

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

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2019

SAUDI MARKETING COMPANY (FARM SUPERSTORES)

(A Saudi Joint Stock Company)

**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED DECEMBER 31, 2019**

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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, 2019 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, 2019 and its consolidated financial performance and its 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.

Other matter

The consolidated financial statements of the Group for the year ended December 31, 2018 were audited by another auditor whose report dated Rajab 27, 1440 H (corresponding to April 03, 2019) contained an unqualified opinion thereon.

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, 2019. 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. The key audit matters include:

Impairment of non- current assets	
Refer to note 5 for the accounting policy and note 7 for related disclosures.	
Key audit matter	How the matter was addressed in our audit
<p>As at December 31, 2019, the Group has non-current assets amounted to SR 1,431,657,836 (2018: SR 740,889,840).</p> <p>As required by "IAS - 36 - Impairment of assets", the Group's management assess on annual basis whether there are impairment indicators with respect to carrying value of non- current assets. If indicators exists, the Group management estimates the recoverable amount of non- current assets as per the requirement of the said IAS. As of December 31, 2019, the impairment indicators were found in retail and household segments and thereby the Group management has carried out an impairment assessment with the help of an independent consultant by determining the recoverable amount based on value-in-use derived from discounted cash flow model. The outcome of this exercise did not result in any adjustment to the carrying amounts of non-current assets of relevant CGUs of the Group.</p> <p>We considered this as a key audit matter since the assessment of impairment requires significant judgments and estimates made by the management in determining the recoverable amount of non-current assets.</p>	<p>Our audit procedures to assess / test impairment of property and equipment included the following:</p> <ul style="list-style-type: none"> - Assessed the objectivity, independence and competence of the Group's consultant; - Assessed the methodology used by management to determine value in use by reviewing the accuracy and evidence such as approved budget and considering the reasonableness of these budgets by comparing it to the historical results; - Checked the arithmetical accuracy of the model and tested key assumptions and estimates used in the management's value in use calculation by assessing the reasonableness of these assumptions in respect of estimated future cash flows, growth and discount rates and performed a sensitivity analysis on these key assumptions; - Assessed the accuracy and completeness of the information produced by management, which was used for the basis of the impairment assessment; - Assessed the adequacy of the relevant disclosures in the consolidated financial statements.

Valuation and existence / completeness of inventory	
Refer to note 5 for the accounting policy and note 12 for related disclosures	
Key audit matter	How the matter was addressed in our audit
<p>Inventory as at December 31, 2019 amounted to SR. 759,501,721 constitute around 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 to test / assess existence, valuation and completeness of inventories included the following:</p> <ul style="list-style-type: none"> - Assessed the appropriateness of the Group's accounting policies for recognition and measurement of inventories in line with the requirements of relevant IFRS; - Assessed the design and implementation and tested the operating effectiveness of the Group's relevant controls including automated controls around recognition and measurement of inventories including the monitoring of the allowance for slow moving items; - Obtained inventory counts results from the Group's management and considered the appropriateness of the allowance for the expected level of slow moving inventory items and appropriateness of management's reconciliation procedures of the physically counted quantities to those recorded in the Group's accounting records. Further, to understand the process of inventory counts and witness the operation of the controls in place, we attended inventory counts at a sample of stores and warehouses along-with management. Also, reconciled, on sample basis, certain inventory items quantities back to the Group's accounting records; - Tested the net realisable value of finished goods inventories on sample basis by comparing their costs to their net realizable value; - Tested a sample of inventory issuance and received right before and after year end to check the appropriateness of the inventory recording in the respective periods; - Considered the adequacy of the disclosure in the Group's consolidated financial statements as per the IFRS.

