

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

**UNAUDITED CONDENSED CONSOLIDATED**  
**INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED**  
**MARCH 31, 2021 AND REVIEW REPORT**

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

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021**

	<b>Page</b>
Review report	2
Condensed consolidated interim statement of financial position	3
Condensed consolidated interim statement of income	4
Condensed consolidated interim statement of comprehensive income	5
Condensed consolidated interim statement of changes in shareholders' equity	6
Condensed consolidated interim statement of cash flows	7
Notes to the condensed consolidated interim financial statements	8 - 29



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

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

### **Introduction**

We have reviewed the accompanying condensed consolidated interim statement of financial position of Jarir Marketing Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as of March 31, 2021 and the related condensed consolidated interim statements of income, comprehensive income, changes in shareholders' equity and cash flows for the three-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial statements in accordance with International Accounting Standard No. 34 - "Interim Financial Reporting" (IAS 34), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed consolidated interim financial statements based on our review.

### **Scope of Review**

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

### **Conclusion**

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

**PricewaterhouseCoopers**

Omar M. Al Sagga  
License Number 369

May 5, 2021

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

	<b>Note</b>	<b>March 31, 2021 (Unaudited)</b>	<b>December 31, 2020 (Audited)</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		44,865	97,090
Trade receivables		160,798	143,396
Inventories		1,401,804	1,307,859
Prepayments and other assets		285,714	291,381
<b>Total current assets</b>		<b>1,893,181</b>	<b>1,839,726</b>
<b>Non-current assets</b>			
Financial assets at fair value through profit or loss		27,951	27,951
Investment properties	8	420,437	419,811
Right-of-use assets	8	570,793	586,714
Property and equipment	8	1,126,224	1,124,515
<b>Total non-current assets</b>		<b>2,145,405</b>	<b>2,158,991</b>
<b>Total assets</b>		<b>4,038,586</b>	<b>3,998,717</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Bank borrowings and term loans	3	308,260	100,000
Lease liabilities		110,952	113,898
Accounts payable		908,939	1,072,808
Accrued expenses and other liabilities		153,023	141,228
Employees' incentive program		2,790	5,214
Deferred revenues		16,219	14,398
Zakat payable		74,275	67,175
<b>Total current liabilities</b>		<b>1,574,458</b>	<b>1,514,721</b>
<b>Non-current liabilities</b>			
Lease liabilities		569,951	580,704
End of service benefits		163,697	159,453
Employees' incentive program		16,247	14,935
Deferred revenues		3,617	3,715
<b>Total non-current liabilities</b>		<b>753,512</b>	<b>758,807</b>
<b>Total liabilities</b>		<b>2,327,970</b>	<b>2,273,528</b>
<b>Shareholders' equity</b>			
Share capital		1,200,000	1,200,000
Statutory reserve		321,535	294,771
Foreign exchange reserve		(64,409)	(64,194)
Retained earnings		253,490	294,612
<b>Total shareholders' equity</b>		<b>1,710,616</b>	<b>1,725,189</b>
<b>Total liabilities and shareholders' equity</b>		<b>4,038,586</b>	<b>3,998,717</b>

The notes on pages 8 to 29 form an integral part of these condensed consolidated interim financial statements.

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

	Note	Three-month period ended March 31,	
		2021 (Unaudited)	2020 (Unaudited)
Revenue	10	<b>2,530,388</b>	2,340,215
Cost of sales		<b>(2,192,817)</b>	(2,012,755)
<b>Gross profit</b>		<b>337,571</b>	327,460
General and administrative expenses		<b>(31,702)</b>	(35,101)
Selling and marketing expenses		<b>(28,954)</b>	(27,845)
Other income, net		<b>8,632</b>	7,743
<b>Income from operations</b>		<b>285,547</b>	272,257
Finance costs	4	<b>(10,556)</b>	(13,703)
<b>Income before zakat and income tax</b>		<b>274,991</b>	258,554
Zakat		<b>(7,100)</b>	(6,750)
Income tax		<b>(249)</b>	(113)
<b>Net income for the period</b>		<b>267,642</b>	251,691
All attributable to the shareholders of the Company			
<b>Earnings per share (Saudi Riyals):</b>			
Basic and diluted earnings per share	5	<b>2.23</b>	2.10

The notes on pages 8 to 29 form an integral part of these condensed consolidated interim financial statements.

