

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

**CONSOLIDATED FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2020**

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**SAUDI MARKETING COMPANY (FARM SUPERSTORES)**

(A Saudi Joint Stock Company)

**CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED DECEMBER 31, 2020**

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## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

We have audited the consolidated financial statements of Saudi Marketing Company (Farm Superstores) (the "Company") and its subsidiary (collectively referred to as "the Group") which comprise the consolidated statement of financial position as at December 31, 2020 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes from (1) to (36) to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with its requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Valuation of inventories</b>	
Refer to note 4 for the accounting policy and note 11 for related disclosures	
<b>Key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>Inventories as at December 31, 2020 amounted to SR 824.2 million (December 31, 2019: SR 759.5 million) constitute around 36% (December 31, 2019: 34%) of the total assets of the Group.</p> <p>Inventories are stated at lower of cost or net realisable value. At each reporting date, management reviews the valuation of inventories and writes down the cost of inventories that are forecasted to be sold below cost.</p> <p>We considered this as a key audit matter due to the significant judgments and key assumptions applied by the management in determining the allowance for slow moving inventories and the level of inventories write down required based on the net realizable value assessment.</p>	<p>Our audit procedures on valuation of inventories included the following:</p> <ul style="list-style-type: none"> <li>- Assessed the appropriateness of the Group's accounting policies for recognition and measurement of inventories in line with the requirements of relevant IFRS;</li> <li>- Assessed the design and implementation and operating effectiveness of the Group's relevant controls including automated controls around recognition and measurement of inventories;</li> <li>- Attended periodical physical count of inventories on selected locations along-with management to identify expired, lost or slow moving items;</li> <li>- Tested the net realisable value of finished goods inventories on sample basis by comparing their costs to their net realizable value;</li> <li>- Assessed the accuracy and completeness of the inventory aging provided by the management;</li> <li>- Assessed the adequacy of the disclosures in the Group's consolidated financial statements as per the relevant IFRS.</li> </ul>

Revenue recognition	
Refer to note 4 for the accounting policy and note 22 for related disclosures.	
Key audit matter	How the matter was addressed in our audit
<p>During the year ended December 31, 2020, the Group has recognized total revenue amounted to SR 1,863.2 million (2019: SR 1,580.9 million).</p> <p>The Group's sales are recognized on a point-in-time basis of recognition with no major judgements or estimates involved.</p> <p>However, because of the Group's focus on revenue as a key performance measure and the existence of inherent risk associated with possible overstatement of revenue to achieve better results, it is considered as a key audit matter.</p>	<p>Our audit procedures on revenue recognition of the Group included the following:</p> <ul style="list-style-type: none"> <li>- Assessed Group's revenue recognition policy and its compliance in terms of relevant IFRS;</li> <li>- Assessed the design, implementation and operating effectiveness of the Group's relevant controls including automated controls around recognition of revenue;</li> <li>- Performed sample tests on daily sales reconciliations prepared at branch level and agreed with the sales records;</li> <li>- Assessed a sample of daily sales reconciliations prepared pre- and post-year end to ensure whether the sales have been recognized in the correct accounting period;</li> <li>- Assessed the adequacy of the disclosure made in the consolidated financial statements in accordance with the relevant IFRS.</li> </ul>



**Other information**

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

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

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

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

**Responsibilities of management and Those Charged with Governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and Regulations of Companies requirements and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those Charged with Governance, in particular the Audit Committee, are responsible for overseeing the Group's financial reporting process.

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

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

As part of an audit in accordance with ISAs as endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide Those Charged with Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

For Dr. Mohamed Al-Amri & Co.



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



4 April 2021 (G)  
22 Sha'ban 1442 (H)




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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2020**  
(Expressed in Saudi Riyals)

	Notes	December 31, 2020	December 31, 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	6	661,339,332	686,504,058
Right of use assets	7	679,490,561	711,661,777
Investment properties	8	29,165,121	29,351,022
Intangible assets	9	3,719,924	3,634,573
Investment in equity instrument at fair value through other comprehensive income (FVOCI)	10	355,740	506,406
<b>Total non-current assets</b>		<b>1,374,070,678</b>	<b>1,431,657,836</b>
<b>Current assets</b>			
Inventories	11	824,233,364	759,501,721
Trade receivables	12	9,707,764	10,852,116
Prepayments and other receivables	13	48,019,559	29,705,994
Due from related parties	14	1,689,256	10,282,307
Cash and cash equivalents	15	16,305,127	20,675,252
<b>Total current assets</b>		<b>899,955,070</b>	<b>831,017,390</b>
<b>TOTAL ASSETS</b>		<b>2,274,025,748</b>	<b>2,262,675,226</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	16	450,000,000	450,000,000
Statutory reserve	16	96,760,548	92,884,188
Retained earnings		68,950,422	34,928,245
Fair value reserve of equity instrument at FVOCI		(902,089)	(751,423)
<b>Equity attributable to the shareholders of the Company</b>		<b>614,808,881</b>	<b>577,061,010</b>
Non-controlling interest	16	241,966	285,793
<b>Total equity</b>		<b>615,050,847</b>	<b>577,346,803</b>
<b>Non-current liabilities</b>			
Loans and borrowings	17	15,000,000	71,944,444
Lease liability	18	660,588,847	675,340,354
Employees end of service benefits	19	56,248,286	54,127,994
<b>Total non-current liabilities</b>		<b>731,837,133</b>	<b>801,412,792</b>
<b>Current liabilities</b>			
Trade payables and accruals	20	374,474,763	323,842,523
Short-term loans	17	442,732,428	370,969,527
Current portion of long term loans and borrowings	17	56,944,444	123,666,659
Current portion of lease liability	18	46,867,023	57,922,593
Advances against sub lease		3,866,681	3,961,932
Provision for zakat	21	2,252,429	3,552,397
<b>Total current liabilities</b>		<b>927,137,768</b>	<b>883,915,631</b>
<b>Total liabilities</b>		<b>1,658,974,901</b>	<b>1,685,328,423</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,274,025,748</b>	<b>2,262,675,226</b>

The accompanying notes from 1 to 36 form an integral part of these consolidated financial statements

  
**Chairman**  
Hazem Fayeze Al Aswad

  
**CEO**  
Maher Hazem Fayeze Al Aswad

  
**CFO**  
Salman Ejaz Khawaja Ejaz Ur Rehman



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

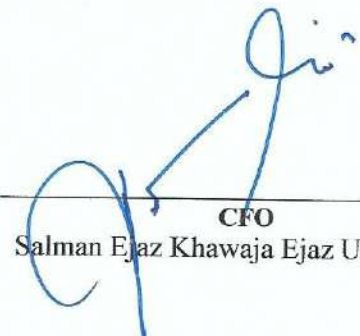
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2020**  
(Expressed in Saudi Riyals)

	Notes	December 31, 2020	December 31, 2019
Revenue	22	1,863,271,061	1,580,924,772
Cost of revenue	23	(1,382,076,731)	(1,106,590,006)
<b>Gross profit</b>		<b>481,194,330</b>	<b>474,334,766</b>
Selling and distribution expenses	24	(301,092,245)	(314,103,008)
General and administrative expenses	25	(105,167,799)	(94,730,710)
<b>Profit from operations</b>		<b>74,934,286</b>	<b>65,501,048</b>
Finance cost	26	(54,870,950)	(67,370,181)
Other income, net	27	20,976,200	14,912,075
<b>Profit before Zakat</b>		<b>41,039,536</b>	<b>13,042,942</b>
Zakat	21	(2,319,765)	(2,732,979)
<b>NET PROFIT FOR THE YEAR</b>		<b>38,719,771</b>	<b>10,309,963</b>
<b>Other comprehensive loss</b>			
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement loss on employees end of service benefits	19	(865,061)	(1,692,536)
Fair value loss on re-measurement of equity instruments at FVOCI	10	(150,666)	(13,006)
		<b>(1,015,727)</b>	<b>(1,705,542)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>37,704,044</b>	<b>8,604,421</b>
<b>Net profit / (loss) attributable to:</b>			
Shareholders of the Company		38,763,598	10,258,015
Non-controlling interests	16	(43,827)	51,948
		<b>38,719,771</b>	<b>10,309,963</b>
<b>Total comprehensive income/ (loss) attributable to:</b>			
Shareholders of the Company		37,747,871	8,552,473
Non-controlling interests		(43,827)	51,948
		<b>37,704,044</b>	<b>8,604,421</b>
<b>Earning per share</b>			
Basic and diluted earnings per share from net income attributable to the shareholders of the Company	28	0.86	0.23

The accompanying notes from 1 to 36 form an integral part of these consolidated financial statements.