Adoption of IFRS 16 "Leases"	
Refer to notes 4 and 5 for the adoption impacts and the accounting policy respectively and note 8 and 19 for related disclosures.	
Key audit matter	How the matter was addressed in our audit
<p>The Group has adopted IFRS 16 "Leases" with effect from January 1, 2019 which has superseded the requirements of IAS 17 - Leases'.</p> <p>Management has performed a detailed analysis of each lease contract to identify differences between the requirements of the two standards, identify the changes required to be made to existing accounting policies and determine the transition adjustments and consequential changes to processes and controls required.</p> <p>IFRS 16 principally modifies the accounting treatment of operating leases at inception, with the recognition of a right-of-use on the leased asset and a corresponding liability for the discounted amount of lease payments over the term of lease contract. Management also assessed the disclosure requirements of the new standard to be made in the consolidated financial statements.</p> <p>We considered this as a key audit matter because the calculations of amounts underlying the right-of-use assets and the corresponding lease liabilities are material and involve the application of significant management judgement relating to the terms in the contracts.</p>	<p>Our audit procedures to assess/test impacts related to adoption of IFRS 16 included the following:</p> <ul style="list-style-type: none"> - Reviewed management's assessment of the impact of IFRS 16 in terms of the classification and measurement of its right-of-use assets and lease liabilities, and understood the approach taken towards implementation; - Assessed the accuracy of the lease data by testing, on a sample basis, the lease data captured by management through the inspection of lease documents; - Tested lease schedules, on a sample basis, by recalculating the amounts underlying the right-of-use assets and lease liabilities, based on the terms of the lease contracts. We also tested the arithmetical accuracy of those individual lease; and - Reviewed the adequacy of the Group's disclosures included in the accompanying consolidated financial statements in relation to the implementation of the said new standard.

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. Our opinion on the consolidated financial statements does not cover the other information and we do 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 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

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

2 April 2020 (G)
9 Sha'ban 1441 (H)



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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019
(Expressed in Saudi Riyals)

	Notes	December 31, 2019	December 31, 2018
ASSETS			
Non-current assets			
Property and equipment	7	686,504,058	706,547,798
Right of use assets	8	711,661,777	-
Investment properties	9	29,351,022	29,536,923
Intangible assets	10	3,634,573	3,685,707
Prepaid lease rental		-	600,000
Equity instrument at FVOCI	11	506,406	519,412
Total non-current assets		1,431,657,836	740,889,840
Current assets			
Inventories	12	759,501,721	695,081,578
Trade receivables	13	10,852,116	13,388,081
Prepayments and other receivables	14	29,705,994	58,862,024
Due from related parties	15	10,282,307	70,764,962
Cash and cash equivalents	16	20,675,252	16,234,096
Total current assets		831,017,390	854,330,741
TOTAL ASSETS		2,262,675,226	1,595,220,581
EQUITY AND LIABILITIES			
Equity			
Share capital	17	450,000,000	450,000,000
Statutory reserve	17	92,884,188	91,858,387
Retained earnings		34,928,245	27,388,567
Fair value reserve of equity instrument at FVOCI		(751,423)	(738,417)
Equity attributable to the shareholders of the Company		577,061,010	568,508,537
Non-controlling interest	17	285,793	233,845
Total equity		577,346,803	568,742,382
Non-current liabilities			
Term loans	18	71,944,444	122,916,662
Lease liability	19	675,340,354	-
Employees end of service benefits	20	54,127,994	49,259,660
Total non-current liabilities		801,412,792	172,176,322
Current liabilities			
Trade payables and accruals	21	323,842,523	349,500,438
Short-term loans	18	370,969,527	264,993,818
Current portion of term loans	18	123,666,659	232,856,479
Current portion of lease liability	19	57,922,593	-
Advances against sub lease		3,961,932	2,922,707
Provision for zakat	22	3,552,397	4,028,435
Total current liabilities		883,915,631	854,301,877
Total liabilities		1,685,328,423	1,026,478,199
TOTAL EQUITY AND LIABILITIES		2,262,675,226	1,595,220,581

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

Abduljaleel Mahmoud Atieh Daoud





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, 2019**

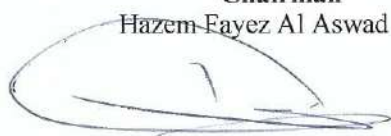
(Expressed in Saudi Riyals)

