>We performed the following procedures in relation to the implementation of IFRS 15:</p> <ul style="list-style-type: none">• Reviewed management's detailed analysis of its revenue streams and how the new accounting standard impacted the Group;• Gained an understanding of management's approach to the implementation of any changes to the accounting policy;• Obtained an understanding of the nature of revenue contracts used by the Group for each significant revenue streams and assessed whether or not management's application of the requirements of IFRS 15 was in accordance with the accounting standard;• Tested relevant processes and controls established by management to ensure appropriate recognition of revenue;• We also reviewed the adequacy of the Group's disclosures included in Note 2.13 and Note 19 and Note 26 to the accompanying consolidated financial statements in relation to the implementation of the new accounting standard.

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, as 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 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 as 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.
- 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.

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

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



By: _____
Omar M. Al Sagga
License Number 369

March 10, 2019

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,	
		2018	2017
Assets			
Current assets			
Cash and cash equivalents	3	145,545	200,331
Trade receivables	4	180,482	147,037
Inventories	5	1,057,673	947,945
Prepayments and other assets	6	374,212	202,970
Total current assets		1,757,912	1,498,283
Non-current assets			
Financial assets at fair value through profit or loss		27,951	27,951
Investment properties, net	7	313,754	275,208
Property and equipment, net	8	1,115,297	1,075,688
Total non-current assets		1,457,002	1,378,847
Total assets		3,214,914	2,877,130
Liabilities and shareholders' equity			
Current liabilities			
Bank borrowings and term loans	9	275,000	84,153
Liabilities against finance leases	10	665	633
Accounts payable	11	904,748	805,536
Accrued expenses and other liabilities	12	115,931	152,420
Employees' incentive program		24,788	15,542
Deferred revenues	13	14,558	16,043
Zakat payable	14	28,316	28,325
Total current liabilities		1,364,006	1,102,652
Non-current liabilities			
Liabilities against finance leases	10	9,610	10,716
End of service benefits	15	133,612	125,707
Employees' incentive program		3,771	7,123
Deferred revenues	13	4,498	4,889
Total non-current liabilities		151,491	148,435
Total liabilities		1,515,497	1,251,087
Shareholders' equity			
Share capital	1,17	1,200,000	900,000
Statutory reserve	18	95,999	296,500
Foreign exchange reserve		(73,139)	(71,888)
Retained earnings		476,557	501,431
Total shareholders' equity		1,699,417	1,626,043
Total liabilities and shareholders' equity		3,214,914	2,877,130

The notes on pages 10 to 41 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,	
		2018	2017
Revenue	19	7,361,723	6,941,935
Cost of sales	20	(6,247,901)	(5,904,694)
Gross profit		1,113,822	1,037,241
Operating expenses			
General and administrative	21	(106,952)	(97,692)
Selling and marketing	22	(93,349)	(104,778)
Other income, net	23	64,698	41,267
Income from operations		978,219	876,038
Finance costs		(3,977)	(901)
Income before zakat and income tax		974,242	875,137
Zakat	14	(14,250)	(7,250)
Income tax		-	(228)
Net income for the year		959,992	867,659
All attributable to the shareholders of the Company			
Earnings per share (Saudi Riyals):			
Basic and diluted earnings per share	24	8.00	7.23

The notes on pages 10 to 41 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,	
		2018	2017
Net income for the year		959,992	867,659
Other comprehensive (loss) income that may be reclassified subsequently to the consolidated statement of income			
Exchange differences on translation of foreign operations		(1,251)	1,085
Other comprehensive income that will not be reclassified subsequently to the consolidated statement of income			
Remeasurement of end of service benefits	15	4,133	4,217
Other comprehensive income for the year		2,882	5,302
Total comprehensive income for the year		962,874	872,961

All attributable to the shareholders of the Company.

The notes on pages 10 to 41 form an integral part of these consolidated financial statements.

JARIR MARKETING COMPANY
(A Saudi Joint Stock Company)

Consolidated statement of changes in shareholders' equity
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Share capital	Statutory reserve	Foreign exchange reserve	Retained earnings	Total
January 1, 2018		900,000	296,500	(71,888)	501,431	1,626,043
Net income for the year		-	-	-	959,992	959,992
Other comprehensive (loss) income for the year		-	-	(1,251)	4,133	2,882
Total comprehensive (loss) income for the year		-	-	(1,251)	964,125	962,874
Transfer to share capital		300,000	(296,500)	-	(3,500)	-
Transfer to statutory reserve			95,999	-	(95,999)	-
Transactions with owners in their capacity as owners:						
Dividends	25	-	-	-	(889,500)	(889,500)
December 31, 2018		1,200,000	95,999	(73,139)	476,557	1,699,417
January 1, 2017		900,000	296,500	(72,973)	380,165	1,503,692
Adjustment to opening retained earnings on adoption of IFRS 9	2.1 (iv) (a)	-	-	-	(3,610)	(3,610)
Adjusted total equity at January 1, 2017		900,000	296,500	(72,973)	376,555	1,500,082
Net income for the year		-	-	-	867,659	867,659
Other comprehensive income for the year		-	-	1,085	4,217	5,302
Total comprehensive income for the year		-	-	1,085	871,876	872,961
Transactions with owners in their capacity as owners:						
Dividends	25	-	-	-	(747,000)	(747,000)
December 31, 2017		900,000	296,500	(71,888)	501,431	1,626,043