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

	<b>Three-month period ended</b>	
	<b>March 31,</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Net income for the period	<b>267,642</b>	251,691
<b><i>Other comprehensive (loss) income that may be reclassified subsequently to the consolidated statement of income</i></b>		
Exchange differences on translation of foreign operations	<b>(215)</b>	1,252
Other comprehensive (loss) income for the period	<b>(215)</b>	1,252
<b>Total comprehensive income for the period</b>	<b>267,427</b>	<b>252,943</b>
All attributable to the shareholders of the Company.		

The notes on pages 8 to 29 form an integral part of these condensed consolidated interim financial statements.

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

**Condensed consolidated interim statement of changes in shareholders' equity**

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Share capital	Statutory reserve	Foreign exchange reserve	Retained earnings	Total
<b>January 1, 2021</b> <b>(Audited)</b>		<b>1,200,000</b>	<b>294,771</b>	<b>(64,194)</b>	<b>294,612</b>	<b>1,725,189</b>
Net income for the period		-	-	-	<b>267,642</b>	<b>267,642</b>
Other comprehensive loss for the period		-	-	<b>(215)</b>	-	<b>(215)</b>
<b>Total comprehensive income for the period</b>		-	-	<b>(215)</b>	<b>267,642</b>	<b>267,427</b>
Transfer to statutory reserve		-	<b>26,764</b>	-	<b>(26,764)</b>	-
<b>Transactions with owners in their capacity as owners:</b>						
Dividends	6	-	-	-	<b>(282,000)</b>	<b>(282,000)</b>
<b>March 31, 2021</b> <b>(Unaudited)</b>		<b>1,200,000</b>	<b>321,535</b>	<b>(64,409)</b>	<b>253,490</b>	<b>1,710,616</b>
<b>January 1, 2020</b> <b>(Audited)</b>		1,200,000	194,472	(66,614)	317,232	1,645,090
Net income for the period		-	-	-	251,691	251,691
Other comprehensive income for the period		-	-	1,252	-	1,252
<b>Total comprehensive income for the period</b>		-	-	1,252	251,691	252,943
Transfer to statutory reserve		-	25,169	-	(25,169)	-
<b>Transactions with owners in their capacity as owners:</b>						
Dividends	6	-	-	-	(264,000)	(264,000)
<b>March 31, 2020</b> <b>(Unaudited)</b>		<b>1,200,000</b>	<b>219,641</b>	<b>(65,362)</b>	<b>279,754</b>	<b>1,634,033</b>

The notes on pages 8 to 29 form an integral part of these condensed consolidated interim financial statements.