  
Chairman  
Hazem Fayeze Al Aswad

  
CEO  
Maher Hazem Fayeze Al Aswad

  
CFO  
Salman Ejaz Khawaja Ejaz Ur Rehman

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2020**

(Expressed in Saudi Riyals)

	-----Attributable to the shareholders of the Company-----						
				Fair value reserve of equity instrument at FVOCI		Non- controlling interest	
	Share capital	Statutory reserve	Retained earnings		Total		Total equity
At January 01, 2019	450,000,000	91,858,387	27,388,567	(738,417)	568,508,537	233,845	568,742,382
Net profit for the year	-	-	10,258,015	-	10,258,015	51,948	10,309,963
Other comprehensive loss	-	-	(1,692,536)	(13,006)	(1,705,542)	-	(1,705,542)
Total comprehensive income for the year	-	-	8,565,479	(13,006)	8,552,473	51,948	8,604,421
Transfer to statutory reserve	-	1,025,801	(1,025,801)	-	-	-	-
At December 31, 2019	450,000,000	92,884,188	34,928,245	(751,423)	577,061,010	285,793	577,346,803
Net profit for the year	-	-	38,763,598	-	38,763,598	(43,827)	38,719,771
Other comprehensive loss	-	-	(865,061)	(150,666)	(1,015,727)	-	(1,015,727)
Total comprehensive income for the year	-	-	37,898,537	(150,666)	37,747,871	(43,827)	37,704,044
Transfer to statutory reserve	-	3,876,360	(3,876,360)	-	-	-	-
At December 31, 2020	450,000,000	96,760,548	68,950,422	(902,089)	614,808,881	241,966	615,050,847

The accompanying notes from 1 to 36 form an integral part of these consolidated financial statements.

**Chairman**  
Hazem Fayeze Al Aswad

**CEO**  
Maher Hazem Fayeze Al Aswad

**CFO**  
Salman Ejaz Khawaja Ejaz Ur Rehman



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

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
(Expressed in Saudi Riyals)

	Notes	December 31, 2020	December 31, 2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before zakat		41,039,536	13,042,942
<i>Adjustments for non –cash items to reconcile profit before zakat to net cash flows</i>			
Depreciation of property and equipment	6	50,549,497	49,548,047
Depreciation of right of use assets	7	63,075,584	64,046,303
Depreciation of investment properties	8	185,901	185,901
Amortisation of intangible assets	9	1,305,452	1,051,199
Provision for employees' end of service benefits	19	6,976,840	6,924,285
Provision for inventories	11	2,010,694	-
(Gain) / loss on write off / disposal of property and equipment - net		(42,696)	1,766,451
Finance cost	26	54,870,950	67,370,181
<i>Working capital adjustments</i>			
Inventories		219,971,758	203,935,309
Prepayments and other receivables		(66,742,337)	(64,420,143)
Due from related parties		(18,313,565)	9,928,418
Trade receivables		8,593,051	60,482,655
Trade payables and accruals		1,144,352	2,535,965
Advances against sub-lease		50,632,240	(22,896,596)
Cash provided by operations		(95,251)	1,039,225
Employees' end of service benefits paid		195,190,248	190,604,833
Finance cost paid	19	(7,161,575)	(5,737,671)
Zakat paid		(13,606,066)	(24,516,231)
	21	(3,619,733)	(3,209,017)
<b>Net cash generated from operating activities</b>		<b>170,802,874</b>	<b>157,141,914</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment	6	(25,823,746)	(31,445,174)
Proceeds from disposal of property and equipment		481,671	174,416
Additions to intangible assets	9	(1,390,803)	(1,000,065)
<b>Net cash used in investing activities</b>		<b>(26,732,878)</b>	<b>(32,270,823)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of long term loans and borrowings		(123,666,659)	(160,162,038)
Net change in short term loans		71,762,901	105,975,709
Repayment of lease liability	18	(96,536,363)	(66,243,606)
<b>Net cash used in financing activities</b>		<b>(148,440,121)</b>	<b>(120,429,935)</b>
<b>Net change in cash and cash equivalents</b>		<b>(4,370,125)</b>	<b>4,441,156</b>
Cash and cash equivalents at beginning of the year		20,675,252	16,234,096
Cash and cash equivalents at end of the year	15	16,305,127	20,675,252

The accompanying notes from 1 to 36 form an integral part of these consolidated financial statements.

**Chairman**

Hazem Fayed Al Aswad

**CEO**

Maher Hazem Fayed Al Aswad

**CFO**

Salman Ejaz Khawaja Ejaz Ur Rehman



**SAUDI MARKETING COMPANY (FARM SUPERSTORES)**

(A Saudi Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 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 under Commercial Registration Number 2050006430 dated Muharram 2, 1399H (corresponding to December 3, 1978). The Company's registered office is P.O.Box 4605, Dammam 31412, Kingdom of Saudi Arabia.

The Company operates through the following branches. The financial results of these branches are included in these consolidated financial statements.

<i>Commercial Registration Number</i>	<i>Date</i>	<i>Location</i>	<i>Commercial Registration Number</i>	<i>Date</i>	<i>Location</i>
1010228155	22/01/1428	Riyadh	2056005325	26/10/1436	Nairyah
1010427769	13/01/1436	Riyadh	2056101873	08/09/1439	Nairyah
1010427770	13/01/1436	Riyadh	2057003568	08/05/1430	Khafji
1010431223	20/05/1436	Riyadh	2057004408	04/11/1432	Khafji
1010437819	23/12/1436	Riyadh	2057004613	03/02/1433	Khafji
1010441945	09/05/1437	Riyadh	2063015989	26/08/1425	Safwa
1010453578	02/11/1439	Riyadh	2063020578	01/06/1430	Safwa
1010464717	15/01/1438	Riyadh	2066002140	26/08/1425	Ras Tanura
1010608841	02/09/1438	Riyadh	2250047819	17/08/1433	Hassa
1011024191	15/01/1438	Kharj	2250373911	17/01/1440	Hassa
2050006046	05/07/1398	Dammam	2251036566	18/01/1429	Hofuf
2050007771	03/11/1399	Dammam	2251036644	26/01/1429	Hofuf
2050046049	05/05/1425	Dammam	2251057050	26/05/1435	Hofuf
2050046079	08/05/1425	Dammam	2251066762	15/01/1438	Hofuf
2050050416	23/01/1427	Dammam	2252101746	15/05/1439	AlMobaraz
2050053732	16/02/1428	Dammam	2511012061	22/05/1432	Hafar Al-Batin
2050070704	04/06/1431	Dammam	2511012130	15/06/1432	Hafar Al-Batin
2050070995	18/06/1431	Dammam	2511117798	13/01/1442	Hafar Al-Batin
2050103313	06/01/1436	Dammam	3350036643	26/12/1433	Hail
2050110665	24/01/1438	Dammam	3350037344	02/02/1434	Hail
2050112804	21/08/1438	Dammam	3400116343	08/09/1439	Skaka
2050112911	02/09/1438	Dammam	3450014091	13/06/1435	Arar
2050113222	24/10/1438	Dammam	3450014223	23/07/1435	Arar
2050115023	07/04/1439	Dammam	3452010790	12/09/1438	Qurayat
2050140634	05/05/1442	Dammam	3550123355	08/09/1439	Tabuk
2051023874	16/10/1420	Khobar	3555001935	23/10/1438	Debah
2051023875	16/10/1420	Khobar	4030149428	04/04/1425	Jeddah
2051026992	13/09/1423	Khobar	4030179904	05/06/1429	Jeddah
2051029721	08/05/1425	Khobar	4030179993	07/06/1429	Jeddah
2051037258	09/05/1429	Khobar	4030219007	03/01/1433	Jeddah
2051063268	23/02/1438	Khobar	4030230447	03/08/1433	Jeddah
2051227141	04/12/1440	Khobar	4030245169	13/06/1434	Jeddah
2052000604	18/12/1415	Dhahran	4030266227	27/04/1435	Jeddah
2052000879	16/02/1423	Dhahran	4030285221	01/01/1437	Jeddah
2053014486	19/10/1423	Qatif	4030285223	01/01/1437	Jeddah
2053019428	06/06/1429	Qatif	4030302295	15/08/1439	Jeddah
2053111849	11/07/1439	Qatif	4030303782	05/09/1439	Jeddah
2055001486	09/05/1406	Jubail	4030317559	13/04/1440	Jeddah
2055007398	06/02/1427	Jubail	4030325339	20/06/1440	Jeddah
2055007399	06/02/1427	Jubail	4030389198	13/01/1442	Jeddah

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

(Expressed in Saudi Riyals)

<i>Commercial Registration Number</i>	<i>Date</i>	<i>Location</i>	<i>Commercial Registration Number</i>	<i>Date</i>	<i>Location</i>
2055007400	06/02/1427	Jubail	4700016176	22/07/1434	Yanbu
2055007463	10/03/1427	Jubail	4700019712	13/02/1437	Yanbu
2055009051	03/02/1429	Jubail	4700019827	09/05/1437	Yanbu
2055012058	29/06/1431	Jubail	4700020157	06/04/1438	Yanbu
2055012059	29/06/1431	Jubail	4700020215	21/06/1438	Yanbu
2055013625	02/07/1432	Jubail	5800021614	15/01/1439	Baha
2055024379	24/11/1436	Jubail	5801015416	12/07/1434	Baljurashi
2055025593	23/03/1438	Jubail	5801774489	15/08/1439	Baljurashi
2055026379	07/04/1439	Jubail	5850120314	08/09/1439	Abha
2055123215	03/08/1439	Jubail	5900014580	07/07/1431	Jaizan
2055123404	08/09/1439	Jubail	5900014581	07/07/1431	Jaizan
2055126204	04/12/1440	Jubail	5901029910	08/11/1435	Abu Arish
5950032945	20/04/1438	Najran			

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

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

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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants.

