

SAUDI MARKETING COMPANY
(FARM SUPERSTORES)
(A Saudi Joint Stock Company)

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORT ON REVIEW OF
CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS FOR THE THREE
MONTHS PERIOD ENDED MARCH 31, 2020**

SAUDI MARKETING COMPANY (FARM SUPERSTORES)
(A Saudi Joint Stock Company)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020**

INDEX	Page
Independent auditor's report on review of condensed consolidated interim financial statements	2
Condensed consolidated interim statement of financial position	3
Condensed consolidated interim statement of profit or loss and other comprehensive income	4
Condensed consolidated interim statement of changes in equity	5
Condensed consolidated interim statement of cash flows	6
Notes to the condensed consolidated interim financial statements	7 - 11

**INDEPENDENT AUDITOR'S REPORT ON REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS**

To the Shareholders of
Saudi Marketing Company (Farm Superstores)
(A Saudi Joint Stock Company)
Dammam, Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Saudi Marketing Company (Farm Superstores) ("the Company") and its subsidiary (collectively referred to as "the Group") which comprises of condensed consolidated interim statement of financial position as at March 31, 2020, the related condensed consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three months period then ended and a summary of significant accounting policies and selected notes from (1) to (9).

Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 – ("IAS 34") "Interim Financial Reporting" endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these 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", endorsed in the Kingdom of Saudi Arabia. A review of condensed consolidated 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 and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

For Dr. Mohamed Al-Amri & Co.



Gihad M. Al-Amri
Certified Public Accountant
Registration No. 362



June 16, 2020 (G)
Shawwal 24, 1441 (H)


SAUDI MARKETING COMPANY (FARM SUPERSTORES)
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2020
(Expressed in Saudi Riyals)

	Notes	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
ASSETS			
Non-current assets			
Property and equipment	4	680,402,237	686,504,058
Right of use assets		695,177,763	711,661,777
Investment properties		29,304,546	29,351,022
Intangible assets		3,414,723	3,634,573
Investment at fair value through other comprehensive income		506,406	506,406
Total non-current assets		1,408,805,675	1,431,657,836
Current assets			
Inventories		779,644,134	759,501,721
Trade receivables		12,952,529	10,852,116
Prepayments and other receivables		39,374,812	29,705,994
Due from related parties		7,084,659	10,282,307
Cash and cash equivalents		23,658,489	20,675,252
Total current assets		862,714,623	831,017,390
TOTAL ASSETS		2,271,520,298	2,262,675,226
EQUITY AND LIABILITIES			
Equity			
Share capital		450,000,000	450,000,000
Statutory reserve		92,884,188	92,884,188
Retained earnings		43,045,135	34,928,245
Fair value reserves		(751,423)	(751,423)
Equity attributable to the shareholders of the Company		585,177,900	577,061,010
Non-controlling interest		294,473	285,793
Total equity		585,472,373	577,346,803
Non-current liabilities			
Term loans	5	47,361,111	71,944,444
Lease liability		661,433,584	675,340,354
Employees' end of service benefits		55,160,663	54,127,994
Total non-current liabilities		763,955,358	801,412,792
Current liabilities			
Trade payables and accruals		368,467,282	323,842,523
Short-term loans	5	374,997,670	370,969,527
Current portion of term loans	5	117,333,321	123,666,659
Current portion of lease liability		54,562,096	57,922,593
Advances against sub lease		2,971,453	3,961,932
Provision for zakat	6	3,760,745	3,552,397
Total current liabilities		922,092,567	883,915,631
Total liabilities		1,686,047,925	1,685,328,423
TOTAL EQUITY AND LIABILITIES		2,271,520,298	2,262,675,226

The accompanying notes from 1 to 9 form an integral part of these condensed consolidated interim financial statements


CEO
Maher Hazem Fayeze Al Aswad


CFO
Abduljaleel Mahmoud Atieh Daoud

SAUDI MARKETING COMPANY (FARM SUPERSTORES)
(A Saudi Joint Stock Company)

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020**
(Expressed in Saudi Riyals)

	March 31, 2020	March 31, 2019
Revenue	462,082,940	389,420,054
Cost of revenue	(342,719,017)	(272,805,418)
Gross profit	119,363,923	116,614,636
Selling and distribution expenses	(78,728,584)	(83,222,415)
General and administrative expenses	(21,547,848)	(22,676,062)
Profit from operations	19,087,491	10,716,159
Finance cost	(15,069,983)	(17,501,195)
Other income, net	4,316,410	4,173,975
Profit / (loss) before zakat	8,333,918	(2,611,061)
Zakat	(208,348)	-
NET PROFIT / (LOSS) FOR THE PERIOD	8,125,570	(2,611,061)
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	8,125,570	(2,611,061)
Net profit / (loss) attributable to:		
Shareholders of the Company	8,116,890	(2,601,208)
Non-controlling interests	8,680	(9,853)
	8,125,570	(2,611,061)
Total comprehensive income / (loss) attributable to:		
Shareholders of the Company	8,116,890	(2,601,208)
Non-controlling interests	8,680	(9,853)
	8,125,570	(2,611,061)
Earning per share		
Basic and diluted earnings / (loss) per share from net profit / (loss) attributable to the equity holders of the Company	0.18	(0.06)

The accompanying notes from 1 to 9 form an integral part of these condensed consolidated interim financial statements.