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

	Note	Three-month period ended March 31,	
		2021 (Unaudited)	2020 (Unaudited)
<b>Cash flows from operating activities</b>			
Net income for the period		267,642	251,691
<u>Adjustments for non-cash items</u>			
Depreciation		38,158	38,427
Net impairment losses on trade receivables		2,693	3,597
(Gain) / loss on sale of property and equipment		(3)	9
Zakat and income tax		7,349	6,863
Gain on termination of right-of-use asset		(2,270)	-
Rent concessions received		(2,262)	-
Provision for employees' incentive program		1,693	2,151
Provision for end of service benefits		5,854	5,880
Finance costs		10,556	13,703
<u>Changes in working capital</u>			
Trade receivables		(20,095)	21,227
Inventories		(93,945)	104,960
Prepayments and other assets		4,578	37,278
Accounts payable		(163,869)	(13,598)
Accrued expenses and other liabilities		11,530	3,278
Deferred revenues		1,723	2,579
Employees' incentive program paid		(2,805)	-
Finance costs paid		(2,201)	(5,395)
End of service benefits paid		(1,610)	(2,969)
<b>Net cash generated from operating activities</b>		<b>62,716</b>	<b>469,681</b>
<b>Cash flows from investing activities</b>			
Additions to investment properties	8	(2,963)	(4,650)
Additions to property and equipment	8	(16,026)	(16,576)
Proceeds from sale of property and equipment		10	-
Collections from finance lease receivables		187	173
<b>Net cash utilized in investing activities</b>		<b>(18,792)</b>	<b>(21,053)</b>
<b>Cash flows from financing activities</b>			
Payment of lease liabilities		(22,194)	(20,204)
Receipt (Repayment) of bank borrowing and term loans		208,260	(91,527)
Dividends paid	6	(282,000)	(264,000)
<b>Net cash utilized in financing activities</b>		<b>(95,934)</b>	<b>(375,731)</b>
<b>Net change in cash and cash equivalents</b>		<b>(52,010)</b>	<b>72,897</b>
Net effect of foreign exchange difference		(215)	(307)
Cash and cash equivalents at beginning of the period		97,090	28,786
<b>Cash and cash equivalents at end of the period</b>		<b>44,865</b>	<b>101,376</b>
Non-cash financing and investing activities	8		

The notes on pages 8 to 29 form an integral part of these condensed consolidated interim financial statements.



**JARIR MARKETING COMPANY****(A Saudi Joint Stock Company)****Notes to condensed consolidated interim financial statements****For the three-month period ended March 31, 2021 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**1. General information**

Jarir Marketing Company (the "Company") is a Saudi joint stock company formed pursuant to the resolution of the Ministry of Commerce and Industry Number 1193 dated Rajab 11, 1421H (corresponding to October 8, 2000) and registered in Riyadh, Kingdom of Saudi Arabia under Commercial Registration Number 1010032264 dated Shaa'ban 18, 1400H (corresponding to July 1, 1980).

The Company's registered office is based in Riyadh. As at March 31, 2021, the Company had 63 retail showrooms (2020: 60 retail showrooms) in the Kingdom of Saudi Arabia and the other Gulf countries, in addition to real estate investments in the Arab Republic of Egypt through Jarir Egypt Real Estate Company SAE.

The objectives of the Company and its subsidiaries (collectively referred to as the "Group") include; retail and wholesale trading in office and school supplies, children toys, books, educational aids, office furniture, engineering equipment, computers and computer systems, electronic and electrical devices, maintenance of computers and electronic and electrical devices, sports and scout equipment and paper. It also includes, purchase of residential and commercial buildings and the acquisition of land to construct buildings for sale or lease for the interest of the Company.

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

<b>Subsidiaries</b>	<b>Country of incorporation</b>	<b>Direct and indirect ownership as at March 31,</b>	
		<b>2021</b>	<b>2020</b>
United Company for Office Supplies and Stationeries WLL	Qatar	<b>100%</b>	100%
Jarir Trading Company LLC	UAE	<b>100%</b>	100%
United Bookstore	UAE	<b>100%</b>	100%
Jarir International Central Market WLL	Kuwait	<b>100%</b>	100%
Jarir Egypt Real Estate Company - SAE	Egypt	<b>100%</b>	100%
Jarir Marketing SPC	Bahrain	<b>100%</b>	100%

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

The accompanying condensed consolidated interim financial statements were approved by the Company's Board of Directors on May 5, 2021.

**2. Summary of significant accounting policies**

Significant accounting policies applied in the preparation of these condensed consolidated interim financial statements are set out below. These policies are consistently applied to all periods presented and the consolidated financial statements for the year ended December 31, 2020, unless otherwise stated.

**2.1 Basis of preparation****(i) Statement of Compliance**

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

**JARIR MARKETING COMPANY****(A Saudi Joint Stock Company)****Notes to condensed consolidated interim financial statements****For the three-month period ended March 31, 2021 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**2 Summary of significant accounting policies (continued)****2.1 Basis of preparation (continued)**

These condensed consolidated interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual financial statements as at December 31, 2020, which have been prepared 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 Chartered and Professional Accountants (SOCPA), collectively hereafter referred to as "IFRS".