The notes on pages 10 to 41 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,	
		2018	2017
Cash flows from operating activities			
Net income for the year		959,992	867,659
<u>Adjustments for non-cash items</u>			
Depreciation	7,8	56,620	49,193
Net impairment losses on trade receivables	4	1,394	1,398
Provision for slow moving inventory	5	15,410	18,802
Gain on sale of property and equipment		(880)	(399)
Impairment of investment property	7	-	5,063
Provision for employees' incentives program		5,894	-
Zakat and income tax	14	14,250	7,478
Provision for end of service benefits	15	17,163	16,300
<u>Changes in working capital</u>			
Trade receivables		(34,839)	(51,091)
Inventories		(125,138)	(83,949)
Prepayments and other current assets		(212,694)	37,226
Accounts payable		56,511	54,338
Accrued expenses and other current liabilities		(36,242)	30,653
Deferred revenues		(1,876)	(2,388)
Employees' incentive program paid		-	(8,229)
Zakat and income tax paid		(14,493)	(8,978)
End of service benefits paid	15	(5,125)	(4,653)
Net cash generated from operating activities		<u>695,947</u>	<u>928,423</u>
Cash flows from investing activities			
Additions to investment properties	7	(47,617)	(25,266)
Additions to property and equipment	8	(125,115)	(117,434)
Proceeds from sale of property and equipment		38,239	4,371
Net cash utilized in investing activities		<u>(134,493)</u>	<u>(138,329)</u>
Cash flows from financing activities			
Payment of finance lease liabilities		(1,074)	(894)
Receipt of bank borrowing and term loans		275,000	-
Dividends paid	25	(889,500)	(747,000)
Net cash utilized in financing activities		<u>(615,574)</u>	<u>(747,894)</u>
Net change in cash and cash equivalents			
Effect of exchange rate changes in cash and cash equivalents		(666)	337
Cash and cash equivalents at beginning of the year		200,331	157,794
Cash and cash equivalents at end of the year	3	<u>145,545</u>	<u>200,331</u>

The notes on pages 10 to 41 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, 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

(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 used in the adjustments to property and equipment and investment properties

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

(b) Impairment test for non-financial assets

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

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) Allowance 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 history, market conditions and forward looking estimates at each reporting date.

JARIR MARKETING COMPANY
(A Saudi Joint Stock Company)

Notes to consolidated financial statements for the year ended December 31, 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

(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.

(iv) Changes in accounting policy and disclosures

(a) New standards adopted by the Group

The following standards effective as of January 1, 2018 have been adopted:

- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018.

As permitted by the transitional provisions of IFRS 15, the Group elected to apply IFRS 15 retrospectively only to the contracts that are not completed at January 1, 2018, with the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings at that date. However, in applying IFRS 15, the Group concluded that there were no adjustments need to be made given the immateriality of the amounts of the cumulative effect of initially applying the standard. The new accounting policy on adoption of IFRS 15 is presented in note 2.13.

The application of this standard did not have an impact on the amounts presented in these consolidated financial statements as compared to the previously applicable standards and related interpretations.

- IFRIC 22, 'Foreign currency transactions and advance consideration': IFRIC 22 addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. IFRIC 22 is effective for annual reporting periods beginning on or after January 1, 2018. Adoption of IFRIC 22 does not have a material impact on the Group's consolidated financial statements.
- Annual improvements 2014-2016 cycle: This cycle includes the improvements on (i) IFRS 1 (deleted short-term exemptions covering transition provisions of IFRS 7, IAS 19 and IFRS 10 which are no longer relevant), and (ii) IAS 28 (clarifies that the election by venture capital organizations, mutual funds, unit trusts and similar entities to measure investments in associates or joint ventures at fair value through profit or loss should be made separately for each associate or joint venture at initial recognition). These amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after January 1, 2018. Adoption of these amendments do not have an impact on the Group's consolidated financial statements.
- Amendments to IAS 40: The amendments clarify that transfers to, or from, investment property can only be made if there has been a change in use that is supported by evidence. These amendments are effective from annual periods beginning on or after January 1, 2018. Adoption of these amendments do not have any material impact on the Group's consolidated financial statements.
- The Group has already early adopted IFRS 9 'Financial instruments' in its annual consolidated financial statements for the year ended December 31, 2017.

(b) New standards or amendments not yet effective, not early adopted by the Group and expected to have a significant impact on the Group's financial statements

- IFRS 16, 'Leases': The IASB issued IFRS 16 - In January 2016. This standard is effective for annual periods beginning on or after January 1, 2019, and permits early adoption for entities that also apply IFRS 15. The Group will adopt the standard effective January 1, 2019.

The objective of IFRS 16 is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions to enable users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. IFRS 16 introduces significant changes to lessee accounting as it removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognize a right-of-use asset and a lease liability at lease commencement for all leases. A lessee may elect not to apply such requirements to short-term leases and leases of low value assets.

JARIR MARKETING COMPANY
(A Saudi Joint Stock Company)

Notes to consolidated financial statements for the year ended December 31, 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

The Group plans to apply IFRS 16 initially on January 1, 2019 retrospectively with the cumulative effect of initially applying the standard recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information. The Group plans to make use of practical expedients that are available under IFRS 16.

On January 1, 2019, for leases in which the Group is a lessee, the Group will recognize:

- a) lease liabilities for leases, which were previously classified as an operating lease, measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at January 1, 2019.
- b) right-of-use assets at amounts equal to the lease liabilities, adjusted by prepaid or accrued lease payments. For certain chosen leases the right of use assets are measured at carrying amounts as if the standard had been applied since the commencement dates of leases discounted using the Group's incremental borrowing rate at January 1, 2019. Right-of-use assets that meet the definition of investment property will be presented within investment properties.

Subsequent to the initial application, the Group will recognize depreciation of right of use assets and interest on lease liabilities in the consolidated statement of income, and will no more recognize rental expenses on a straight line basis in the consolidated statement of income. Consolidated statement of cash flows is expected to show more cash generated from operating activities and more cash utilized in financing cash flows as repayments of the principal portion of the lease liabilities will be classified as cash utilized in financing activities. Such change in the nature of expenses and cash flows related to leases is expected to be significant.

Based on the information currently available, the Group's preliminary assessment indicates that it will recognize right-of-use assets of approximately Saudi Riyals 715 million, additional lease liabilities of approximately Saudi Riyals 750 million, an adjustment to the prepayments and accrued expenses of approximately Saudi Riyals 35 million and an adjustment to the retained earnings (reduction) of approximately Saudi Riyals 70 million as at January 1, 2019. Such assessment of impact is subject to change until the Group presents its first consolidated financial statements that include the date of initial application of January 1, 2019.

No significant impact is expected for the lease currently classified as a finance lease.

Subleases that are expected to be reclassified as a finance lease are not expected to be material.

2.2 Subsidiaries

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

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

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

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

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

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

JARIR MARKETING COMPANY
(A Saudi Joint Stock Company)

Notes to consolidated financial statements for the year ended December 31, 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

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.