CEO

Maher Hazem Fayez Al Aswad



CFO

Abduljaleel Mahmoud Atieh Daoud

SAUDI MARKETING COMPANY (FARM SUPERSTORES)
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020
(Expressed in Saudi Riyals)

-----Attributable to the shareholders of the Company-----						
Share Capital	Statutory reserve	Retained earnings	Fair value reserves	Total	Non-controlling interest	Total equity
At January 01, 2019 (audited)						
450,000,000	91,858,387	27,388,567	(738,417)	568,508,537	233,845	568,742,382
Net loss for the period	-	(2,601,208)	-	(2,601,208)	(9,853)	(2,611,061)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the period	-	(2,601,208)	-	(2,601,208)	(9,853)	(2,611,061)
At March 31, 2019 (un-audited)						
450,000,000	91,858,387	24,787,359	(738,417)	565,907,329	223,992	566,131,321
At January 01, 2020 (audited)						
450,000,000	92,884,188	34,928,245	(751,423)	577,061,010	285,793	577,346,803
Net income for the period	-	8,116,890	-	8,116,890	8,680	8,125,570
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	8,116,890	-	8,116,890	8,680	8,125,570
At March 31, 2020 (un-audited)						
450,000,000	92,884,188	43,045,135	(751,423)	585,177,900	294,473	585,472,373

The accompanying notes from 1 to 9 form an integral part of these condensed consolidated interim financial statements.


CEO
Maher Hazem Fayed Al Aswad



CFO
Abduljaleel Mahmoud Atieh Daoud


SAUDI MARKETING COMPANY (FARM SUPERSTORES)
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020
(Expressed in Saudi Riyals)

	March 31, 2020	March 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before zakat	8,333,918	(2,611,061)
<i>Adjustments for non –cash items to reconcile profit before zakat to net cash flows</i>		
Depreciation of property and equipment	12,531,965	12,312,136
Depreciation of right of use assets	16,931,018	17,327,116
Depreciation of investment properties	46,475	46,475
Amortisation of intangible assets	279,850	226,320
Provision for employees' end of service benefits, net	1,032,669	881,394
Loss / (gain) on disposal of property and equipment	3,995	(26,999)
Finance cost	15,069,983	17,501,195
	54,229,873	45,656,576
<i>Working capital adjustments</i>		
Inventories	(20,142,413)	(29,414,150)
Due from related parties	3,197,648	23,680,303
Prepayments and other receivables	(9,668,818)	6,931,433
Trade receivables	(2,100,413)	(1,384,304)
Trade payable and accruals	44,624,759	(1,115,642)
Advances against sub-lease	(990,479)	1,173,238
Cash provided by operations	69,150,157	45,527,454
Finance cost paid	(5,185,893)	(6,302,744)
Net cash generated from operating activities	63,964,264	39,224,710
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(6,799,066)	(8,953,744)
Proceeds from disposal of property and equipment	364,930	27,000
Additions to intangible assets	(60,000)	-
Net cash used in investing activities	(6,494,136)	(8,926,744)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in term loans	(30,916,671)	(42,023,141)
Net change in short term loans	4,028,143	35,000,838
Payment of lease liability	(27,598,363)	(20,603,710)
Net cash used in financing activities	(54,486,891)	(27,626,013)
Net change in cash and cash equivalents	2,983,237	2,671,953
Cash and cash equivalents at January 01,	20,675,252	16,234,096
Cash and cash equivalents at March 31,	23,658,489	18,906,049
Significant non-cash transactions:		
Right of use assets recognised against advance lease prepayments	-	21,975,999
Right of use assets recognised against accrued lease rent	-	3,791,319
Lease finance charges	9,884,090	11,198,451

The accompanying notes from 1 to 9 form an integral part of these condensed consolidated interim financial statements.


CEO
Maher Hazem Fayeze Al Aswad


CFO
Abduljaleel Mahmoud Atieh Daoud

SAUDI MARKETING COMPANY (FARM SUPERSTORES)
(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020**
(Expressed in Saudi Riyals)

1. CORPORATE INFORMATION AND GROUP STRUCTURE

Saudi Marketing Company (Farm Superstores) (the "Company") is a Saudi Joint Stock Company registered in Dammam, Kingdom of Saudi Arabia (KSA) under Commercial Registration number 2050006430 dated Muharram 2, 1399H (corresponding to December 3, 1978). The Company has various branches all over the Kingdom of Saudi Arabia. The Company's registered office is P.O. Box 4605, Dammam 31412, Kingdom of Saudi Arabia.