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

**(ii) Historic cost convention**

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

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

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

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

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

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

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

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

These financial assets are investments in unquoted equity where insufficient recent information is available to measure fair value and management assessment is that cost represents the best estimate of fair value.

**JARIR MARKETING COMPANY****(A Saudi Joint Stock Company)****Notes to condensed consolidated interim financial statements****For the three-month period ended March 31, 2021 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**2 Summary of significant accounting policies (continued)****2.1 Basis of preparation (continued)***(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) Provision for impairment of trade receivables*

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

*(f) Provision for slow moving inventories*

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

*(g) Determining the lease term*

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

**JARIR MARKETING COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to condensed consolidated interim financial statements**  
**For the three-month period ended March 31, 2021 (Unaudited)**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

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

**2.1 Basis of preparation (continued)**

(iv) Changes in accounting policy and disclosures

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

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

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

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

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

In March 2021, IFRS 16 was amended to extend the practical expedient so that lessees can apply it to rent concessions for which reductions in lease payments affect payments originally due on or before June 30, 2022. This amendment changes only the date within the conditions required to be eligible to apply the practical expedient and does not introduce a new practical expedient. This amendment is applicable for annual reporting periods beginning on or after April 1, 2021 with early application permitted, including in financial statements not authorized for issue at March 31, 2021.

The Group has elected to early adopt the amendments for its annual reporting period beginning on 1 January 2021, however there has been no impact in the condensed consolidated interim financial statements for the three-month period ended March 31, 2021, as the qualifying rent concessions recognized in this period affect only payments originally due on or before June 30, 2021.

The application of the practical expedient resulted in the reduction of lease liabilities of Saudi Riyals 2.3 million which has been recognized and presented in 'other income, net' in the statement of income for the three-month period ended March 31, 2021, in which the events or conditions that trigger those payments occur (three-month period ended March 31, 2020: Nil).

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

The following amendments to standards have been published by IASB that are not mandatory for the annual reporting period beginning on January 1, 2021, and where early application is permitted by these amendments the Group has not early adopted them. All these amendments are effective either for annual reporting periods beginning on or after January 1, 2022, or for annual reporting periods beginning on or after January 1, 2023, and all are not expected to have a significant impact on the Group's consolidated financial statements:

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- Amendments to IAS 37: Onerous Contracts - Costs of Fulfilling a Contract
- Amendments to IAS 16: Property, Plant and Equipment - Proceeds before Intended Use
- Amendments to IFRS 3: Reference to the Conceptual Framework

**JARIR MARKETING COMPANY****(A Saudi Joint Stock Company)****Notes to condensed consolidated interim financial statements****For the three-month period ended March 31, 2021 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**2 Summary of significant accounting policies (continued)****2.2 Subsidiaries**

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

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

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

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

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

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

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

Acquisition-related costs are expensed as incurred.

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

**2.3 Foreign currency**

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

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

**JARIR MARKETING COMPANY****(A Saudi Joint Stock Company)****Notes to condensed consolidated interim financial statements****For the three-month period ended March 31, 2021 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**2 Summary of significant accounting policies (continued)****2.3 Foreign currency (continued)**

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

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

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

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

**2.4 Financial Instruments***(a) Initial recognition and measurement of financial instruments*

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

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

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

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

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

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

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

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

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

**JARIR MARKETING COMPANY****(A Saudi Joint Stock Company)****Notes to condensed consolidated interim financial statements****For the three-month period ended March 31, 2021 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**2 Summary of significant accounting policies (continued)****2.4 Financial Instruments (continued)**

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

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

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

*(c) Impairment of financial assets*

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

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

Financial assets are written-off only when:

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

Recoveries made are recognized in the consolidated statement of income.

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

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

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

*(e) Cash and cash equivalents*

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

*(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.