### **2.2 Basis of measurement**

These consolidated 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 at fair values, and;
- Employees end of service benefits that have been measured at the present value using Projected Unit Credit Method.

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**2.3 Basis of consolidation**

These consolidated financial statements of the Group incorporate the financial statements of the Company and its subsidiary as mentioned in note 1. Subsidiaries are entities 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. Inter-group investments, transactions, balances and unrealized gains or losses on transactions between Group companies are eliminated. The accounting policies of the subsidiaries are consistent with those adopted by the Group.

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

**2.4 Functional and presentation currency**

These consolidated financial statements are presented in Saudi Riyals (SR), which is the functional currency of the Group.

**3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods. Significant estimates, assumptions and judgments are described below:

**3.1 Impairment of non-financial assets**

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing off the asset. The value in use calculation is based on a Discounted Cash Flow ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the Cash Generating Unit ("CGU") being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future net cash-inflows and the growth rate used for extrapolation purposes.



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**3.2 Useful lives of property and equipment**

The management determines the estimated useful lives of property and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates.

**3.3 Incremental borrowing rate for lease agreements**

The Group cannot readily determine the interest rate implicit in the lease agreement, therefore, it uses its Incremental Borrowing Rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Group estimates the IBR using observable inputs, such as market interest rates when available and is required to make certain entity-specific estimates.

**3.4 Determining the lease term of contracts with renewal and terminations options**

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination clauses. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in the circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the contract.

**3.5 Provision for inventories obsolescence**

The Group recognises an allowance for inventory net realisable value due to factors such as obsolescence, technical faults, physical damage, expiry etc. The estimation of such provision includes the consideration of factors including but not limited to past sales trends and both existing and emerging market conditions.

**3.6 Long-term assumptions for employees' benefits**

End-of-service benefits represent obligations that will be settled in the future and require assumptions to project obligations. The accounting requires management to make further assumptions regarding variables such as discount rates, rate of compensation increases and return on assets, mortality rates, employment turnover and future healthcare costs. Periodically, management of the Group consults with external actuaries regarding these assumptions. Changes in key assumptions can have a significant impact on the projected benefit obligations and/or periodic employees' defined benefit costs incurred.

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#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted and consistently applied in preparation of these consolidated financial statements are as follows:

##### 4.1 Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses. Construction work in progress is stated at cost, net of accumulated impairment losses, if any. Such costs includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects (qualifying assets), if the recognition criteria are met. Where such assets are constructed in-house, their cost includes all amounts necessary to bring the asset to the present condition and location to be ready for intended use by management and excludes all costs such as general and administrative expenses and training costs. Any feasibility study costs are expensed as incurred unless they relate to specifically identifiable asset being constructed in-house and are directly attributable to it.

When parts of property and equipment are significant in cost in comparison to the total cost of the item, and where such parts/components have a useful life different than other parts and are required to be replaced at different intervals, the Group shall recognise such parts as individual assets with specific useful lives and depreciate them accordingly. All other repair and maintenance costs are recognised in the consolidated statement of profit or loss and other comprehensive income as incurred.

Depreciation is calculated from the date the item of property and equipment are available for its intended use or in respect of self-constructed assets, from the date such assets are ready for the intended use. Depreciation is calculated on a straight-line basis over the useful life of the asset as follows:

Buildings and leasehold improvements	10 - 20 years
Cold storage equipment	3 - 20 years
Vehicles and trucks	4 - 10 years
Furniture, fixtures and office equipment	3 - 20 years

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

Capital work in progress, which are not ready for its intended use and freehold land are not depreciated.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition 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 profit or loss and other comprehensive income.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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**4.2 Right-of-use assets and lease liabilities**

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. Currently, Group has no contract which includes lease and non-lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability mainly comprise of fixed lease payments.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

*Short-term leases and leases of low-value assets*

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low value assets and short term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

*Extension and termination options*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within control.



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**4.3 Investment properties**

Investment properties held for the purpose of generating rental income or capital appreciation are classified as investment properties. Investment properties are measured at cost less any accumulated depreciation and any accumulated impairment losses. Investment properties under construction are measured at cost less any impairment in value. Depreciation is charged on a straight line basis over the estimated useful lives as follows:

Buildings	20 years
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Land and investment properties under construction are not depreciated.

The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of investment properties. All other expenditure is recognised in the consolidated statement of profit or loss and other comprehensive income as the expense is incurred.

**4.4 Intangible assets**

Intangible assets acquired separately are measured at cost upon initial recognition. Intangible assets acquired in a business combination are measured at fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite life is recognised in the consolidated statement of profit or loss and other comprehensive income in the expense category consistent with the function of the intangible asset.

The useful life of an intangible asset with a definite life is reviewed regularly to determine whether there is any indication that its current life assessment continues to be supportable. If not, the change in useful life assessment is made on a prospective basis. Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually either individually or at the aggregated CGU level.

The amortisation periods for intangible assets with a finite useful life are as follows:

Software costs	5 years
Franchise costs	10 - 25 years

Gains or losses arising from derecognising an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised.

**4.5 Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that an asset maybe impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the assets recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount. In assessing the value-in-use, the estimated future cash flows are discounted to their present value using a discount rate (pre-zakat) that reflects current market assessment of the time value of money and the risks specific to the asset.

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The Group's impairment calculation is based on detailed budgets and forecast calculations which are prepared separately for each of the Group's CGU's to which the individual asset is allocated. These budgets and forecast calculations generally cover a five-year period. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the budget period.

Impairment losses of continuing operations are recognised in the consolidated statement of profit or loss and other comprehensive income in those expense categories consistent with the function of the impaired asset.

Irrespective of whether there is any indication of impairment, the Group also tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing their carrying amount with the respective recoverable amount. This impairment test may be performed at any time during an annual period, provided it is performed at the same time every year. Different intangible assets may be tested for impairment at different times. However, if such an intangible asset was initially recognised during the current annual period, that intangible asset is tested for impairment before the end of the current annual period.

For assets other than above, an assessment is made at each financial year-end as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. This reversal is limited such that the recoverable amount doesn't exceed what the carrying amount would have been, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss and other comprehensive income.

#### **4.6 Financial instruments – initial recognition, subsequent measurement and derecognition**

##### **Financial assets**

Classification of financial assets depends on the Group's business model for managing its financial assets and the contractual terms of the cash flows. Financial assets are classified as:

- financial assets measured at amortised cost, or
- financial assets measured at fair value

Gains or losses of assets measured at fair value are recognised either through the consolidated statement of profit or loss or other comprehensive income.

Trade receivables, which are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interests, are measured at amortised cost.

##### **Initial measurement**

Financial assets are initially measured at their fair value plus transaction costs. Transaction costs of financial assets carried at fair value through profit or loss are recognised in the consolidated statement of profit or loss and other comprehensive income.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows meet the requirements as solely payment of principal and interest.

##### **Subsequent measurement**

The subsequent measurement of financial assets depends on their classification, as described below:

##### **Amortised cost**

Financial assets held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest (SPPI), are measured at amortised cost. A gain or loss on a debt investment subsequently measured at amortised cost, and not part of a hedging relationship, is recognised in the consolidated statement of

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profit or loss and other comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

*Fair Value through Other Comprehensive Income ("FVOCI")*

Financial assets held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses, which are recognised in the statement of profit or loss and other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI, is reclassified from equity to the consolidated statement of profit or loss and other comprehensive income and recognised in other gains/ (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income/expense.

*Fair Value through profit or loss ("FVTPL")*

Financial assets that do not meet the criteria for subsequent recognition at amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL and which is not part of a hedging relationship is recognised and presented net in the consolidated statement of profit or loss and other comprehensive income in the period in which it arises.

- Trade receivables and cash and cash equivalents

The Group's financial assets compose of trade receivables and cash and cash equivalents as all are held to collect contractual cash flow and expected to give rise to cash flows representing solely payment of principal and interest. Accordingly, subsequent to initial measurement all are carried at amortised cost.

- Equity instruments

The Group measures all equity investments at fair value and presents changes in fair value of equity investments in OCI. Dividends from such investments continue to be recognised in the consolidated statement of profit or loss as other income when the Group's right to receive payments is established. There shall be no subsequent reclassification of changes in fair value through the consolidated statement of profit or loss.