	Notes	December 31, 2019	December 31, 2018
Revenue	23	1,580,924,772	1,563,912,387
Cost of revenue	24	(1,106,590,006)	(1,120,949,511)
Gross profit		474,334,766	442,962,876
Selling and distribution expenses	25	(314,103,008)	(337,018,090)
General and administrative expenses	26	(94,730,710)	(98,724,842)
Profit from operations		65,501,048	7,219,944
Finance cost	27	(67,370,181)	(22,148,850)
Gain on disposal of a subsidiary	1	-	3,785,531
Other income, net	28	14,912,075	21,234,441
Profit before Zakat		13,042,942	10,091,066
Zakat	22	(2,732,979)	(6,311,976)
NET PROFIT FOR THE YEAR		10,309,963	3,779,090
Other comprehensive (loss) / income			
<i>Other comprehensive (loss) / income not to be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement (loss) / gain on employees end of service benefits	20	(1,692,536)	5,456,406
Net loss on equity instruments at FVOCI	11	(13,006)	(738,417)
		(1,705,542)	4,717,989
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		8,604,421	8,497,079
Net profit attributable to:			
Shareholders of the Company		10,258,015	3,780,978
Non-controlling interests	17	51,948	(1,888)
		10,309,963	3,779,090
Total comprehensive income attributable to:			
Shareholders of the Company		8,552,473	8,498,967
Non-controlling interests		51,948	(1,888)
		8,604,421	8,497,079
Earning per share			
Basic and diluted earnings per share from net income attributable to the equity holders of the Company	29	0.23	0.08

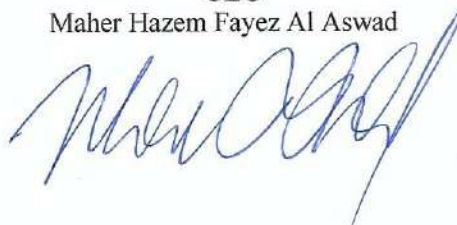
The accompanying notes from 1 to 36 form an integral part of these consolidated financial statements.

Chairman

Hazem Fayeze Al Aswad


CEO

Maher Hazem Fayeze Al Aswad


CFO

Abduljaleel Mahmoud Atieh Daoud



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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019

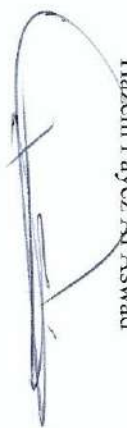
(Expressed in Saudi Riyals)

Attributable to the shareholders of the Company						
	Fair value reserve			Non-		
	Share capital	Statutory reserve	Retained earnings	instrument at FVOCI	Total	controlling interest
						equity
At January 01, 2018	450,000,000	91,480,289	52,279,281	-	593,759,570	226,913
Net income/(loss) for the year	-	-	3,780,978	-	3,780,978	(1,888)
Other comprehensive	-	-	5,456,406	(738,417)	4,717,989	-
Total comprehensive income/(loss)	-	-	9,237,384	(738,417)	8,498,967	(1,888)
Relating to disposed subsidiary (note 1)	-	-	-	-	-	8,820
Transfer to statutory reserve	-	378,098	(378,098)	-	-	-
Dividend	-	-	(33,750,000)	-	(33,750,000)	-
At December 31, 2018	450,000,000	91,858,387	27,388,567	(738,417)	568,508,537	233,845
Net income for the year	-	-	10,258,015	-	10,258,015	51,948
Other comprehensive loss	-	-	(1,692,536)	(13,006)	(1,705,542)	-
Total comprehensive income for the year	-	-	8,565,479	(13,006)	8,552,473	51,948
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