**JARIR MARKETING COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to condensed consolidated interim financial statements**  
**For the three-month period ended March 31, 2021 (Unaudited)**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

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

**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.



**JARIR MARKETING COMPANY****(A Saudi Joint Stock Company)****Notes to condensed consolidated interim financial statements****For the three-month period ended March 31, 2021 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**2 Summary of significant accounting policies (continued)****2.7 Property and equipment (continued)**

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

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

**2.8 Lease accounting**

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

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

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

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

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

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

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

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

**JARIR MARKETING COMPANY****(A Saudi Joint Stock Company)****Notes to condensed consolidated interim financial statements****For the three-month period ended March 31, 2021 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**2 Summary of significant accounting policies (continued)****2.8 Lease accounting (continued)**

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

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

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

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

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

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

**(ii) The Group as a lessor**

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

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

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

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

**JARIR MARKETING COMPANY****(A Saudi Joint Stock Company)****Notes to condensed consolidated interim financial statements****For the three-month period ended March 31, 2021 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**2 Summary of significant accounting policies (continued)****2.9 Impairment of non-financial assets**

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

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

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

**2.10 Provisions**

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

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

**2.11 Zakat and income taxes**

The Company is subject to zakat in accordance with the regulations of 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.

**2.12 Employee benefits***(a) Provision for end-of-service benefits*

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

**JARIR MARKETING COMPANY****(A Saudi Joint Stock Company)****Notes to condensed consolidated interim financial statements****For the three-month period ended March 31, 2021 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**2 Summary of significant accounting policies (continued)****2.12 Employee benefits (continued)**

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

End of service benefits costs are categorized as follows:

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

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

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

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

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

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

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

**(c) Employees' incentive program**

The Group adopts an employees' incentive program (the Program) whereby the Group grants selected employees the right to receive incentive cash compensation at the end of a vesting period if specified conditions are met. The amount of compensation is linked to the growth in net income as reported in the annual consolidated financial statements of the Group. Since the incentives are not expected to be settled wholly within twelve months after the end of the annual reporting period in which the employees render the related service, the liability for the Program is measured as the present value of the estimated future payments in respect of services provided by employees up to the reporting date using the projected unit credit method. The estimated future payments are discounted using the relevant yield on government bonds. Remeasurement is recognized in the consolidated statement of income in the period in which they arise. The liability for the Program is classified under current and non-current liability based on the expected date of settlement.

**2.13 Statutory reserve**

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

**JARIR MARKETING COMPANY****(A Saudi Joint Stock Company)****Notes to condensed consolidated interim financial statements****For the three-month period ended March 31, 2021 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**2 Summary of significant accounting policies (continued)****2.14 Sales revenue**

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

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

**(i) Sales in retail outlets**

The Group owns and operates a chain of retail outlets under the “Jarir bookstore” brand, selling office supplies, school supplies, books, computers and peripherals, computer supplies, smartphones and accessories, electronics, art and craft supplies, video games and kids’ development products.

Sales revenue is recognized when the customer takes possession of the product sold by a Group entity. Payment of the transaction price is due immediately when the customer purchases the product.

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

**(ii) Wholesales**

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

**(iii) Sale to corporate customers**

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

**(iv) Online sales**

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

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

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

**JARIR MARKETING COMPANY****(A Saudi Joint Stock Company)****Notes to condensed consolidated interim financial statements****For the three-month period ended March 31, 2021 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**2 Summary of significant accounting policies (continued)****2.14 Sales revenue (continued)**

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

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

**2.15 Cost of sales and operating expenses**

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

**2.16 Rental revenue**

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

**2.17 Finance charges**

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

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

**2.18 Earnings per share**

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

**JARIR MARKETING COMPANY****(A Saudi Joint Stock Company)****Notes to condensed consolidated interim financial statements****For the three-month period ended March 31, 2021 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**2 Summary of significant accounting policies (continued)****2.19 Segment reporting**

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

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

**2.20 Fair value measurement**

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

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

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

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

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

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

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

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

**JARIR MARKETING COMPANY****(A Saudi Joint Stock Company)****Notes to condensed consolidated interim financial statements****For the three-month period ended March 31, 2021 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**2 Summary of significant accounting policies (continued)****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. Bank borrowings and term loans**

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Short term Tawarruq facility	<b>270,000</b>	100,000
Islamic debit current account (overdraft)	<b>38,260</b>	-
	<b>308,260</b>	100,000

Short term Tawarruq loans have maturity periods of three months or less. Changes in bank borrowings and term loans arose from cash flows.