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

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

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

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

2.4 Financial Instruments

(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:

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

JARIR MARKETING COMPANY
(A Saudi Joint Stock Company)

Notes to consolidated financial statements for the year ended December 31, 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

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

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

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

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

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

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

(c) Impairment of financial assets

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

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

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

Financial assets are written off only when:

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

Recoveries made are recognized in the consolidated statement of income.

(d) Financial liabilities - subsequent classification and measurement

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

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

(e) Cash and cash equivalents

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

JARIR MARKETING COMPANY
(A Saudi Joint Stock Company)

Notes to consolidated financial statements for the year ended December 31, 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

(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 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, 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

2.8 Impairment of non-financial assets

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

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

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

2.9 Provisions

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

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

2.10 Zakat and income taxes

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

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

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

2.11 Employee benefits

(a) Provision for end-of-service benefit

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

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

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

End of service benefits costs are categorized as follows:

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

JARIR MARKETING COMPANY
(A Saudi Joint Stock Company)

Notes to consolidated financial statements for the year ended December 31, 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

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.

2.12 Statutory reserve

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

2.13 Sale 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 & peripherals, computer supplies, smartphones & accessories, electronics, art & 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.

JARIR MARKETING COMPANY
(A Saudi Joint Stock Company)

Notes to consolidated financial statements for the year ended December 31, 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

(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 totally immaterial, and accordingly, no refund liability is recognized at the time of sale. The validity of this conclusion is assessed at each reporting date. If the returns pattern changed, the Group would recognize a refund liability and corresponding asset (right to the returned goods) for products expected to be returned, with revenue and related cost of sales adjusted accordingly.

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

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

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

2.14 Cost of sales and operating expenses

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

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

2.15 Rental revenue

Rental revenue from operating leases on investment properties 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.

2.16 Interest expense

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

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

2.17 Earnings per share

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

JARIR MARKETING COMPANY
(A Saudi Joint Stock Company)

Notes to consolidated financial statements for the year ended December 31, 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

EPS, if any, is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares.

2.18 Segment reporting

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

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

2.19 Leases where the Group is the lessee

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

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

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

2.20 Fair value measurement

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

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

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

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

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

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

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

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

JARIR MARKETING COMPANY
(A Saudi Joint Stock Company)

Notes to consolidated financial statements for the year ended December 31, 2018
 (All amounts in Saudi Riyals thousands unless otherwise stated)

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

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

	2018	2017
Cash at bank	140,081	195,425
Cash in hand	5,464	4,906
	145,545	200,331

4. Trade receivables

	2018	2017
Trade receivables	198,518	163,702
Less: allowance for impairment of trade receivables	(18,036)	(16,665)
	180,482	147,037

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

	2018	* 2017
January 1	16,665	11,838
Adjustment upon early adoption of IFRS 9 (see note 2.1 (iv) (a))	-	3,610
Balance at January 1 - IFRS 9 calculated	16,665	15,448
Additions	1,539	1,523
Write-offs	(23)	(181)
Reversals	(145)	(125)
December 31	18,036	16,665

* See note 32.1.

JARIR MARKETING COMPANY
(A Saudi Joint Stock Company)

Notes to consolidated financial statements for the year ended December 31, 2018
 (All amounts in Saudi Riyals thousands unless otherwise stated)

5. Inventories

	2018	2017
Smart phones, electronics and accessories	390,084	387,791
Computers and related supplies and programs	363,190	269,186
Office supplies	141,698	132,887
Books	123,376	96,226
School supplies	88,835	80,450
Video games and smart TVs	59,698	60,217
Engineering and technical supplies	38,301	40,543
Goods in transit	1,781	4,045
Others	11,754	12,244
	1,208,717	1,083,579
Less: provision for slow moving inventories	(151,044)	(135,634)
	1,057,673	947,945

Movement in provision for slow moving inventories is as follows:

	2018	2017
January 1	135,634	116,832
Additions	15,410	18,802
December 31	151,044	135,634

6. Prepayments and other current assets

	2018	2017
Advances to suppliers	207,862	88,825
Prepaid rentals	48,309	58,601
Employees receivable	25,977	26,492
Less: Provision for doubtful employee receivables	(2,043)	(1,712)
	23,934	24,780
Other prepayments	10,533	11,122
Claims on vendors	53,273	828
Lease and other receivables	36,163	21,083
Less: Provision for doubtful - lease receivables	(5,862)	(2,269)
	30,301	18,814
	374,212	202,970

JARIR MARKETING COMPANY
(A Saudi Joint Stock Company)

Notes to consolidated financial statements for the year ended December 31, 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

7. Investment properties

<u>2018</u>	Land	Buildings	Construction and other work in progress	Total
Cost				
January 1, 2018	124,415	96,521	84,938	305,874
Additions	-	504	47,113	47,617
Transfers	-	53,717	(53,717)	-
Transfers to property and equipment	(3,204)	(1,368)	(657)	(5,249)
Exchange difference	-	(163)	(348)	(511)
December 31, 2018	<u>121,211</u>	<u>149,191</u>	<u>77,329</u>	<u>347,731</u>
Accumulated depreciation and impairment				
January 1, 2018	-	(20,329)	(10,337)	(30,666)
Additions	-	(3,218)	-	(3,218)
Transfers from property and equipment	-	(229)	-	(229)
Exchange difference	-	28	108	136
December 31, 2018	<u>-</u>	<u>(23,748)</u>	<u>(10,229)</u>	<u>(33,977)</u>
Net book value	<u>121,211</u>	<u>125,443</u>	<u>67,100</u>	<u>313,754</u>

<u>2017</u>	Land	Buildings	Construction and other work in progress	Total
Cost				
January 1, 2017	124,415	111,832	43,346	279,593
Additions	-	10	25,256	25,266
Transfers	-	(16,329)	16,329	-
Exchange difference	-	1,008	7	1,015
December 31, 2017	<u>124,415</u>	<u>96,521</u>	<u>84,938</u>	<u>305,874</u>
Accumulated depreciation and impairment				
January 1, 2017	-	(22,790)	-	(22,790)
Additions	-	(2,665)	-	(2,665)
Transfers	-	5,163	(5,163)	-
Impairment	-	-	(5,063)	(5,063)
Exchange difference	-	(37)	(111)	(148)
December 31, 2017	<u>-</u>	<u>(20,329)</u>	<u>(10,337)</u>	<u>(30,666)</u>
Net book value	<u>124,415</u>	<u>76,192</u>	<u>74,601</u>	<u>275,208</u>

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

7.1 Fair value of investment property

For the purpose of fair value disclosure, management determined that the investment properties consist of two classes of assets: (i) office, retail and residential properties in the Kingdom of Saudi Arabia (KSA) and (ii) office and retail properties in Egypt as follows:

	(Saudi Riyals in millions)			
	December 31, 2018		December 31, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Office, retail and residential properties in KSA	278.2	578.4	238.9	529.1
Office and retail properties in Egypt	35.6	86.7	36.3	78.9
Total	<u>313.8</u>	<u>665.1</u>	<u>275.2</u>	<u>608.0</u>

JARIR MARKETING COMPANY
(A Saudi Joint Stock Company)

Notes to consolidated financial statements for the year ended December 31, 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

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) Investment 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.