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

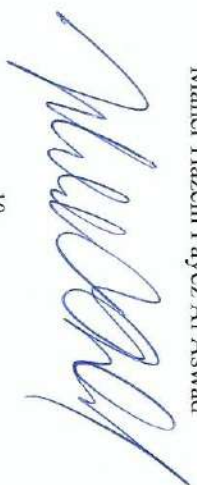
Chairman

Hazem Fayed Al Aswad



CEO

Maher Hazem Fayed Al Aswad



CFO

Abduljaleel Mahmoud Atieh Daoud



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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in Saudi Riyals)

	December 31, 2019	December 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before zakat	13,042,942	10,091,066
<i>Adjustments for non –cash items to reconcile profit before zakat to net cash flows</i>		
Depreciation of property and equipment	49,548,047	52,156,792
Depreciation of right of use assets	64,046,303	-
Depreciation of investment properties	185,901	4,237,466
Amortisation of intangible assets	1,051,199	736,455
Provision for employees' end of service benefits	6,924,285	6,527,006
Gain on disposal of a subsidiary	-	(3,785,531)
Loss on write off / disposal of property and equipment - net	1,766,451	3,526,541
Finance cost	67,370,181	22,148,850
<i>Working capital adjustments</i>	203,935,309	95,638,645
Inventories	(64,420,143)	(81,183,706)
Prepayments and other receivables	9,928,418	38,434,496
Due from related parties	60,482,655	(62,538,271)
Investments held for trading	-	7,296,220
Trade receivables	2,535,965	11,903,978
Non-current prepaid lease rental	-	491,667
Trade payables and accruals	(22,896,596)	(4,031,627)
Advances against sub-lease	1,039,225	(4,358,582)
Cash provided by operations	190,604,833	1,652,820
Employees' end of service benefits paid	(5,737,671)	(4,673,724)
Finance cost paid	(24,516,231)	(20,494,330)
Zakat paid	(3,209,017)	(5,320,415)
Net cash generated from / (used in) operating activities	157,141,914	(28,835,649)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(31,445,174)	(68,327,660)
Purchase of investment properties	-	(36,998)
Proceeds from disposal of property and equipment	174,416	49,751
Additions to intangible assets	(1,000,065)	(1,119,353)
Proceeds from disposal of a subsidiary	-	55,889,504
Net cash used in investing activities	(32,270,823)	(13,544,756)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in term loans	(160,162,038)	(24,446,034)
Net change in short term loans	105,975,709	97,116,030
Dividend paid	-	(33,750,000)
Payment of lease liability	(66,243,606)	-
Net cash (used in) / generated from financing activities	(120,429,935)	38,919,996
Net change in cash and cash equivalents	4,441,156	(3,460,409)
Cash and cash equivalents of disposed subsidiary	-	(294,837)
Cash and cash equivalents at beginning of the year	16,234,096	19,989,342
Cash and cash equivalents at end of the year	20,675,252	16,234,096
Significant non-cash transactions:		
Right of use assets recognised against advance lease prepayments	19,827,612	-
Right of use assets recognised against accrued lease rent	2,761,319	-

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
Abduljaleel Mahmoud Atieh Daoud





SAUDI MARKETING COMPANY (FARM SUPERSTORES)

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**FOR THE YEAR ENDED DECEMBER 31, 2019**

(Expressed in Saudi Riyals unless otherwise stated)

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	3350036643	26/12/1433	Hail
2050103313	06/01/1436	Dammam	3350037344	02/02/1434	Hail
2050110665	24/01/1438	Dammam	3400116343	08/09/1439	Skaka
2050112804	21/08/1438	Dammam	3450014091	13/06/1435	Arar
2050112911	02/09/1438	Dammam	3450014223	23/07/1435	Arar
2050113222	24/10/1438	Dammam	3452010790	12/09/1438	Qurayat
2050115023	07/04/1439	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

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

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

Subsidiary name	Country of incorporation	Effective ownership interest (%)	
		December 31, 2019	December 31, 2018
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.