**4. Finance costs**

	<b>Three-month periods ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
Finance cost on overdraft facility (Islamic debit current account)	<b>29</b>	445
Finance cost on overdraft facility (conventional)	-	19
Finance cost on Tawarruq term loans	<b>87</b>	1,348
Finance cost on lease liabilities	<b>10,440</b>	11,891
	<b>10,556</b>	13,703

**5. Earnings per share**

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



**JARIR MARKETING COMPANY****(A Saudi Joint Stock Company)****Notes to condensed consolidated interim financial statements****For the three-month period ended March 31, 2021 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**6. Dividends**

Based on the pre-approval of the General Assembly, the Board of Directors in their meeting held on March 16, 2021 resolved to distribute interim cash dividend amounting to Saudi Riyals 282 million which was paid to the shareholders during the three-month period ended March 31, 2021 (Saudi Riyals 2.35 per share).

Based on the pre-approval of the General Assembly, the Board of Directors in their meeting held on March 12, 2020 resolved to distribute interim cash dividend amounting to Saudi Riyals 264 million which was paid to the shareholders during the three-month period ended March 31, 2020 (Saudi Riyals 2.2 per share).

**7. Financial instruments**

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

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

**8. Property and equipment and investment property**

Additions made to property and equipment during the three-month period ended March 31, 2021 amounted to Saudi Riyals 16.0 million (three-month period ended March 31, 2020: Saudi Riyals 16.6 million) out of which Saudi Riyals 13.9 million relates to buildings and construction and other work in progress (three-month period ended March 31, 2020: Saudi Riyals 14.6 million).

Additions made to investment property during the three-month period ended March 31, 2021 amounted to Saudi Riyals 3.0 million (three-month period ended March 31, 2020: Saudi Riyals 4.6 million). The amount relates to buildings and construction and other work in progress.

These amounts include cost of construction and related services performed by a party related to the Board of Directors amounting to Saudi Riyals 8.2 million for the three-month period ended March 31, 2021 (three-month period ended March 31, 2020: Saudi Riyals 15.8 million). There were no special terms and conditions with the aforementioned related party as compared to un-related parties.

Additions made to right-of-use assets during the three-month period ended March 31, 2021 amounted to Saudi Riyals 9.9 million (three-month period ended March 31, 2020: Saudi Riyals 3.2 million). Such additions are non-cash financing and investing activities.

**9. 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.

**JARIR MARKETING COMPANY****(A Saudi Joint Stock Company)****Notes to condensed consolidated interim financial statements****For the three-month period ended March 31, 2021 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**9. Segment information** (continued)

The following summary describes the operations of each reportable segment.

<b>Reportable segment</b>	<b>Operation</b>
Retail outlets	Sale of office supplies, school supplies, books, computers & peripherals, computer supplies, smartphones and accessories, electronics, art & craft supplies, video games, smart TV's, kids' development products and provides after-sale services. All the retail outlets operate under the "Jarir bookstore" brand.
Wholesale	Sale of office supplies, school supplies, computer supplies, and art & craft supplies to other resellers.
E-commerce	Online sales through "Jarir.com" website and "Jarir Bookstore app" of the same products and services offered in the retail outlets.

The segmental information for the three-month periods ended March 31, was as follows:

	<b>(Saudi Riyals in millions)</b>				
	<b>Retail outlets</b>	<b>Whole sale</b>	<b>E-commerce</b>	<b>All other segments</b>	<b>Consolidated</b>
<b>2021</b>					
Revenue	<b>2,276</b>	<b>40</b>	<b>193</b>	<b>21</b>	<b>2,530</b>
Income before zakat and income tax	<b>258</b>	<b>(1)</b>	<b>8</b>	<b>10</b>	<b>275</b>
<b>2020</b>					
Revenue	2,071	77	148	44	2,340
Income before zakat and income tax	232	8	6	13	259

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 above.