There has been no change to the valuation techniques as of December 31, 2018 and December 31, 2017.

(ii) Office and retail properties in Egypt

The fair value measurements of the office and retail properties in Egypt are performed by the three valuers with the average being used to determine the fair value.

The following valuers were involved in valuation of the properties in Egypt.

Valuation dates December 31 2017 and 2018:

El Said Financial & Engineering Consultancy (Dr. Moheeb El-Said Ibrahim), accredited real estate valuer by the Financial Regulatory Authority (in Egypt), Reg. number 130.

Zaktronix (Eng. Zakaria Ali Mohamed El Gohary), accredited real estate valuer by the Financial Regulatory Authority (in Egypt), Reg. number 56.

Deyar El Safwa (Eng. Mohamed Abdulrahman Ahmed Youssef), accredited real estate valuer by the Financial Regulatory Authority (in Egypt), Reg. number 93.

All the above valuers are independent valuers not related to the Group, hold recognized and relevant professional qualifications and have recent experience in the location and category of the investment property being valued.

For 2018 valuation, the fair value was determined based on the market comparable approach. For 2017 valuation, the fair value was determined mostly based on the market comparable approach with less weight given to capitalization of net income method and cost method. This change in valuation technique did not result in a significant change in the fair value measurement due to the significant weight given to the market comparable approach in 2017. This change is deemed to provide more appropriate considering the availability of market data for comparable assets.

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.

As presented in the table above, in 2017, the total fair value of office and retail properties in Egypt is in excess of their total carrying amounts, however, there is a property which had a fair value less than its net book value, and its estimated value in use did not exceed its fair value. The carrying amount of this property has been reduced to its fair value amounting to Saudi Riyals 22.3 million as of December 31, 2017. The cost of disposal was estimated to be negligible. An impairment loss of Saudi Riyals 5.1 million is recognized in the statement of income for the year ended December 31, 2017. There has been no impairment loss or related reversal recognized in the statement of income for the year ended December 31, 2018.

JARIR MARKETING COMPANY
(A Saudi Joint Stock Company)

Notes to consolidated financial statements for the year ended December 31, 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

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

	2018	2017
Rental income	29,161	31,518
Maintenance and repair expenses from property that generated rental income	1,402	1,283
Maintenance and repair expenses from property that did not generate rental income	317	293

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, 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

8. Property and equipment

	Land	Buildings	Machinery and equipment	Furniture and fixtures	Motor vehicles	Computers	Leasehold improvements	Construction and other work in progress	Buildings under finance lease	Total
Cost										
January 1, 2018	532,065	410,928	11,095	137,575	20,126	48,811	105,620	117,991	13,860	1,398,074
Additions	-	1,367	528	5,026	1,057	2,051	2,584	112,502	-	125,115
Disposals	(32,912)	-	(92)	(101)	(461)	(420)	(61)	(4,370)	-	(38,387)
Transfers	900	69,626	132	9,479	648	1,448	21,172	(103,405)	-	-
Transfers from investment property	3,204	1,388	-	-	-	-	-	657	-	5,249
Exchange difference	-	7	-	-	-	-	-	(216)	-	(209)
December 31, 2018	503,257	483,316	11,693	151,979	21,370	51,890	129,315	123,159	13,860	1,489,839
Accumulated depreciation										
January 1, 2018	-	(96,657)	(9,334)	(83,008)	(18,014)	(35,038)	(76,867)	-	(3,465)	(322,383)
Additions	-	(14,032)	(817)	(9,508)	(1,254)	(4,865)	(22,156)	-	(770)	(63,402)
Disposals	-	-	62	86	462	357	61	-	-	1,028
Transfers to investment property	-	229	-	-	-	-	-	-	-	229
Exchange difference	-	(14)	-	-	-	-	-	-	-	(14)
December 31, 2018	-	(110,474)	(10,089)	(92,430)	(18,806)	(39,546)	(98,962)	-	(4,235)	(374,542)
Net book value	503,257	372,842	1,604	59,549	2,564	12,344	30,353	123,159	9,625	1,115,297
Cost										
January 1, 2017	532,065	321,725	10,288	119,491	19,716	42,617	88,491	138,268	13,860	1,286,521
Additions	-	78	808	10,752	679	5,804	8,379	90,934	-	117,434
Disposals	-	-	(113)	(467)	(273)	(1,231)	-	(3,712)	-	(5,796)
Transfers	-	89,125	112	7,764	-	1,617	8,739	(107,357)	-	-
Exchange difference	-	-	-	35	4	4	11	(142)	-	(88)
December 31, 2017	532,065	410,928	11,095	137,575	20,126	48,811	105,620	117,991	13,860	1,398,074
Accumulated depreciation										
January 1, 2017	-	(84,844)	(8,702)	(75,027)	(16,846)	(31,729)	(58,902)	-	(1,617)	(277,667)
Additions	-	(11,826)	(743)	(8,420)	(1,439)	(4,290)	(17,962)	-	(1,848)	(46,528)
Disposals	-	-	111	457	273	983	-	-	-	1,824
Exchange difference	-	13	-	(18)	(2)	(3)	-	-	-	(12)
December 31, 2017	-	(96,657)	(9,334)	(83,008)	(18,014)	(35,038)	(76,867)	-	(3,465)	(322,383)
Net book value	532,065	314,271	1,761	54,567	2,112	13,773	28,753	117,991	10,395	1,075,688

As at December 31, 2018, property and equipment and investment property include lands amounting to Saudi Riyals 24.7 million (2017: 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, 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

9. Bank borrowings and term loans

December 31, 2018	Interest rate	Outstanding balance	Contractual maturity
Short term Tawarruq facility	3.88%- 4.05%	275,000	Various maturities, the last of which is February 7, 2019
December 31, 2017			
Short term purchase orders financing Tawarruq facility	0%	84,153	105 days from drawdown date

The purchase orders financing Tawarruq facility is governed by a three-party arrangement between the Company, a local bank and a foreign vendor. The bank pays the foreign vendor the net amount of purchase orders placed by the Company to that vendor and the Company repays the same to the bank in 105 days. This Tawarruq facility involves zero profit (zero finance cost) as the vendor undertakes the financing cost in accordance with a separate arrangement between the vendor and the bank. Bank facility is secured by a promissory note.