All of the Group's financial assets are subsequent to initial recognition carried at amortised costs, except equity instruments at FVOCI.

**Derecognition**

A financial asset or a part of a financial asset is de-recognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either;

- (a) the Group has transferred substantially all the risks and rewards of the asset, or
- (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

**Impairment**

The Group assesses on a forward looking basis the Expected Credit Losses ("ECL") associated with its debt instruments as part of its financial assets, which are carried at amortised cost and FVOCI. The ECL is based on a 12-month ECL and a life time ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. For trade receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.



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**Financial liabilities**

**Initial recognition and measurement**

Financial liabilities are classified under either of the below two classes:

- Financial liabilities at FVTPL; and
- Other financial liabilities measured at amortised cost using the Effective Interest rate ("EIR") method.

The category of financial liability at FVTPL has two sub-categories:

- Designated: A financial liability that is designated by the entity as a liability at FVTPL upon initial recognition; and,
- Held for trading: A financial liability classified as held for trading, such as an obligation for securities borrowed in a short sale, which have to be returned in the future. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

All financial liabilities are recognised initially when the Group becomes party to contractual provisions and obligations under the financial instrument. The liabilities are recorded at fair value, and in the case of loans and borrowings and payables, the proceeds received net of directly attributable transaction costs.

**Subsequent measurement**

Financial liabilities at FVTPL continue to be recorded at fair value with changes being recorded in the consolidated statement of profit or loss and other comprehensive income.

For other financial liabilities, including loans and borrowings, after initial recognition, these are subsequently measured at amortised cost using the EIR method. Gain and losses are recognised in consolidated statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR method. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss and other comprehensive income.

All of the Group's financial liabilities are carried subsequent to initial recognition at amortised cost.

**Derecognition**

A financial liability is derecognised when the obligation under the liability is settled or discharged. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss and other comprehensive income.

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is disclosed in the consolidated statement of financial position if there is a currently enforceable legal right to offset recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

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**4.7 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**4.8 Inventories**

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for using weighted average method.

**4.9 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, cash with banks and other short-term highly liquid investments, if any, with original maturities of three months or less, which are available to the Group without any restrictions.

**4.10 Statutory reserve**

In accordance with Saudi Arabian Companies Law, the Group must set aside 10% of its net income in each year until it has built up a reserve equal to 30% of the capital. The reserve is not available for distribution.

**4.11 Earnings per share**

Basic earnings per share amounts are calculated by dividing consolidated net profit for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares during the year. Diluted earnings per share amounts are calculated by dividing the consolidated net profit attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

**4.12 Dividend**

The Group recognises a liability to make cash distributions to equity holders of the Group when the distribution is authorised and the distribution is no longer at the discretion of the Group. As per the corporate laws in Kingdom of Saudi Arabia, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

**4.13 Provisions**

**General**

Provisions are recognised 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 obligation amount. Where management of the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in consolidated statement of profit or loss and other comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-zakat rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

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#### **Onerous contracts**

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost meeting its obligation under the contract.

#### **4.14 Contingencies**

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Liabilities which are probable are recorded in the consolidated financial statements under accounts payable and accruals. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

#### **4.15 Employee benefits**

##### **Short-term employee benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid 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.

##### **Employees' end of service**

The Group's net obligation in respect of employee's end of service is calculated by estimating the amount of future benefits that employees have earned in the current and prior periods and discounting that amount. The calculation of employees' end of service obligations is performed annually by a qualified actuary using the projected unit credit method.

Remeasurements of the employees' end of service liability, which comprise actuarial gains and losses are recognised immediately in OCI. Net interest is calculated by applying the discount rate to the employee's end of service liability or asset. Net interest expense and other expenses related to employee's end of service are recognised in the consolidated statement of profit or loss and other comprehensive income.

#### **4.16 Revenue recognition**

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a product or services to a customer and when the specific criteria have been met for each of the Group's activities, as described below.

##### **Retail and household revenues**

Retail and household revenues are recognised at a point in time i.e. when the control over goods has been transferred to the customer, usually on delivery of the goods. Revenues are measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding any taxes or duty. Amounts disclosed as revenue are net of sales returns.

##### **Entertainment service revenue**

Entertainment revenue is recognised when services is provided to customers at point of time.

#### **4.17 Expenses**

##### **Cost of revenue**

Rebates and gondola income are netted off from cost of revenue on an accruals basis and are measured based on the contractual terms specified in the agreements signed with suppliers.

##### **Selling and distribution expenses**

Selling and distribution expenses comprise of all costs for selling and distributing the Group's products and include expenses for advertising, distribution and other sales related overheads. Allocation between selling and distribution and cost of sales are made on a consistent basis, when required.

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**General and administrative expenses**

General and administrative expenses include direct and indirect costs not specifically part of cost of sales or the selling and distribution activity of the Group. Allocation between general and administrative expenses and cost of sales, are made on a consistent basis, when required.

**4.18 Zakat and tax**

**Zakat**

The Group is subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"). Provision for zakat for the Group are charged to the consolidated statement of profit or loss and other comprehensive income.

**Withholding tax**

The Group withholds taxes (WHT) on certain transactions with non-resident parties in the Kingdom of Saudi Arabia, as required under Saudi Arabian Income Tax Law. Such WHT are recorded as tax liabilities under other payables.

**Value added tax**

The value added tax (VAT) is based on gross sales price at the rate of 5%. The VAT may be offset by VAT paid by the Group on procurements included in the cost of sales and other expenses. The Group recorded a VAT payable net of payments in the accompanying consolidated financial statements.

**4.19 Foreign currencies**

Transactions in foreign currencies are initially recorded by the Group at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to consolidated statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in consolidated statement of profit or loss and other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income).

**4.20 Segmental 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 Group's Chief Operating Decision Makers (the "CODM"), which in the Group's case is the Chief executive officer. The CODM make decisions about resources to be allocated to segments and assess their performance, based on the discrete financial information made available to him. Segments results that are reported to the Group CODM includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Group also disclose its geographical segmental information based on the economic environment it provides its services and goods.

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**4.21 Fair value measurement**

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date.

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 or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, 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; and
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is non observable.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.



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**5. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS**

**5.1 New standards, interpretations and amendments effective in the current year**

The following are the new interpretations and amendments to the standards that are effective in the current year and which either do not give rise to significant changes or not applicable to the Group's accounting policies:

<u>Standards</u>	<u>Title</u>	<u>Effective date</u>
IFRS 3	Business Combinations-Amendments to clarify the definition of a business	January 01, 2020
IAS 1	Presentation of Financial Statements- Amendments regarding the definition of materiality	January 01, 2020
IAS 41	Agriculture – The amendment removes the requirement for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13	January 01, 2020
IAS 8 IFRS 9, IAS 39 and IFRS 7	Accounting Policies, Changes in Accounting Estimates and Errors Interest Rate Benchmark Reforms	January 01, 2020
IFRS 16	Amendment-to provide lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification	June 01, 2020
	Revised Conceptual Framework for Financial Reporting	January 01, 2020

**5.2 New and amended IFRS Standards that are not yet effective**

There are a number of standards, amendments to standards, and interpretations, which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early. The most significant of these are as follows:

<u>Standards</u>	<u>Title</u>	<u>Effective date</u>
IFRS 3	Business Combinations-Amendments updating a reference to the Conceptual Framework	January 01, 2022
IAS 1	Presentation of Financial Statements - Amendments regarding the classification of liabilities	January 01, 2022
IAS 16	Property, Plant and Equipment - Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use	January 01, 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets- Amendments regarding the costs to include when assessing whether a contract is onerous	January 01, 2022
IFRS 4	Insurance Contracts-Amendments regarding the expiry date of the deferral approach	January 01, 2023
IFRS 9 IFRS 17	Amendments regarding the interaction of IFRS 4 and IFRS 9 Insurance Contracts - Amendments to address concerns and implementation challenges that were identified after IFRS 17	January 01, 2023 January 01, 2023

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**6. PROPERTY AND EQUIPMENT**

	Freehold land	Building and leasehold improvements	Cold storage equipment	Vehicles and trucks	Furniture, fixtures and office equipment	Construction work-in-progress	Total
<b><u>December 31, 2020</u></b>							
<b><i>Cost:</i></b>							
At January 1, 2020	134,408,893	492,375,645	115,770,226	40,381,234	291,521,133	17,792,540	<b>1,092,249,671</b>
Additions	-	56,665	2,200,740	2,179,878	6,946,644	14,439,819	<b>25,823,746</b>
Transfers	-	16,117,907	2,172,624	161,167	2,866,673	(21,318,371)	<b>-</b>
Disposals / write offs	-	-	(79,800)	(1,617,359)	(505,000)	-	<b>(2,202,159)</b>
At December 31, 2020	134,408,893	508,550,217	120,063,790	41,104,920	300,829,450	10,913,988	<b>1,115,871,258</b>
<b><i>Accumulated depreciation and impairment:</i></b>							
At January 1, 2020	-	187,551,233	40,796,231	37,162,097	140,236,052	-	<b>405,745,613</b>
Charge for the year	-	22,461,031	5,870,971	2,045,334	20,172,161	-	<b>50,549,497</b>
Disposals / write offs	-	-	(39,499)	(1,523,322)	(200,363)	-	<b>(1,763,184)</b>
At December 31, 2020	-	210,012,264	46,627,703	37,684,109	160,207,850	-	<b>454,531,926</b>
Net carrying amounts							
<b>At December 31, 2020</b>	<b>134,408,893</b>	<b>298,537,953</b>	<b>73,436,087</b>	<b>3,420,811</b>	<b>140,621,600</b>	<b>10,913,988</b>	<b>661,339,332</b>