**b) Geographical information**

The Group operates in two geographical segments namely, Saudi Arabia and other Gulf countries and Egypt. The Group sales to external customers for the three-month period ended March 31, are detailed below.

	<b>(Saudi Riyals in millions)</b>		
	<b>Kingdom of Saudi Arabia</b>	<b>Other Gulf Countries and Egypt</b>	<b>Consolidated</b>
<b>2021</b>			
Sales to external customers	<b>2,408</b>	<b>122</b>	<b>2,530</b>
<b>2020</b>			
Sales to external customers	2,214	126	2,340

**JARIR MARKETING COMPANY**  
**(A Saudi Joint Stock Company)**  
**Notes to condensed consolidated interim financial statements**  
**For the three-month period ended March 31, 2021 (Unaudited)**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**9 Segment information (continued)**

The Group information about non-current assets by location as of March 31, 2021 and December 31, 2020 are detailed below:

	<b>(Saudi Riyals in millions)</b>		
	<b>Kingdom of Saudi Arabia</b>	<b>Other Gulf Countries and Egypt</b>	<b>Consolidated</b>
<b>March 31, 2021</b>			
Non-current assets	<b>1,903</b>	<b>242</b>	<b>2,145</b>
<b>December 31, 2020</b>			
Non-current assets	1,905	254	2,159

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.

**10. 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 for the three-month period ended March 31:

	<b>(Saudi Riyals in millions)</b>				
<b>2021</b>	<b>Retail outlets</b>	<b>Whole sale</b>	<b>E-commerce</b>	<b>All other segments</b>	<b>Total</b>
Smartphones, electronics and accessories	<b>1,368</b>	-	<b>80</b>	<b>1</b>	<b>1,449</b>
Other IT and digital products and services	<b>741</b>	<b>1</b>	<b>106</b>	<b>7</b>	<b>855</b>
Books and office, school and arts supplies	<b>167</b>	<b>39</b>	<b>7</b>	<b>13</b>	<b>226</b>
	<b>2,276</b>	<b>40</b>	<b>193</b>	<b>21</b>	<b>2,530</b>
	<b>(Saudi Riyals in millions)</b>				
<b>2020</b>	<b>Retail outlets</b>	<b>Whole sale</b>	<b>E-commerce</b>	<b>All other segments</b>	<b>Total</b>
Smartphones, electronics and accessories	1,216	-	69	1	1,286
Other IT and digital products and services	653	1	67	16	737
Books and office, school and arts supplies	203	76	11	27	317
	2,072	77	147	44	2,340

**JARIR MARKETING COMPANY****(A Saudi Joint Stock Company)****Notes to condensed consolidated interim financial statements****For the three-month period ended March 31, 2021 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**10. Revenue (continued)**

The following table sets out the Group's revenue disaggregated by products and services category by geographical market for the three-month periods ended March 31:

	(Saudi Riyals in millions)		Total
	Kingdom of Saudi Arabia	Other Gulf Countries and Egypt	
<b>2021</b>			
Smartphones, electronics and accessories	1,415	34	1,449
Other IT and digital products and services	800	55	855
Books and office, school and arts supplies	193	33	226
	<b>2,408</b>	<b>122</b>	<b>2,530</b>
<b>2020</b>			
Smartphones, electronics and accessories	1,255	31	1,286
Other IT and digital products and services	680	57	737
Books and office, school and arts supplies	279	38	317
	<b>2,214</b>	<b>126</b>	<b>2,340</b>

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

**11. Seasonality of operations**

The Group's sales are positively affected by the back to school seasons, particularly sales of school and office supplies. Normally, the grand season (back to school from year-end holiday) falls in the third quarter while the small season (back to school from mid-year break) falls in the first quarter, but may partly fall in the fourth quarter (of the preceding financial year) depending on the school calendar. The grand season usually has a greater impact than the small season. The small back to school season falling in the three-month period ended March 31, 2021 was negatively impacted by the precautionary measure taken by the competent authorities shifting the traditional education format to remote learning to control the spread of coronavirus pandemic, resulting in a significant decrease in sales of school and office supplies that used to benefit from that season.