Given the nature of the purchase orders financing Tawarruq facility, the related impact on cash flows is included in the related line items within the operating activities caption in the statement of cash flows.

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

9.1 Finance costs

	2018	2017
Interest on overdraft facility (Islamic debit current account)	627	120
Interest on overdraft facility – conventional	94	23
Interest on Murabaha/Tawarruq term loans	3,256	758
	<u>3,977</u>	<u>901</u>

10. Liabilities against finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2018	2017	2018	2017
Not later than one year	949	930	665	633
Later than one year and not later than five years	3,919	3,844	2,989	2,834
Later than five years	7,365	8,857	6,621	7,882
Less: future finance charges	(1,958)	(2,282)	-	-
Present value of minimum lease payments	<u>10,275</u>	<u>11,349</u>	<u>10,275</u>	<u>11,349</u>
			2018	2017
Current			665	633
Non-current			9,610	10,716
			<u>10,275</u>	<u>11,349</u>

Finance leases relates to a showroom with a non-cancellable lease term until June 22, 2031 and a cancellable term from June 23, 2031 to June 22, 2043. The lease contract contains an escalation of lease payments at the rate of 1.3% on an annual basis, with no option to buy the leased properties.

11. Accounts payable

	2018	2017
Trade payables	827,485	717,082
Advances from customers	45,452	37,715
Employees	6,742	5,991
Other	25,069	44,748
	<u>904,748</u>	<u>805,536</u>

JARIR MARKETING COMPANY
(A Saudi Joint Stock Company)

Notes to consolidated financial statements for the year ended December 31, 2018
 (All amounts in Saudi Riyals thousands unless otherwise stated)

12. Accrued expenses and other current liabilities

	Note	2018	2017
Accrued bonus and commission		60,251	58,394
Warranty charges provision	12.1	20,637	52,539
Accrued salaries, wages and benefits		18,682	29,792
Other		16,361	11,695
		<u>115,931</u>	<u>152,420</u>

12.1 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, estimated level of repairs and warranty costs.

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

Movement in provision for warranty is as follows:

	2018	2017
January 1	52,539	30,135
Added during the year	18,155	40,276
Utilized during the year	(19,951)	(17,872)
Reversals	(30,106)	-
December 31	<u>20,637</u>	<u>52,539</u>

* Reversals are due to recent service arrangements with vendors which resulted in the shift of warranty liability from the Group to the vendors.

13. Deferred revenues

	Note	2018	2017
Gain on sale and lease back	13.1	4,889	5,280
Rental income	13.2	14,167	15,652
		<u>19,056</u>	<u>20,932</u>
Current maturity shown under current liabilities		<u>(14,568)</u>	<u>(16,043)</u>
		<u>4,488</u>	<u>4,889</u>

13.1 Gain on sale and lease back

The gain on sale and leaseback represents the gain related to the finance lease portion of a sale-lease-back transaction at the net book value of Saudi Riyals 7 million for a sale value of Saudi Riyals 14 million resulting in a gain of Saudi Riyals 7 million. This gain is being amortized over the lease term.

13.2 Rental income

Rental income represents amounts received from rental activity but not earned as at December 31, 2018 and 2017. Such amounts will be recognized as revenue in the subsequent year.

JARIR MARKETING COMPANY
(A Saudi Joint Stock Company)

Notes to consolidated financial statements for the year ended December 31, 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

14. 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.

14.1 Component of zakat base

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

	Note	2018	2017
<u>Components of zakat base</u>			
Shareholders' equity at beginning of year		1,697,931	1,576,665
Provisions at beginning of year		332,089	239,457
Adjusted net income for the year	14.2	440,525	473,122
Additions to property and equipment and investment property		172,732	142,699
Dividends paid in excess of retained earnings at beginning of year		391,569	366,835
Property and equipment, as adjusted		(1,115,297)	(1,079,400)
Zakat provision		14,066	20,846
Liabilities outstanding for one year or more		32,708	11,349
Dividends announced and paid		(889,500)	(747,000)
Foreign currency translation reserve at beginning of year		(71,888)	(72,973)
Financial assets (investments)		(27,951)	(27,951)
Investment properties		(313,754)	(275,208)
Approximate zakat base		<u>663,230</u>	<u>628,441</u>

14.2 Adjusted net income

	2018	2017
Comprehensive income for the year	962,874	872,961
Adjustments:		
Provisions during the year	31,835	74,771
Zakat for the year	14,250	7,250
Dividends paid in excess of retained earnings at beginning of year	(391,569)	(366,835)
Additions to property and equipment and investment property	(172,732)	(142,699)
Others	(4,133)	27,674
Adjusted net income for year	<u>440,525</u>	<u>473,122</u>

14.3 Provision for zakat

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

	2018	2017
January 1	28,325	29,825
Provisions	14,250	7,250
Payments	(14,259)	(8,750)
December 31	<u>28,316</u>	<u>28,325</u>

14.4 Status of final assessments

The GAZT has finalized the assessments for the years till 2010. Zakat returns for the years ended December 31, 2011 to 2017 are still under review by the GAZT.

14.5 Income tax

The amount of income tax recognized in the consolidated statement of income of Saudi Riyals Nil (2017: Saudi Riyals 228 thousand) pertains to the subsidiary in Qatar.

JARIR MARKETING COMPANY
(A Saudi Joint Stock Company)

Notes to consolidated financial statements for the year ended December 31, 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

15. 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.