Disposal of a subsidiary

On November 05, 2018, the shareholders of the Company approved disposal of the Group's entire 99.5% stake in Saudi Marketing and Trading S.A.L (Holding) – ("SMTS") to the Chairman of the Company, Mr. Hazem Al Aswad for a value of SR 115,889,504. The net assets of SMTS as of the disposal date amounted to SR 112,095,153 and accordingly the Group recognised a gain on disposal of subsidiary amounted to SR 3,785,531. Full amount of SR 115,889,504 has been received from the Chairman till the year ended December 31, 2019. This transaction is reflected in note 15 to these financial statements. STMS results are included in the comparative figures of statement of consolidated profit or loss and other comprehensive income till the date of its disposal.

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 Component parts of property and equipment

The Group's assets, classified within property and equipment, are depreciated on a straight-line basis over their economic useful lives. When determining the economic useful life of an asset, it is broken down into significant component parts such that each significant component part is depreciated separately. Judgement is required in ascertaining the significant components of a larger asset, and while defining the significance of a component, management considers quantitative materiality of the component part as well as qualitative factors such as difference in useful life as compared to related asset, its pattern of consumption and its replacement cycle/maintenance schedule.

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 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 Suppliers rebates

The Group's management estimate the current year's supplier rebates based on the actual rebates received in prior year and a top up/down adjustment is made at the end of the year when actual consumption is known to the Group's management.

3.7 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.

3.8 Measurement of financial instruments

The Group is required to make judgments about the regional and business related risk profiles of its customers to assess the expected credit losses on trade receivables.

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4 CHANGES IN ACCOUNTING POLICIES

The Group has adopted IFRS 16 Leases from January 1, 2019, and the effect of application of this standard has been fully explained below. There are no other new standards issued, however, there are number of amendments to standards issued which are effective from January 1, 2019, but they do not have a material effect on the Group's consolidated financial statements and therefore are not listed in these consolidated financial statements.

IFRS 16 - Leases

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application, if any, is recognised in retained earnings at January 01, 2019. Accordingly, the comparative information presented for 2018 is not restated. The details of the changes in accounting policies are disclosed in note 5. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

In adopting IFRS 16, the Group has applied the following practical expedients:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- accounting for operating leases in accordance with IAS 17 as short-term leases with a remaining lease term of less than 12 months at January 1, 2019;
- exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- the election, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

As at January 1, 2019, the Group has recognised lease liabilities amounting to SR 758.6 million and associated right-of-use assets amounting to SR 775.7 million in relation to contracts that have been concluded as leases under the principles of IFRS 16. The liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate. The associated right-of-use assets are measured at the amount equal to the lease liabilities, adjusted by the amount of prepayments relating to that lease recognised in the consolidated, statement of financial position as at December 31, 2018.

The following table reconcile the operating lease commitments under IAS 17 to lease liability as per IFRS 16 as of January 1, 2019:

	SR
Operating lease commitments as at December 31, 2018	1,464,113,204
Less: Discounting impact using Group's internal incremental borrowing rates	(699,569,817)
Less: short-term leases recognised on a straight-line basis as expense	(5,901,600)
Lease liability recognised as at January 1, 2019	758,641,787
Add: prepayments related to leases as at January 1, 2019	19,827,612
Less: accrued rent related to leases at January 1, 2019	(2,761,319)
Right of use assets as at January 1, 2019	<u>775,708,080</u>

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5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted and consistently applied (except as mentioned in note 4) in preparation of these consolidated financial statements are as follows:

5.1 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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5.2 Right-of-use assets and lease liabilities

The Company has applied IFRS 16 – Leases using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

Accounting policy applicable from January 01, 2019

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.

This policy is applied to contracts entered into, on or after January 01, 2019. The Group does not have any contract as a lessor.

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.

Accounting policy applicable before January 01, 2019

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement. This may indicate existence of a potential embedded lease in a transaction which may prima facie not be in the nature of a lease agreement. All leases, whether an explicit lease agreement or an embedded lease within any other agreements or arrangements, shall be assessed for classification as finance lease or operating lease.

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Leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, shall be classified as finance lease and shall be capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the consolidated statement of profit or loss and other comprehensive income.

A leased asset will be depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

5.3 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.