**12. Commitments and contingencies****12.1 Contingencies**

Contingencies are as follows:

	(Saudi Riyals in millions)	
	March 31, 2021	December 31, 2020
Letters of credit	167.4	174.9
Letters of guarantee	15.1	15.5

**12.2 Capital commitments**

At March 31, 2021, the Group had capital commitments of Saudi Riyals 34.8 million (December 31, 2020: Saudi Riyals 48.9 million). This balance includes capital commitment of Saudi Riyals 31.2 million with a party related to the Board of Directors (December 31, 2020: Saudi Riyals 43.9 million). These commitments are principally relating to the construction of the buildings and leasehold improvements which will comprise spaces for Group's own use including its retail outlets, and spaces to earn rentals.

**JARIR MARKETING COMPANY****(A Saudi Joint Stock Company)****Notes to condensed consolidated interim financial statements****For the three-month period ended March 31, 2021 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**13. Zakat matters**

The GAZT finalized the assessments for the years till 2010, and there are no outstanding zakat dues. In 2019, the Group received zakat assessments from GAZT for the years 2011 to 2015, claiming zakat differences totaling Saudi Riyals 25.6 million as compared to zakat paid for those years.

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

The Group also received zakat assessments from GAZT for the years 2016 to 2018, claiming zakat differences totaling Saudi Riyals 35.9 million as compared to zakat paid for those years. The Group duly objected to those assessments and escalated the case to the General Secretariat of Tax Committees "GSTC" in due time and the case is still under way.

The major reason for those zakat differences was that GAZT in their assessments did not allow deduction of dividends in excess of the opening balance of retained earnings. The Group has been adopting a generous dividend payout policy consistently coupled with quarterly dividends, and has been maintaining relatively low year-end retained earnings largely because of this dividend policy, and the several capitalizations of retained earnings took place in the past, and therefore, in each of the aforementioned years, total dividends exceeded the opening balance of retained earnings. From the Group's perspective, those dividends are deductible in full being actually distributed to the shareholders within the respective zakatable year in which the Group deducted dividends. The opening balance of retained earnings should not be used as a barrier to deductibility of valid dividends that were declared and paid in accordance with the applicable regulations.

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

**14. COVID-19**

Late 2019, an outbreak of coronavirus, COVID-19, emerged in China and subsequently spread to the whole world. The World Health Organization officially declared COVID-19 as a pandemic on March 11, 2020. While number of daily cases worldwide went down after the first wave, waves of the pandemic are still hitting many countries around the world with different levels of severity. Covid-19 vaccination is rapidly progressing in the Kingdom and the countries the Group operates in.

In response to COVID-19 pandemic, authorities in the Kingdom and the countries the Group operates in have taken various measures to control the spread of the pandemic.

As explained in note 11, sales of school and office supplies during the three-month period ended March 31, 2021, as compared to the same period of the prior year, were negatively impacted by the precautionary measure taken by the competent authorities shifting the traditional education format to remote learning to control the spread of coronavirus pandemic.

Apart from the remote learning impact, no major impact is seen in the current reporting period on the Group's operations and the supply chain.

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

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

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

**JARIR MARKETING COMPANY****(A Saudi Joint Stock Company)****Notes to condensed consolidated interim financial statements****For the three-month period ended March 31, 2021 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**14. COVID-19 (continued)**

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

One of the economic measures taken by the Saudi Government to support the Kingdom's finances affected by the pandemic was increasing VAT rate from 5% to 15% from July 1, 2020. Since most of the Group's customers are end consumers who ultimately bear VAT burden, the VAT rate increase has been seen to have a negative impact on sales following the implementation of the increase and it is expected to continue to have a negative impact on sales, but not expected to be material.