15.1 Changes in the end of service benefit liability

	2018	2017
January 1	125,707	118,277
Interest cost	3,929	3,716
Current service cost	13,234	12,584
End of service benefit expense recognized in profit or loss	17,163	16,300
Benefits paid	(5,125)	(4,653)
Actuarial changes arising from experience adjustments	(4,633)	(5,394)
Actuarial changes arising from changes in demographic assumptions	608	955
Actuarial changes arising from changes in financial assumptions	(108)	222
Amount of gain included in other comprehensive income	(4,133)	(4,217)
December 31	133,612	125,707

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.

15.2 Assumptions used and risks

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

	2018	2017
Discount rate	3.50%	3.25%
Weighted average of the annual increase in compensation used in the calculation of end of service	6.1%	6.4%
Weighted average future number of years of service	4.6	5.3

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 2.11, 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.

15.3 Assumptions used and risks

A quantitative sensitivity analysis for significant assumption on the end of service benefit liability as at December 31, 2018 and 2017 is, as shown below:

	(Saudi Riyals in millions)	
	2018	2017
Discount rate:		
0.5 % increase	(2.9)	(3.2)
0.5% decrease	3.0	3.3

JARIR MARKETING COMPANY
(A Saudi Joint Stock Company)

Notes to consolidated financial statements for the year ended December 31, 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

	(Saudi Riyals in millions)	
	2018	2017
Weighted average of the annual increase in compensation used in the calculation of end of service:		
2% increase	12.3	13.4
2% decrease	(10.8)	(11.7)
Weighted average future number of years of service:		
Increase by 1 year	5.1	5
Decrease by 1 year	(4.6)	(4.1)

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 analysis 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 2018 and 2017 presented above are consistent.

16. Related party matters

16.1 Related parties transactions

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

		2018	2017
Board of directors	Salaries, wages and benefits	32,866	32,005
Parties related to the Board of Directors	Construction and engineering services - cost	132,941	88,338
	Rent income	995	995
	Rent expense	7,732	8,458
	Consulting services -- expense	12	59

There were no special terms and conditions with the related party as compared to un-related parties.

16.2 Related parties balance

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

	2018	2017
(i) Payable to related parties		
Parties related to the Board of Directors	184	298
(ii) Receivable from related parties		
Parties related to the Board of Directors	225	69

16.3 Key management personnel

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

	2018	2017
Short-term employee benefits	33,475	33,027
Post-employment benefits (end of service benefits)	3,877	2,267
Other long-term benefits (long-term incentive plan)	512	571

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

The amount of end of service benefits of the Group's key management personnel includes both the amounts charged to the statement of income amounting to Saudi Riyals 2,151 thousand for the year ended December 31,

JARIR MARKETING COMPANY
(A Saudi Joint Stock Company)

Notes to consolidated financial statements for the year ended December 31, 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

2018 (2017: Saudi Riyals 2,041 thousand) and actuarial loss amounting to Saudi Riyals 1,726 thousand for the year ended December 31, 2018 (2017: Loss of Saudi Riyals 226 thousand).

17. Share capital

The share capital of the Company as of December 31, 2018 comprises of 120 million shares (2017: 90 million shares) stated at Saudi Riyals 10 per share.

18. Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of its net income to a statutory reserve until such reserve equals to 30% of its share capital. In 2017, no such transfer is made during the current year since the Company's general assembly decided to stop further transfers to statutory reserve, which had already met the minimum required reserve in the preceding year. However, as explained in Note 1, following to the capital increase in 2018 by bonus share issue through the capitalization of Saudi Riyals 296.5 million from the statutory reserve and Saudi Riyals 3.5 million from the retained earnings, the Company resumed the transfer of 10% of its net income to a statutory reserve. The movement on the statutory reserve is presented in the consolidated statement of changes in shareholders' equity. This reserve is currently not available for distribution to the shareholders of the Company.

19. 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)			
	Retail outlets	Wholesale	All other segments	Total
2018				
Smartphones, electronics and accessories	3,543	-	159	3,702
Other IT and digital products and services	2,235	3	117	2,355
Books and office, school and arts supplies	845	369	91	1,305
	6,623	372	367	7,362

	(Saudi Riyals in millions)			
	Retail outlets	Wholesale	All other segments	Total
2017				
Smartphones, electronics and accessories	3,321	-	97	3,418
Other IT and digital products and services	2,091	5	63	2,159
Books and office, school and arts supplies	833	446	86	1,365
	6,245	451	246	6,942

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

	(Saudi Riyals in millions)		
	Kingdom of Saudi Arabia	Other Gulf Countries and Egypt	Total
2018			
Smartphones, electronics and accessories	3,571	131	3,702
Other IT and digital products and services	2,188	167	2,355
Books and office, school and arts supplies	1,150	155	1,305
	6,909	453	7,362

JARIR MARKETING COMPANY
(A Saudi Joint Stock Company)

Notes to consolidated financial statements for the year ended December 31, 2018
 (All amounts in Saudi Riyals thousands unless otherwise stated)

2017	(Saudi Riyals in millions)		Total
	Kingdom of Saudi Arabia	Other Gulf Countries and Egypt	
Smartphones, electronics and accessories	3,277	141	3,418
Other IT and digital products and services	1,994	165	2,159
Books and office, school and arts supplies	1,213	152	1,365
	<u>6,484</u>	<u>458</u>	<u>6,942</u>

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

20. Cost of sales

	2018	2017
Purchases of goods	5,846,492	5,515,630
Salaries, wages and benefits	262,991	228,968
Depreciation	49,520	42,605
Rental	98,218	93,314
Others	100,408	89,324
Changes in inventories	(109,728)	(65,147)
	<u>6,247,901</u>	<u>5,904,694</u>

21. General and administrative expenses

	2018	2017
Salaries, wages and benefits	81,238	73,257
Professional services	2,340	3,700
Depreciation	3,514	3,645
Utilities	2,147	2,234
Maintenance	2,736	2,517
Rentals	878	658
Other	14,099	11,681
	<u>106,952</u>	<u>97,692</u>

22. Selling and marketing expenses

	2018	2017
Advertising	38,742	57,688
Salaries, wages and benefits	39,540	37,958
Depreciation	348	257
Other	14,719	8,675
	<u>93,349</u>	<u>104,778</u>

23. 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.