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**6. PROPERTY AND EQUIPMENT ( CONTINUED)**

	Freehold land	Building and leasehold improvements	Cold storage equipment	Vehicles and trucks	Furniture, fixtures and office equipment	Construction work-in-progress	Total
<i>December 31, 2019</i>							
<i>Cost:</i>							
At January 1, 2019	134,408,893	471,048,634	112,710,717	40,234,436	278,241,352	27,528,095	1,064,172,127
Additions	-	243,333	357,729	903,093	5,916,066	24,024,953	31,445,174
Transfers	-	23,695,013	2,701,780	-	7,363,715	(33,760,508)	-
Disposals / write offs	-	(2,611,335)	-	(756,295)	-	-	(3,367,630)
At December 31, 2019	134,408,893	492,375,645	115,770,226	40,381,234	291,521,133	17,792,540	1,092,249,671
<i>Accumulated depreciation and impairment:</i>							
At January 1, 2019	-	167,072,872	34,971,540	35,194,542	120,385,375	-	357,624,329
Charge for the year	-	21,148,836	5,824,691	2,723,843	19,850,677	-	49,548,047
Disposals / write offs	-	(670,475)	-	(756,288)	-	-	(1,426,763)
At December 31, 2019	-	187,551,233	40,796,231	37,162,097	140,236,052	-	405,745,613
Net carrying amounts							
At December 31, 2019	134,408,893	304,824,412	74,973,995	3,219,137	151,285,081	17,792,540	686,504,058

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**6. PROPERTY AND EQUIPMENT (CONTINUED)**

Depreciation charge for the year has been allocated as follows:

	<b>December 31, 2020</b>	December 31, 2019
Cost of revenue (note 23)	<b>6,473,267</b>	6,145,048
Selling and distribution expenses (note 24)	<b>33,860,836</b>	33,481,430
General and administrative expenses (note 25)	<b>10,215,394</b>	9,921,569
	<b>50,549,497</b>	49,548,047

Construction work in progress mainly represents the cost incurred for the construction of new outlets in addition to certain improvement of various existing outlets.

Certain buildings are constructed on leasehold land for years ranging from 10 to 20 years.

Finance cost amounted to SR 0.3 million (2019: SR 0.9 million) have been capitalized during the year related to construction work in progress.

**7. RIGHT OF USE ASSETS**

Right of use assets consist of lands and buildings depreciated over 3 to 23 years:

	<b>December 31, 2020</b>	December 31, 2019
<b>Cost:</b>		
At January 01,	<b>775,708,080</b>	775,708,080
Additions	<b>31,145,279</b>	-
Deletion	<b>(324,733)</b>	-
At December 31,	<b>806,528,626</b>	775,708,080
<b>Accumulated depreciation:</b>		
At January 01,	<b>64,046,303</b>	-
Charge for the year	<b>63,075,584</b>	64,046,303
Deletion	<b>(83,822)</b>	-
At December 31,	<b>127,038,065</b>	64,046,303
Net carrying amount		
At December 31,	<b>679,490,561</b>	711,661,777

Depreciation charge for the year has been allocated as follows:

	<b>December 31, 2020</b>	December 31, 2019
Cost of revenue (note 23)	<b>3,816,172</b>	4,315,373
Selling and distribution expenses (note 24)	<b>59,259,412</b>	59,730,930
	<b>63,075,584</b>	64,046,303

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**8. INVESTMENT PROPERTIES**

Investment properties comprises of the Group's investments in land and buildings located in the Kingdom of Saudi Arabia.

<b>December 31, 2020</b>	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
<b>Cost:</b>			
At the beginning of the year	26,376,600	3,718,027	30,094,627
At the end of the year	26,376,600	3,718,027	30,094,627
<b>Accumulated depreciation:</b>			
At the beginning of the year	-	743,605	743,605
Charge for the year	-	185,901	185,901
At the end of the year	-	929,506	929,506
Net carrying amounts			
<b>At December 31, 2020</b>	<b>26,376,600</b>	<b>2,788,521</b>	<b>29,165,121</b>

<b>December 31, 2019</b>	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
<b>Cost:</b>			
At the beginning of the year	26,376,600	3,718,027	30,094,627
At the end of the year	26,376,600	3,718,027	30,094,627
<b>Accumulated depreciation:</b>			
At the beginning of the year	-	557,704	557,704
Charge for the year	-	185,901	185,901
At the end of the year	-	743,605	743,605
Net carrying amounts			
<b>At December 31, 2019</b>	<b>26,376,600</b>	<b>2,974,422</b>	<b>29,351,022</b>

The fair values of land and buildings have been arrived based on the valuation exercise carried out by an independent valuer, Zhoor Al Dammam For Real Estate Valuation. Zhoor Al Dammam For Real Estate Valuation is a firm licensed by Taqueem (the Saudi Authority for Accredited Valuers) and is also regulated by the Royal Institution of Chartered Surveyors ("RICS"). The fair value of land and buildings as of December 31, 2020 was amounted to SR 32.78 million (2019: SR 29.3 million). The fair value has been determined based on the income approach that reflects present value of discounted cash flows and cost approach that reflects the current replacement cost.



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**9. INTANGIBLE ASSETS**

**December 31, 2020**

	<b>Softwares</b>	<b>Franchise cost</b>	<b>Total</b>
<b>Cost:</b>			
At the beginning of the year	13,318,345	1,917,287	<b>15,235,632</b>
Additions	1,390,803	-	<b>1,390,803</b>
At the end of the year	14,709,148	1,917,287	<b>16,626,435</b>
<b>Accumulated amortisation:</b>			
At the beginning of the year	9,949,133	1,651,926	<b>11,601,059</b>
Charge for the year	1,268,702	36,750	<b>1,305,452</b>
At the end of the year	11,217,835	1,688,676	<b>12,906,511</b>
Net carrying amounts			
<b>At December 31, 2020</b>	<b>3,491,313</b>	<b>228,611</b>	<b>3,719,924</b>

**December 31, 2019**

	<b>Softwares</b>	<b>Franchise cost</b>	<b>Total</b>
<b>Cost:</b>			
At the beginning of the year	12,318,280	1,917,287	<b>14,235,567</b>
Additions	1,000,065	-	<b>1,000,065</b>
At the end of the year	13,318,345	1,917,287	<b>15,235,632</b>
<b>Accumulated amortisation:</b>			
At the beginning of the year	8,934,684	1,615,176	<b>10,549,860</b>
Charge for the year	1,014,449	36,750	<b>1,051,199</b>
At the end of the year	9,949,133	1,651,926	<b>11,601,059</b>
Net carrying amounts			
<b>At December 31, 2019</b>	<b>3,369,212</b>	<b>265,361</b>	<b>3,634,573</b>

Amortisation charge for the years ended December 31, 2020 and December 31, 2019 have been charged to general and administrative expenses (note 25).

**10. INVESTMENT IN EQUITY INSTRUMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
At the beginning of the year	<b>506,406</b>	519,412
Change in fair value	<b>(150,666)</b>	(13,006)
At the end of the year	<b>355,740</b>	506,406

**10.1** This represents investment in shares of GFH Financial Group B.S.C, a Company registered in Bahrain. The Group holds 585,580 shares of the investee.