As of the reporting date, the Company has the following subsidiary (collectively referred to as the "Group"):

Subsidiary name	Country of incorporation	Effective ownership interest (%)	
		March 31, 2020	December 31, 2019
Pure Springs Agencies & Trading Company Ltd.	Saudi Arabia	90	90

The subsidiary is engaged in managing and operating coffee shops.

The Group is engaged in the following activities:

- Wholesale and retail of foodstuff, household consumables, toys, textiles and stationary;
- Marketing services on behalf of third parties and managing and operating bakeries;
- Managing and operating restaurants and coffee shops and providing fast food items and cold and hot beverages;
- Establishment, operation and maintenance of amusement centers.

2. BASIS OF PREPARATION AND BASIS OF MEASUREMENT

2.1 Statement of compliance

These condensed consolidated interim financial statements for the three months period ended March 31, 2020 have been prepared in accordance with IAS 34 Interim Financial Reporting ("IAS 34") as endorsed in the KSA and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA").

These condensed consolidated interim financial statements do not include all the information and disclosures required in annual consolidated financial statements prepared in accordance with International Financial Reporting Standards that are endorsed in KSA and therefore, should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2019.

The methods of computation and accounting policies adopted in the preparation of these condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2019.

SAUDI MARKETING COMPANY (FARM SUPERSTORES)
(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020

(Expressed in Saudi Riyals)

2. BASIS OF PREPARATION AND BASIS OF MEASUREMENT (Continued)

2.2 Basis of measurement

These condensed consolidated interim financial statements have been prepared using the accruals basis of accounting under the historical cost convention, except for the remeasurement of equity instrument at fair value through other comprehensive income and employees' benefits that have been measured at the present value. As of March 31, 2020 and December 31, 2019, the carrying values of the financial assets and financial liabilities in the condensed consolidated interim statement of financial position approximate to their fair values.

These condensed consolidated interim financial statements are presented in Saudi Riyal (SR) which is also the functional currency of the Group.

2.3 Basis of consolidation

These condensed consolidated interim financial statements of the Group incorporate the financial statements of the Company and its subsidiary as mentioned in note 1. A subsidiary is an entity controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has all of the following three elements:

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

Subsidiary is consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Material inter-group investments, transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. The accounting policies of the subsidiary is consistent with those adopted by the Group.

Non-controlling interests in the results and equity of not wholly owned subsidiaries are shown separately in the condensed consolidated interim statement of financial position, condensed consolidated interim statement of profit or loss and other comprehensive income and condensed consolidated interim statement of changes in equity respectively.

2.4. New accounting standards, interpretations and amendments

The following amendments to accounting standards and interpretations are effective for annual periods beginning on or after January 01, 2020. These amendments and interpretations did not have a significant impact on the Group's condensed consolidated interim financial statements:

- Amendments to references to Conceptual Framework in IFRS Standards;
- Definition of a Business (Amendments to IFRS 3);
- Definition of Material (Amendments to IAS 1 and IAS 8);
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

SAUDI MARKETING COMPANY (FARM SUPERSTORES)
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020

(Expressed in Saudi Riyals)

2. BASIS OF PREPARATION AND BASIS OF MEASUREMENT (Continued)

The following standards and interpretations are effective for annual periods beginning on or after January 01, 2021. Earlier application of these standards are permitted, however, the Group has not early adopted the new or amended standards in preparing these condensed consolidated interim financial statements. These standards are not expected to have a significant impact on the Group's condensed consolidated interim financial statements:

- IFRS 17 Insurance Contracts - effective from January 01, 2021;
- Classification of Liabilities as current / noncurrent (Amendments to IAS 1) - effective from January 01, 2022;
- Sale or contribution of assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) - Available for optional adoption/effective date deferred indefinitely.

3. SEGMENT INFORMATION

Operating segments

For management purposes, the Group is organised into business units based on its products and services and has three reportable segments, as follows:

- The retail segment- this segment includes sale of goods to customers commonly at the store checkout for the sales via the Group's stores.
- The household segment- this segment includes sale of goods to the wholesale customers.
- The entertainment service segment- this segment includes services provided by operating kids play grounds "Adventure World".