24. Earnings per share

Earnings per share has been calculated by dividing net income for the periods ended December 31, 2018 and 2017 by 120 million shares.

JARIR MARKETING COMPANY
(A Saudi Joint Stock Company)

Notes to consolidated financial statements for the year ended December 31, 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

25. Dividends

Based on the pre-approval of the General Assembly, the Board of Directors in their meeting held on March 22, 2018, May 7, 2018, August 7, 2018 and November 1, 2018 resolved to distribute interim cash dividends amounting to Saudi Riyals 229.5 million Saudi Riyals 216 million, Saudi Riyals 162 million and Saudi Riyals 282 million respectively, which were paid to the shareholders during the year ended December 31, 2018, (a total of Saudi Riyals 7.41 per share).

Based on a pre-approval of the General Assembly, the Board of Directors in their meeting held on February 15, 2017, May 8, 2017, August 6, 2017 and November 5, 2017 resolved to distribute interim cash dividends amounting to Saudi Riyals 193.5 million, Saudi Riyals 198 million, Saudi Riyals 130.5 million and Saudi Riyals 225 million, respectively, which were paid to the shareholders during the year ended December 31, 2017, (a total of Saudi Riyals 6.23 per share).

26. Segment information

a) Operating segments

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

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

All other operating segments that are not reportable are combined under "All other segments". The sources of income of those segments include corporate sales, e-commerce and rentals. The following summary describes the operations of each reportable segment.

Reportable segment	Operation
Retail outlets	Sale of office supplies, school supplies, books, computers & peripherals, computer supplies, smartphones and accessories, electronics, art & craft supplies, video games, 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.

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

	(Saudi Riyals in millions)			Consolidated
	Retail outlets	Wholesale	All other segments	
2018				
Sales	6,623	372	367	7,362
Income before zakat and income tax	840	61	73	974
Depreciation	(52)	(2)	(3)	(67)
Finance cost	(3.71)	(0.27)	-	(3.98)
2017				
Sales	6,245	451	246	6,942
Income before zakat and income tax	737	81	57	875
Depreciation	(44)	(2)	(3)	(49)
Impairment loss on non-financial assets	-	-	(5)	(5)
Finance cost	(0.88)	(0.02)	-	(0.90)

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 2.18 above.

JARIR MARKETING COMPANY
(A Saudi Joint Stock Company)

Notes to consolidated financial statements for the year ended December 31, 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

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
2018			
Sales to external customers	6,909	453	7,362
Non-current assets	1,377	80	1,457
2017			
Sales to external customers	6,484	458	6,942
Non-current assets	1,307	72	1,379

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 Note 19 for an analysis of the Group's sales from its major products and services categories to external customers.

27. 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.

28. Commitments and contingencies

28.1 Contingencies

Contingencies are as follows:

	(Saudi Riyals in millions)	
	2018	2017
Letters of credit	161.8	146.6
Letters of guarantee	12.1	27.6

28.2 Capital commitments

At December 31, 2018, the Group had capital commitments of Saudi Riyals 151 million (December 31, 2017: Saudi Riyals 249 million). This balance includes capital commitment of Saudi Riyals 138 million with a party related to the Board of Directors (December 31, 2017: Saudi Riyals 232 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.

29. Operating leases

Future rental commitments at December 31, under these operating leases are as follows:

(i) Future minimum lease payments under non-cancellable operating lease contracts where Group is lessee:

	(Saudi Riyals in millions)	
	2018	2017
Not later than 1 year	61.8	65.9
Later than 1 year and not later than 5 years	87.3	98.4
Later than 5 years	8.6	2.2
	157.7	166.5

Operating leases mainly relate to showrooms, employee housing and storage spaces. Operating leases of leased showrooms are with lease terms between 5 and 25 years and typically include escalation clauses.

Total minimum lease payment recognized as an expense amount to Saudi Riyals 108 million (Saudi Riyals 104 million in 2017).

JARIR MARKETING COMPANY
(A Saudi Joint Stock Company)

Notes to consolidated financial statements for the year ended December 31, 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

(ii) Future minimum lease payments under non-cancellable operating lease contracts where Group is lessor:

	(Saudi Riyals in millions)	
	2018	2017
Not later than 1 year	36.7	28.2
Later than 1 year and not later than 5 years	32.7	48.8
Later than 5 years	-	-
	68.4	77

Operating leases 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 10 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 related to leased properties, where the Group is lessee under the head lease, amounts to SAR 29.1 million related to non-cancellable subleases at the end of the reporting period (SAR 44 million in 2017).

30. 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.

31. Categories of financial instruments

Financial assets

(i) Amortized cost	Line item in the statement of financial position	December 31, 2018	December 31, 2017
Cash at banks and in hand	Cash and cash equivalent	145,545	200,331
Trade receivables (net)	Trade receivables	180,482	147,037
Employees receivables (net)	Prepayments and other assets	23,934	24,780
Lease receivables (net)	Prepayments and other assets	28,706	15,438
Other receivables (net)	Prepayments and other assets	3,595	3,376
(ii) Fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	Financial assets at FVTPL	27,951	27,951

Financial liabilities

(i) Amortized cost	Line item in the statement of financial position	December 31, 2018	December 31, 2017
Trade payables	Accounts payable	827,485	717,082
Other payables	Accounts payable	25,089	44,748
Bank borrowings	Bank borrowings and term loans	275,000	84,153
Other accrued liabilities	Accrued expenses and other current liabilities	16,361	11,695

32. 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, 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

32.1 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

	Total	Trade receivables – age in days					Credit impaired
		<90	91-180	181-360	361-720	Over 720	
As at December 31, 2018	86,216	59,472	10,923	9,532	735	721	3,833
Estimated credit loss rate		2%	5%	20%	40%	75%	100%
Estimated credit loss	8,306	1,189	546	1,905	293	540	3,833
As at December 31, 2017	64,316	50,979	5,802	2,118	995	369	4,053
Estimated credit loss rate		2%	5%	20%	40%	75%	100%
Estimated credit loss	6,461	1,019	290	424	398	277	4,053
Additional allowance	564						
Total credit loss allowance	7,025						