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**11. INVENTORIES**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Finished goods	791,057,644	720,393,265
Packing and consumable materials	41,294,487	40,695,991
Raw materials	1,217,569	1,304,815
Goods in transit	1,216,215	5,649,507
Total	834,785,915	768,043,578
Less: Provision for obsolete / slow moving inventory	(10,552,551)	(8,541,857)
	<b>824,233,364</b>	<b>759,501,721</b>

Movement in provision for obsolete / slow moving inventory was as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
At the beginning of the year	8,541,857	8,541,857
Charge for the year	2,010,694	-
At the end of the year	<b>10,552,551</b>	<b>8,541,857</b>

**12. TRADE RECEIVABLES**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Trade receivables	10,137,166	11,281,518
Less: provision for expected credit loss	(429,402)	(429,402)
	<b>9,707,764</b>	<b>10,852,116</b>

An aged analysis of net trade receivables was as follows:

	<i>Not due</i>	<i>121-360 days</i>	<i>361-1080 days</i>	<i>More than 1080 days</i>	<i>Total</i>
<b>December 31, 2020</b>	<b>7,981,441</b>	<b>959,076</b>	<b>708,789</b>	<b>58,458</b>	<b>9,707,764</b>
December 31, 2019	6,989,875	2,879,426	982,815	-	10,852,116

The Group measures the loss allowance for trade receivables based on expected credit loss model (ECL). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the customers and an analysis of the customer's current financial position, adjusted for factors that are specific to the customers, general economic conditions of the industry in which the customers operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Movement in the provision for expected credit loss was as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
At the beginning of the year	429,402	4,053,263
Charge for the year	-	497,043
Amounts written off	-	(4,120,904)
At the end of the year	<b>429,402</b>	<b>429,402</b>

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**13. PREPAYMENTS AND OTHER RECEIVABLES**

	<b>December 31, 2020</b>	December 31, 2019
Prepaid Government fee	<b>16,819,815</b>	11,340,177
Sub lease receivables	<b>8,789,387</b>	7,727,041
Advances to suppliers	<b>10,543,497</b>	4,070,200
Employees receivables	<b>3,642,508</b>	3,283,492
Prepaid lease rentals	<b>2,603,962</b>	2,076,325
Others	<b>5,620,390</b>	1,208,759
	<b>48,019,559</b>	29,705,994

**14. RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties include shareholders, key management personnel and the entities controlled, jointly controlled or significantly influenced by such parties.

On March 21, 2020, due to change in Board of Directors, Al Dawaa Medical Services (Al Dawaa) was no more a related party of the Group. As a result, payable balance of Al Dawaa amounted to SR 1.2 million as of December 31, 2019 has been shown under trade payables and accruals. However, transactions with Al Dawaa till March 20, 2020 has been shown in the below note.

The significant transactions with related parties and the related balances as at the year-end are as follows:

Related parties	Relationship	Nature of transactions	Amounts of transaction		Balances	
			December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Amounts due from related parties						
Mr. Hazem Al Aswad	Company's Chairman	Proceeds received from sale of subsidiary	-	(60,000,000)	-	-
Saudi Marketing and Trading SAL (Holding)	Common shareholder	Funds transfer / (received)	(6,692,500)	-	-	6,692,500
Al Aswad Trading and Contracting Establishment	Common directorship	Rental and advances paid	(3,858,654)	(3,377,253)		
		Purchases	(1,330,642)	-		
		Rental income	4,028,585	2,142,000	971,114	2,131,825
Al Dawaa Medical Services	Common directorship	Rental income net of payment	(1,116,321)	289,435	-	994,819
Al Karam Restaurant	Common directorship	Sales	470,400	799,722		
		Collection	(213,561)	(728,719)	327,842	71,003
Al- Aswad for Real Estate Services Establishment	Common directorship	Services received	(1,860)	-		
		Proceeds from sale of assets	-	392,160	390,300	392,160
					1,689,256	10,282,307

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**Amounts due to related parties (note 20)**

		Purchases	<b>488,831</b>	1,681,478		
		Gondola and sales				
		revenues	<b>(23,448)</b>	(349,041)		
Al Dawaa Medical Services	Common directorship	Payment	<b>(439,957)</b>	(1,406,773)	-	588,991
		Purchases	<b>2,661,573</b>	1,983,960		
		Gondola, rental				
		income and sales	<b>(192,064)</b>	(289,211)		
Al Aswad Trading Establishment	Common directorship	Payments	<b>(2,440,553)</b>	(1,668,932)	<b>305,746</b>	276,790
		Purchases	<b>589,123</b>	2,703,348		
Space Travel and Tourism Agency	Common directorship	Payments	<b>(525,789)</b>	(2,690,109)	<b>76,573</b>	13,239
		Services received				
Al Aswad Trading and Contracting- Electromechanical	Common directorship	by subsidiary	<b>990</b>	-	<b>990</b>	-
				<b>383,309</b>	<b>879,020</b>	

Pricing policies and terms of payments of the above transactions with related parties have been approved by the Group's management.

**Compensation of key management personnel**

The remuneration of key management personnel during the year was as follows:

	<b>December 31, 2020</b>	December 31, 2019
Short term benefits	<b>3,925,200</b>	3,216,000
End of service benefits	<b>255,342</b>	268,000
Board of Directors' remunerations	<b>450,000</b>	450,000
	<b>4,630,542</b>	3,934,000

**15. CASH AND CASH EQUIVALENTS**

	<b>December 31, 2020</b>	December 31, 2019
Cash in hand	<b>4,253,898</b>	4,325,165
Cash at banks	<b>12,051,229</b>	16,350,087
	<b>16,305,127</b>	20,675,252

**16. EQUITY**

**a. Share capital**

Share capital is divided into 45,000,000 shares of SR 10 each (2019: 45,000,000 shares of SR 10 each).

**b. Statutory reserve**

In accordance with the Saudi Arabian Regulations for Companies, 10% of the profit for the year is required to be transferred to statutory reserve until the balance in the reserve equals 30% of share capital. The reserve is not available for distribution.

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**c. Non- Controlling Interest**

Non-controlling interest in the subsidiary was as follows:

	<b>December 31, 2020</b>	December 31, 2019
	%	%
Pure Spring Agencies and Trading Company Ltd.	<b>10</b>	10

The movement in the non-controlling interest was as follows:

	<b>December 31, 2020</b>	December 31, 2019
At the beginning of the year	<b>285,793</b>	233,845
Share in results of subsidiary	<b>(43,827)</b>	51,948
At the end of the year	<b>241,966</b>	285,793

**17. LOANS AND BORROWINGS**

	<b>December 31, 2020</b>	December 31, 2019
Long term loans and borrowings	<b>71,944,444</b>	195,611,103
Less: current portion	<b>(56,944,444)</b>	(123,666,659)
Non -current portion	<b>15,000,000</b>	71,944,444

**17.1 Long term loans and borrowings**

Various long term loan facilities have been obtained from local commercial banks and are secured by promissory notes. These long term loan facilities carry financial charges at normal commercial rates. Financial charges incurred during the year amounted to SR 3.7 million (2019: SR 11.8 million) out of which a SR 0.3 million (2019: SR 0.9 million) have been capitalized to construction work in progress, (note 6). The loan agreements include covenants which among other things, require certain financial ratios to be maintained.

The maturity profile of term loans was as follows:

	<b>December 31, 2020</b>	December 31, 2019
2020	-	123,666,659
2021	<b>56,944,444</b>	56,944,444
2022	<b>15,000,000</b>	15,000,000
	<b>71,944,444</b>	195,611,103

**17.2 Short term loans**

Short term 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. Financial charges incurred during the year amounted to SR 9.9 million (2019: SR 13.7 million) which have all been charged to the consolidated statement of profit or loss and other comprehensive income.

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**18. LEASE LIABILITY**

	<b>Interest rate</b>	<b>Maturity</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Current portion	4.59% to 5.77%	2021 to 2043	<b>46,867,023</b>	57,922,593
Non –current portion	4.59% to 5.77%	2021 to 2043	<b>660,588,847</b>	675,340,354
<b>Total</b>			<b>707,455,870</b>	733,262,947

The following are the amounts recognised in the consolidated statement of profit or loss and other comprehensive income:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Depreciation expense of right-of-use assets	<b>63,075,584</b>	64,046,303
Interest expense on lease liabilities	<b>39,824,918</b>	40,864,767
Expense relating to short-term leases (included in general and administration expenses)	<b>5,188,483</b>	4,330,148
Expense relating to short-term leases (included in selling and distribution expenses)	<b>1,709,727</b>	2,252,550
<b>Total amount recognised in profit or loss</b>	<b>109,798,712</b>	111,493,768

The Group had total cash outflows for leases amounted to SR. 96.5 million during the year (2019: SR 66.2 million).

The contractual maturity of lease liabilities (gross) is as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Within one year	<b>80,340,554</b>	79,160,278
1-5 years	<b>298,334,394</b>	311,600,750
Thereafter	<b>632,339,591</b>	698,030,412
<b>Lease obligation</b>	<b>1,011,014,539</b>	1,088,791,440

**19. EMPLOYEES' END OF SERVICE BENEFITS**

**19.1 Post-employment benefits plan**

In accordance with the provisions of IAS 19 - Employee Benefits, management has appointed an independent actuary to carry out an exercise to assess the present value of its defined benefit obligations as at December 31, 2019 and December 31, 2020 in respect of employees' benefits payable under relevant local regulations and contractual arrangements.

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Post-employment benefits plan	<b>56,248,286</b>	54,127,994

The following table summarizes the components of the net benefit expense recognized in statement of profit or loss, OCI and amounts recognized in the statement of financial position.