5.4 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.

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

Software costs	5 years
Franchise costs	5 - 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.

5.5 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.

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.

5.6 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.

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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 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.

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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.

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.

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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.

5.7 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.

5.8 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.

5.9 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.

5.10 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.

5.11 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.

5.12 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.

5.13 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

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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.

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.

5.14 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.

5.15 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.

5.16 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.

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5.17 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.

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.

5.18 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.

5.19 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).

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5.20 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.

5.21 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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6 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Following are the amendments to standards which are effective for annual periods beginning on or after January 01, 2020 and earlier application is permitted; however, the Group has not early adopted these in preparing these consolidated financial statements.

6.1 Amendments to IFRS 3 – definition of a business

This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

6.2 Amendments to IAS 1 and IAS 8 on the definition of material

These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:

- i) Use a consistent definition of materiality throughout IFRSs and the conceptual framework for financial reporting;
- ii) Clarify the explanation of the definition of material; and
- iii) Incorporate some of the guidance in IAS 1 about immaterial information.

6.3 Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform

These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally, cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the consolidated statement of profit or loss.

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7 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
<u>December 31, 2019</u>							
<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:</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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7. 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
<u>December 31, 2018</u>							
<i>Cost:</i>							
At January 1, 2018	134,408,893	428,449,290	101,010,980	39,798,932	248,034,519	48,742,625	1,000,445,239
Additions	-	110,875	2,977,592	639,905	8,969,478	55,629,810	68,327,660
Transfers	-	46,884,840	8,722,145	-	21,237,355	(76,844,340)	-
Disposals / write offs	-	(4,396,371)	-	(204,401)	-	-	(4,600,772)
At December 31, 2018	134,408,893	471,048,634	112,710,717	40,234,436	278,241,352	27,528,095	1,064,172,127
<i>Accumulated depreciation:</i>							
At January 1, 2018	-	144,643,564	29,446,369	30,969,977	101,432,107	-	306,492,017
Charge for the year	-	23,266,425	5,525,171	4,411,928	18,953,268	-	52,156,792
Disposals / write offs	-	(837,117)	-	(187,363)	-	-	(1,024,480)
At December 31, 2018	-	167,072,872	34,971,540	35,194,542	120,385,375	-	357,624,329
Net carrying amounts							
At December 31, 2018	134,408,893	303,975,762	77,739,177	5,039,894	157,855,977	27,528,095	706,547,798

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7. PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation charge for the year has been allocated as follows:

	December 31, 2019	December 31, 2018
Cost of revenue (note 24)	6,145,048	5,168,059
Selling and distribution expenses (note 25)	33,481,430	37,397,740
General and administrative expenses (note 26)	9,921,569	9,590,993
	49,548,047	52,156,792

Construction work in progress mainly represents the costs 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.

Financial cost amounted to SR 0.9 million (2018: SR 1.5 million) have been capitalized during the year related to construction work in progress.

As at December 31, 2019 and 2018, the Group's management has identified the existence of impairment indicators for retail and household cash generating units ("CGUs"). As a result, the Group management performed a re-assessment of impairment of non-current assets in which the recoverable amount of non-current assets was determined based on the value in use calculations using cash flow projections. The cash flow projections have been updated to reflect the changes in demand. The growth rate used to extrapolate the cash flows of CGU beyond the five years is 1.4% per annum (2018: 2% per annum). The cash flows have been discounted by 9.5% per annum (2018: 11% per annum). However, the outcome of the said assessment did not result in any adjustment to the non-current assets of the relevant CGUs of the Group as of December 31, 2019.

8. RIGHT OF USE ASSETS

Right of use assets consist of lands and buildings depreciated over 5 to 23 years:

	Total
Cost:	
At January 1, 2019	775,708,080
At December 31, 2019	775,708,080
Accumulated depreciation:	
At January 1, 2019	-
Charge for the year	64,046,303
At December 31, 2019	64,046,303
Net carrying amount	
At December 31, 2019	711,661,777

Depreciation charge for the year has been allocated as follows:

	December 31, 2019
Cost of revenue (note 24)	4,315,373
Selling and distribution expenses (note 25)	59,730,930
	64,046,303

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9. INVESTMENT PROPERTIES

Investment properties comprises of the Group's investments in land and buildings located in the Kingdom of Saudi Arabia (2018: Saudi Arabia and Lebanon).