(ii) Wholesale trade receivables

	Total	Trade receivables – age in days				Credit impaired
		<180	181-360	361-720	Over 720	
As at December 31, 2018	104,716	99,604	1,135	2,741	75	1,161
Estimated credit loss rate		7%	15%	50%	75%	100%
Estimated credit loss	9,730	6,972	170	1,371	56	1,161
As at December 31, 2017	91,302	88,173	1,543	381	36	1,169
Estimated credit loss rate		7%	15%	50%	75%	100%
Estimated credit loss	7,790	6,172	232	190	27	1,169
Additional allowance	1,850					
Total credit loss allowance	9,640					

JARIR MARKETING COMPANY
(A Saudi Joint Stock Company)

Notes to consolidated financial statements for the year ended December 31, 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

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

As at December 31, 2018	8,586
As at December 31, 2017	8,084

Total trade receivables (Gross)

As at December 31, 2018	198,518
As at December 31, 2017	163,702

Lease receivables:	Total	Lease receivables – age in days					Credit impaired
		<90	91-180	181-360	361-720	Over 720	
As at December 31, 2018	32,568	6,092	8,525	9,206	7,302	997	446
Estimated credit loss rate		1%	3%	15%	40%	80%	100%
Estimated credit loss	5,862	61	256	1381	2921	797	446
As at December 31, 2017	17,707	4,864	6,243	4,787	953	414	446
Estimated credit loss rate		1%	3%	15%	40%	80%	100%
Estimated credit loss	2,113	49	187	718	381	332	446
Additional allowance	156						
Total credit loss allowance	2,269						

Life time expected credit loss recognized

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

	Trade receivables	Lease receivables
January 1, 2018	16,665	2,269
Amounts added	1,539	3,593
Receivables written off being uncollectible	(23)	-
Amounts reversed	(145)	-
December 31, 2018	18,036	5,862
January 1, 2017	11,838	576
Adjustment upon early adoption of IFRS 9 (see note 2.1 (iv) (a))	3,610	-
Balance at January 1 2017 - IFRS 9 calculated	15,448	576
Amounts added	1,523	1,823
Receivables written off being uncollectible	(181)	(130)
Amounts reversed	(125)	-
December 31, 2017	16,665	2,269

While the credit impaired trade receivables slightly decreased and the credit impaired lease receivables remained constant as compared to the prior period, the increase in the gross carrying amounts of trade and lease receivables contributed to the increase of the impairment loss allowance being directly linked to the gross carrying amounts of receivables, aging and provision matrix. Moreover, certain trade and lease receivables moved to next aging brackets contributing to increased impairment loss allowance.

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:

December 31, 2018	Internal credit rating	12 months or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
Trade receivables	Provision matrix	Lifetime ECL	198,518	18,036	180,482
Employees receivables	Mostly performing	12 months ECL	25,977	2,043	23,934
Lease receivables	Provision matrix	Lifetime ECL	32,568	5,862	26,706
Other receivables	Performing	12 months ECL	3,595	-	3,595

JARIR MARKETING COMPANY
(A Saudi Joint Stock Company)

Notes to consolidated financial statements for the year ended December 31, 2018
 (All amounts in Saudi Riyals thousands unless otherwise stated)

December 31, 2017	Internal credit rating	12 months or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
Trade receivables	Provision matrix	Lifetime ECL	163,702	16,665	147,037
Employees receivables	Mostly performing	12 months ECL	26,492	1,712	24,780
Lease receivables	Provision matrix	Lifetime ECL	17,707	2,269	15,438
Other receivables	Performing	12 months ECL	3,376	-	3,376

32.2 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' subsidiary in Egypt. Depreciation of the EGP and the resulting diminution of the net investment in Group' 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.

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, 2018	December 31, 2017
Trade payables	(197.2)	(383.6)
Banks borrowings	-	(84.2)
Cash at banks	0.1	5.8
Net position	(197.1)	(462)

Foreign currency sensitivity

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

	(Saudi Riyals in millions)	
	Effect on profit before zakat and income tax 2018	2017
Change in USD rate		
5 % increase	(9.9)	(23.1)
5% decrease	9.8	23.1

JARIR MARKETING COMPANY
(A Saudi Joint Stock Company)

Notes to consolidated financial statements for the year ended December 31, 2018
(All amounts in Saudi Riyals thousands unless otherwise stated)

32.3 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 has been 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 22.

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 2018 and 2017, 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, see note 9.

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)	
	Effect on profit before zakat and income tax	
	2018	2017
Change in interest rate		
50 basis points increase	(1.38)	-
50 basis points decrease	1.38	-

32.4 Liquidity risk

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

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

(i) Contractual maturities of financial liabilities

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

	Less than 6 months	6-12 months	1-5 years	More than 5 year	Carrying amount
December 31, 2018					
Trade payables	827,486	-	-	-	827,485
Other payables	25,069	-	-	-	25,069
Accrued liabilities	16,361	-	-	-	16,361
Bank Borrowings	275,000	-	-	-	275,000
Finance lease liabilities	949	-	3,919	7,365	12,233
Total	1,144,864	-	3,919	7,365	1,166,148

JARIR MARKETING COMPANY
(A Saudi Joint Stock Company)

Notes to consolidated financial statements for the year ended December 31, 2018
 (All amounts in Saudi Riyals thousands unless otherwise stated)

	Less than 6 months	6-12 months	1-5 years	More than 5 year	Carrying amount
December 31, 2017					
Trade payables	717,082	-	-	-	717,082
Other payables	44,748	-	-	-	44,748
Accrued liabilities	11,695	-	-	-	11,695
Bank Borrowings	84,153	-	-	-	84,153
Finance lease liabilities	462	468	3,844	8,857	13,631
Total	858,140	468	3,844	8,857	871,309

(ii) Financing arrangements

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

	(Saudi Riyals in millions)	
	2018	2017
Short and medium-term loans	150	325
Overdrafts	150	120
Total	300	445

33. 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 25%. At year end the Group's net debt was as follows:

	December 31, 2018	December 31, 2017
Total borrowings and term loans	275,000	84,153
Less: cash and cash equivalents	(145,545)	(200,331)
Net debt	129,455	(116,178)

34. Comparative figures

Certain reclassifications have been made to the 2017 financial statements to conform with the current year presentation.