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<b>19.2 Net benefit expense recognised in profit or loss</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Current service cost	6,976,840	6,924,286
Interest cost on benefit obligations	1,439,966	1,989,183
<b>Net benefit expense</b>	<b>8,416,806</b>	<b>8,913,469</b>
<b>19.3 Net remeasurement loss recognised in other comprehensive income</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
(Gain) / loss due to change in financial assumptions	(2,092,652)	2,755,308
Loss / (gain) due to change in demographic assumptions	2,957,713	(1,062,772)
<b>Net remeasurement loss</b>	<b>865,061</b>	<b>1,692,536</b>
<b>19.4 Movement in the present value of defined benefit obligations</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
<b>Defined benefit obligations at the beginning of the year</b>	<b>54,127,994</b>	<b>49,259,660</b>
Interest cost	1,439,966	1,989,183
Current service cost	6,976,840	6,924,286
Benefits paid	(7,161,575)	(5,737,671)
Re-measurement loss on obligations	865,061	1,692,536
<b>Defined benefit obligations at the end of the year</b>	<b>56,248,286</b>	<b>54,127,994</b>

Significant assumptions used in determining the post-employment defined benefit obligations includes the following:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
	<b>% per annum</b>	<b>% per annum</b>
Discount rate	2.95%	2.70%
Future salary increases	1.35%	1.35%

A quantitative sensitivity analysis for discount rate assumption on the defined benefit obligations as at December 31, are shown below:

<u><b>Assumptions</b></u>	<b>Discount rate per annum</b>	
<b>Sensitivity level</b>	<b>0.5% Increase</b>	<b>0.5% Decrease</b>
<b>Defined benefit obligations as at December 31, 2020</b>	<b>53,816,348</b>	<b>57,234,774</b>
Defined benefit obligations as at December 31, 2019	51,741,905	55,065,231
<u><b>Assumptions</b></u>	<b>Salary increase rate per annum</b>	
<b>Sensitivity level</b>	<b>0.5% Increase</b>	<b>0.5% Decrease</b>
<b>Defined benefit obligations as at December 31, 2020</b>	<b>56,338,480</b>	<b>54,648,170</b>
Defined benefit obligations as at December 31, 2019	55,125,183	51,670,669

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

**20. TRADE PAYABLES AND ACCRUALS**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Trade payables - third parties	<b>344,026,958</b>	299,895,856
Amounts due to related parties (note 14)	<b>383,309</b>	879,020
Accrued expenses	<b>18,629,474</b>	17,602,003
Others (20.1)	<b>11,435,022</b>	5,465,644
	<b>374,474,763</b>	323,842,523

**20.1** Others include VAT payable of SR. 11.3 million (2019: SR 4.2 million).

**21. PROVISION FOR ZAKAT**

**21.1** The principal elements of the Zakat base are as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Non-current assets	<b>(1,374,070,678)</b>	(1,431,657,836)
Non-current liabilities	<b>731,837,133</b>	801,412,792
Opening equity	<b>577,346,803</b>	568,742,382
Net profit before zakat	<b>41,039,536</b>	13,042,942

Some of these amounts have been adjusted in arriving at zakat charge for the year.

**21.2 Charge for the year**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Current year	<b>2,252,429</b>	3,552,397
Prior years	<b>67,336</b>	(819,418)
Total charge for the year	<b>2,319,765</b>	2,732,979

**21.3 Movement of provision for Zakat**

The movement of provision for Zakat is as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
At the beginning of the year	<b>3,552,397</b>	4,028,435
Charged during the year	<b>2,319,765</b>	2,732,979
Paid during the year	<b>(3,619,733)</b>	(3,209,017)
At the end of the year	<b>2,252,429</b>	3,552,397

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**21.4 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 2019 have been submitted to GAZT.

During 2020, GAZT raised an assessments of Zakat for the years from 2014 to 2018 amounted to SR 15.6 million. Further, during 2020, GAZT also raised an assessment of VAT for the years 2018 and 2019 amounted to SR 80.5 million including penalties of SR 45 million. The Company, with the assistance of an external consultant, has filed an appeal with GAZT which is in progress. Based on the opinion of the external consultant, the Company has strong grounds to defend and thereby, management is not expecting a material liability on this.

Pure Springs Agencies and Trading Company Ltd. obtained its final assessments up to 2008. The declarations for years from 2009 to 2019 have been submitted to GAZT.

**22. REVENUE**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Retail revenue	<b>1,835,810,115</b>	1,528,254,563
Entertainment services revenue	<b>18,699,129</b>	37,701,580
Household revenue	<b>8,761,817</b>	14,968,629
	<b>1,863,271,061</b>	1,580,924,772

**23. COST OF REVENUE**

**23.1** Cost of revenue by segment was as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Retail	<b>1,353,577,389</b>	1,071,632,968
Entertainment services	<b>21,934,363</b>	23,550,560
Household	<b>6,564,979</b>	11,406,478
	<b>1,382,076,731</b>	1,106,590,006

**23.2** Cost of revenue by nature was as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Cost of goods sold	<b>1,358,660,430</b>	1,081,348,748
Employees' costs	<b>8,704,813</b>	9,965,470
Depreciation of property and equipment (note 6)	<b>6,473,267</b>	6,145,048
Depreciation of right of use assets (note 7)	<b>3,816,172</b>	4,315,373
Utilities	<b>1,425,495</b>	1,670,359
Others	<b>2,996,554</b>	3,145,008
	<b>1,382,076,731</b>	1,106,590,006

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**24. SELLING AND DISTRIBUTION EXPENSES**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Employees' costs	134,571,122	139,968,594
Rent (note 18)	1,709,727	2,252,550
Depreciation of property and equipment (note 6)	33,860,836	33,481,430
Depreciation of right of use assets (note 7)	59,259,412	59,730,930
Utilities	23,361,377	27,618,311
Government fee	23,150,727	23,285,808
Advertisement	5,642,514	6,114,554
Repair and maintenance	4,200,625	5,547,347
Packing	7,445,637	6,673,443
Cleaning supplies	1,639,862	2,098,635
Insurance	1,523,510	2,209,161
Transportation	2,444,930	1,905,949
Allowance for expected credit loss	-	497,043
Commissions	328,671	528,830
Gifts and donations	302,294	221,884
Travel	113,221	139,419
Others	1,537,780	1,829,120
	<b>301,092,245</b>	<b>314,103,008</b>

**25. GENERAL AND ADMINISTRATION EXPENSES**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Employees' costs	65,137,650	57,320,326
Depreciation of property and equipment (note 6)	10,215,394	9,921,569
Bank charges	3,341,281	4,562,543
Rent (note 18)	5,188,483	4,330,148
Office supplies	7,977,701	5,468,143
Utilities	2,466,356	2,559,006
Professional fees	2,753,339	2,463,273
Repair and maintenance	1,670,896	1,650,194
Transportation	1,042,715	1,130,901
Government fee	1,040,284	1,442,146
Insurance	763,214	603,915
Amortisation (note 9)	1,305,452	1,051,199
Travel	209,303	507,035
Cleaning supplies	1,148,013	374,639
Others	907,718	1,345,673
	<b>105,167,799</b>	<b>94,730,710</b>

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**26. FINANCE COST**

Finance cost on:	<b>December 31, 2020</b>	December 31, 2019
- Loans and borrowings (note 17)	<b>13,606,066</b>	24,516,231
- Employee's end of service benefits (note 19)	<b>1,439,966</b>	1,989,183
- Lease liability (note 18)	<b>39,824,918</b>	40,864,767
	<b>54,870,950</b>	67,370,181

**27. OTHER INCOME, NET**

	<b>December 31, 2020</b>	December 31, 2019
Gain / (loss) on disposal / write off of property and equipment - net	<b>42,696</b>	(1,766,451)
Rental income from investment properties, net (note 27.1)	<b>1,683,553</b>	1,622,098
Rental income from sublease (note 27.2)	<b>12,997,484</b>	14,429,741
Write back of old balances with suppliers	<b>1,711,839</b>	-
Foreign currency exchange losses, net	<b>(12,725)</b>	(24,066)
Others	<b>4,553,353</b>	650,753
	<b>20,976,200</b>	14,912,075

**27.1** This is rental income generated from the Group's investment properties leased to customers, net of depreciation.

**27.2** This represents sublease rental income earned by the Group during the year.

**28. EARNING PER SHARE**

Considering that Group does not have any dilutive instruments as of December 31, 2020 and 2019, diluted earning per share was the same as basic earning per share.

	<b>December 31, 2020</b>	December 31, 2019
Net profit attributable to ordinary shareholders of the Group	<b>38,763,598</b>	10,258,015
Weighted average number of ordinary shares outstanding	<b>45,000,000</b>	45,000,000
Basic and diluted earning per share	<b>0.86</b>	0.23

**29. CONTINGENCIES AND COMMITMENTS**

The Group's bankers have issued payment guarantees, on behalf of the Group amounted to SR 12 million (2019: SR 11.8 million) and letter of credits amounted to SR 1.3 million (2019: SR 1.6 million). The Group has nil (2019: nil) future capital commitments in respect of construction of various outlets.