The selected information for each operating segment for the period ended March 31, 2020 and March 31, 2019 are as follows:

Period ended March 31, 2020	Retail	Household	Entertainment services	Total
Revenue	453,215,022	2,287,210	6,580,708	462,082,940
Profit / (loss) from operations	17,845,412	(123,988)	1,366,067	19,087,491
Net income / (loss) for the period attributable to shareholders	9,304,631	(1,408,406)	220,665	8,116,890
Total non-current assets	1,288,662,337	-	120,143,338	1,408,805,675
Total assets	2,151,376,960	-	120,143,338	2,271,520,298
Total liabilities	1,686,047,925	-	-	1,686,047,925
Period ended March 31, 2019	Retail	Household	Entertainment services	Total
Revenue	375,001,408	5,393,404	9,025,242	389,420,054
Profit / (loss) from operations	8,828,413	(1,226,281)	3,114,027	10,716,159
Net (loss) / profit for the period attributable to shareholders	(1,739,876)	(1,358,083)	496,751	(2,601,208)
Total non-current assets	1,661,654,827	-	79,366,487	1,741,021,314
Total assets	2,497,468,240	-	79,366,487	2,576,834,727
Total liabilities	2,010,703,406	-	-	2,010,703,406

SAUDI MARKETING COMPANY (FARM SUPERSTORES)
(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020

(Expressed in Saudi Riyals)

4. PROPERTY AND EQUIPMENT

During the three months period ended March 31, 2020, the Group acquired property and equipment with a cost of SR 6.8 million (March 31, 2019: SR 8.9 million) and disposed off assets with a cost of SR 1.1 million (March 31, 2019: SR. 0.3 million).

5. LOANS AND BORROWINGS

	Notes	<u>March 31, 2020</u>	<u>December 31, 2019</u>
Term loans - non-current portion	5.1	47,361,111	71,944,444
- current portion	5.1	117,333,321	123,666,659
		164,694,432	195,611,103
Short term loans	5.2	374,997,670	370,969,527
		539,692,102	566,580,630

5.1 Term loans

Various long term loans facilities have been obtained from local commercial banks which are secured by promissory notes. These long term loan facilities carry financial charges at normal commercial rates.

The loan agreements include covenants which among other things, require certain financial ratios to be maintained. The Group was in breach of certain covenants as at March 31, 2020. However, the Group has obtained waiver letters from respective banks and hence the loans are classified in accordance with their original maturities.

5.2 Short term loans

These facilities have been obtained from local commercial banks and comprise of bank overdrafts and short term loans with maturities of less than one year. The short term facilities are secured by promissory notes. The short term facilities carry financial charges at normal commercial rates.

6. ZAKAT

Status of assessments

The Company has finalized its Zakat assessments for years from 2009 to 2012 with the General Authority of Zakat and Tax (GAZT). The declarations / returns for the years from 2013 to 2018 have been submitted to GAZT. For these assessment years, further information has been requested by the GAZT in May 2020. The Company is in process of submission of the said information /documents to the GAZT.

Pure Springs Agencies and Trading Company Ltd. obtained its final assessments up to 2008. The declarations / returns for years from 2009 to 2018 have been submitted to GAZT.

The zakat returns of the Company and its subsidiary for the year 2019 are yet to be submitted.

SAUDI MARKETING COMPANY (FARM SUPERSTORES)
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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020**
(Expressed in Saudi Riyals)

7. COMMITMENT AND CONTINGENCES

The Group's bankers have issued payment guarantees, on behalf of the Group, amounting to SR 12.3 million (December 31, 2019: SR 11.8 million) and letter of credits amounted to SR. 2.5 million (December 31, 2019: SR. 1.6 million).

8. IMPACTS OF COVID-19

The existence of novel coronavirus (COVID-19) was confirmed during the first quarter of 2020 and has spread across multiple geographies, causing disruptions to businesses and economic activities. As a result, the management has taken preventive measures to ensure the health and safety of its employees, customers and environment to ensure the continuity of its operations. Notwithstanding these challenges, the Group's retail operations currently remain largely unaffected as the food industry in general is exempted from various bans and constraints imposed by various regulatory authorities including exemption from curfew hours and continuity of supply chain. However, the entertainment segment of the Group (Adventure World) has been closed in March 2020 to prevent spread of COVID-19. The management believes that COVID-19 had no adverse impact on the reported financial position and results for the period ended March 31, 2020 based on the following:

1. In view of the historical seasonality in business before Ramadan season and the consumers' spending pattern on food items during the first quarter of 2020, the Group's retail segments have reported favorable results;
2. The financial results of entertainment segment are immaterial to the financial results of the Group as a whole.

Given the rapidly evolving situation and the uncertainties surrounding the duration and severity of COVID-19, the management and those charged with governance will continue to monitor the potential risks around supply of material, manpower and inventory levels across all its locations in the Kingdom of Saudi Arabia and accordingly update its stakeholders as per the local regulatory requirements.

9. APPROVAL OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved by the Board of Directors on June 14, 2020 G.