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**30. SEGMENTAL INFORMATION**

**30.1 Operating segments**

For management purposes, the Group is organized 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 years ended December 31, 2020 and 2019 was as follows:

<b>Year ended December 31, 2020</b>	<b>Retail</b>	<b>Household</b>	<b>Entertainment services</b>	<b>Total</b>
Revenue	1,835,810,115	8,761,817	18,699,129	<b>1,863,271,061</b>
Profit / (loss) from operations	80,155,878	13,641	(5,235,233)	<b>74,934,286</b>
Net profit / (loss) for the year attributable to shareholders	53,252,541	(5,245,129)	(9,243,814)	<b>38,763,598</b>
Total non-current assets	1,304,553,324	422,081	69,095,273	<b>1,374,070,678</b>
Total assets	2,204,508,394	422,081	69,095,273	<b>2,274,025,748</b>
Total liabilities	1,658,974,901	-	-	<b>1,658,974,901</b>

<b>Year ended December 31, 2019</b>	<b>Retail</b>	<b>Household</b>	<b>Entertainment services</b>	<b>Total</b>
Revenue	1,528,254,563	14,968,629	37,701,580	1,580,924,772
Profit / (loss) from operations	59,787,854	(6,437,828)	12,151,022	65,501,048
Net profit / (loss) for the year attributable to shareholders	12,705,577	(6,506,284)	4,058,722	10,258,015
Total non-current assets	1,356,803,899	552,900	74,301,037	1,431,657,836
Total assets	2,187,821,289	552,900	74,301,037	2,262,675,226
Total liabilities	1,685,328,423	-	-	1,685,328,423

**31. FINANCIAL INSTRUMENTS BY CATEGORY**

	<b>December 31, 2020</b>		
	<b>Financial assets at amortised cost</b>	<b>Financial assets at FVTPL</b>	<b>Financial assets at FVOCI</b>
<i>Financial assets</i>			
Investment in equity instrument at fair value through other comprehensive income	355,740	-	355,740
Trade receivables	9,707,764	9,707,764	-
Due from related parties	1,689,256	1,689,256	-
Cash and cash equivalents	16,305,127	16,305,127	-
Prepayments and other receivables	18,052,285	18,052,285	-
<b>Total</b>	<b>46,110,172</b>	<b>45,754,432</b>	<b>355,740</b>



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	<b>December 31, 2020</b>		
	<b>Total</b>	<b>Liabilities at amortised cost</b>	<b>Liabilities at FVTPL</b>
<i>Financial liabilities</i>			
Trade payables and accruals	363,163,089	363,163,089	-
Loans and borrowings	514,676,872	514,676,872	-
<b>Total</b>	<b>877,839,961</b>	<b>877,839,961</b>	<b>-</b>

	<b>December 31, 2019</b>			
	<b>Total</b>	<b>Financial assets at amortised cost</b>	<b>Financial assets at FVTPL</b>	<b>Financial assets at FVOCI</b>
<i>Financial assets</i>				
Investment in equity instrument at fair value through other comprehensive income	506,406	-	-	506,406
Trade receivables	10,852,116	10,852,116	-	-
Due from related parties	10,282,307	10,282,307	-	-
Cash and cash equivalents	20,675,252	20,675,252	-	-
Prepayments and other receivables	12,219,292	12,219,292	-	-
<b>Total</b>	<b>54,535,373</b>	<b>54,028,967</b>	<b>-</b>	<b>506,406</b>

	<b>December 31, 2019</b>		
	<b>Total</b>	<b>Liabilities at amortised cost</b>	<b>Liabilities at FVTPL</b>
<i>Financial liabilities</i>			
Trade payables and accruals	319,643,695	319,643,695	-
Loans and borrowings	566,580,630	566,580,630	-
<b>Total</b>	<b>886,224,325</b>	<b>886,224,325</b>	<b>-</b>

The Company's exposure to various risks associated with the financial instruments is discussed in Note 32. The maximum exposure to credit risk at the end of the reporting year is the carrying amount of each class of financial assets mentioned above.

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**32. FINANCIAL INSTRUMENTS**

The Group's principal financial liabilities comprise payables, short term facilities and term loans. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group's principal financial assets include cash and cash equivalents, equity instruments at FVOCI and receivables.

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, currency risk and price risk). The Group's overall risk management program focuses on robust liquidity management as well as monitoring of various relevant market variables, thereby consistently seeking to minimize potential adverse effects on the Group's financial performance

**32.1 Credit risk**

Credit risk is the risk that one party to financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group is exposed to credit risk on its bank balances, trade receivables, and other receivables as follows:

<b>Financial assets</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Cash and cash equivalents	<b>16,305,127</b>	20,675,252
Trade receivables	<b>9,707,764</b>	10,852,116
Prepayments and other receivables	<b>18,052,285</b>	12,219,292
Due from related parties	<b>1,689,256</b>	10,282,307
	<b>45,754,432</b>	54,028,967

The carrying amount of financial assets represents the maximum credit exposure.

Credit risk on bank balances, trade receivables and other receivables is limited as cash balances are held with banks with sound credit ratings and the trade receivables and other receivables are shown net of allowance for impairment.

The Group manages credit risk with respect to receivables from customers by monitoring in accordance with defined policies and procedures. Before accepting any new credit customer, the Group has its own credit policy to assess the potential customer's credit quality and defines the credit limits for the new customer. These policies are reviewed and updated regularly. Moreover, the Group seeks to manage its credit risk by monitoring outstanding receivables on an ongoing basis.

**32.2 Liquidity risk**

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Following are the contractual maturities at the end of the reporting period of financial and non-financial liabilities:

	<b><u>December 31, 2020</u></b>			
	<b>Within one year</b>	<b>1-5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Trade payables and accruals	363,163,089	-	-	363,163,089
Loans and borrowings	499,676,872	15,000,000	-	514,676,872
	<b>862,839,961</b>	<b>15,000,000</b>	<b>-</b>	<b>877,839,961</b>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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(Expressed in Saudi Riyals)

**December 31, 2019**

	<b>Within one year</b>	<b>1-5 years</b>	<b>Thereafter</b>	<b>Total</b>
Trade payables and accruals	319,643,695	-	-	319,643,695
Loans and borrowings	494,636,186	71,944,444	-	566,580,630
	814,279,881	71,944,444	-	886,224,325

The maturity analysis of lease liabilities is disclosed under note 18.

Liquidity risk is managed by monitoring on a regular basis that sufficient funds and banking and other credit facilities are available to meet the Group's future commitments. The Group's terms of sales require amounts to be paid mostly on cash on delivery.

**32.3 Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and price risk.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Financial instruments affected by market risk include borrowings and investment in equity instruments at FVOCI.

Management believes that Group's exposure to price risk is limited because the amounts of the underlying balances and transactions are marginal. The Group is exposed to interest rate risk on its borrowings.

**Interest rate risk**

Interest rate risk is the exposure to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. Term loans and short-term loans amounted to SR 514.6 million (2019: SR 566.5 million) bear variable finance costs at prevailing market rate.

	<b>Increase/ decrease in basis points</b>	<b>Effect on profit before zakat</b>
	<b>+100</b>	<b>5,146,769</b>
December 31, 2020	<b>-100</b>	<b>(5,146,769)</b>
	+100	5,665,806
December 31, 2019	-100	(5,665,806)

**Foreign currency risk**

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyal (SR) and Unites States Dollar (USD). The Group's management believe that their exposure to currency risk associated with the USD is limited as the Saudi Riyal is pegged to the USD.

**32.4 Measurement of fair value**

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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

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A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2: inputs other than quoted prices included level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Investment in equity instruments at FVOCI is determined at level 1 of the fair value hierarchy. As of December 31, 2020 and 2019, the carrying amount of financial assets and financial liabilities of the Group approximate their fair value.

#### **32.5 Capital management**

For the purpose of the Group's capital management, capital includes issued capital, statutory reserve and retained earnings the Group. The primary objective of the Group's capital management is to maximize the shareholder value. The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

#### **33 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 was exempted from various bans and constraints imposed by various regulatory authorities including exemption from curfew hours and continuity of supply chain. This is evident from the increase in sales in retail segment. However, the entertainment segment of the Group (Adventure World) had been temporarily closed in March 2020 to prevent spread of COVID-19 and was subsequently re-opened in the last week of June 2020. Based on these factors, the management believes that COVID-19 has no material impact on the Group's reported financial results for the year ended December 31, 2020. However, the Group continues to monitor the Covid-19 situation closely based on the prospective developments.

#### **34 SUBSEQUENT EVENTS**

In the opinion of management, there have been no significant subsequent events since the year ended December 31, 2020 till the date authorization of financial statements by the Board of Directors of the Group that require either an adjustment or disclosure in these consolidated financial statements.

#### **35 COMPARATIVE FIGURES**

Certain reclassifications were made to the 2019 figures to conform to the current year's presentation.

#### **36 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS**

These consolidated financial statements have been approved by the Board of Directors of the Group on March 30, 2021 G.