December 31, 2019	Land	Buildings	Total
Cost:			
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
Accumulated depreciation:			
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			
At December 31, 2019	26,376,600	2,974,422	29,351,022

December 31, 2018	Land	Buildings	Total
Cost:			
At the beginning of the year	26,376,600	163,749,318	190,125,918
Additions	-	36,998	36,998
Related to disposed subsidiary (note 1)	-	(160,068,289)	(160,068,289)
At the end of the year	26,376,600	3,718,027	30,094,627
Accumulated depreciation:			
At the beginning of the year	-	44,824,220	44,824,220
Charge for the year	-	4,237,466	4,237,466
Related to disposed subsidiary (note 1)	-	(48,503,982)	(48,503,982)
At the end of the year	-	557,704	557,704
Net carrying amounts			
At December 31, 2018	26,376,600	3,160,323	29,536,923

The fair value of a land with a cost of SR 26 million as at December 31, 2019 has been arrived on the basis of the valuation exercise carried out by Zhoor Al Dammam For Real Estate Valuation, an independent valuer. Zhoor Al Dammam For Real Estate Valuation is a firm licensed by Taqeeem (the Saudi Authority for Accredited Valuers) and is also regulated by the Royal Institution of Chartered Surveyors ("RICS"). The fair value of the said land as of December 31, 2019 was amounted to SR 29.3 million (2018: SR 28.2 million). The fair value has been determined based on the market comparative approach that reflects recent transaction prices for similar properties. The Group's fair valuation for its land has been determined at level 2 of the fair value hierarchy. The Group did not perform a fair valuation of its other land and buildings (2018: same) with a cost / carrying values amounted to SR 3.3 million due to its insignificant value.

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10. INTANGIBLE ASSETS

Movement in intangible assets for the year ended December 31, 2019, was as follow:

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

Movement in intangible assets for the year ended December 31, 2018, was as follow:

	<u>Software costs</u>	<u>Franchise costs</u>	<u>Total</u>
Cost:			
At the beginning of the year	11,198,927	1,917,287	13,116,214
Additions	<u>1,119,353</u>	<u>-</u>	<u>1,119,353</u>
At the end of the year	<u>12,318,280</u>	<u>1,917,287</u>	<u>14,235,567</u>
Accumulated amortisation:			
At the beginning of the year	8,247,547	1,565,858	9,813,405
Charge for the year	<u>687,137</u>	<u>49,318</u>	<u>736,455</u>
At the end of the year	<u>8,934,684</u>	<u>1,615,176</u>	<u>10,549,860</u>
Net carrying amounts			
At December 31, 2018	<u>3,383,596</u>	<u>302,111</u>	<u>3,685,707</u>

Amortisation charge for the years ended December 31, 2019 and December 31, 2018 have been charged to general and administrative expenses.

11. EQUITY INSTRUMENT AT FVOCI

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
At the beginning of the year	519,412	1,257,829
Realized gain on sale of investment	-	718,763
Unrealized loss	<u>(13,006)</u>	<u>(1,457,180)</u>
At the end of the year	<u>506,406</u>	<u>519,412</u>

11.1 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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12. INVENTORIES

	December 31, 2019	December 31, 2018
Finished goods	720,393,265	663,800,519
Packing and consumable materials	40,695,991	32,837,514
Raw materials	1,304,815	1,466,943
Goods in transit	5,649,507	5,518,459
Total	768,043,578	703,623,435
Less: Provision for obsolete / slow moving inventory	(8,541,857)	(8,541,857)
	759,501,721	695,081,578

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

	December 31, 2019	December 31, 2018
At the beginning of the year	8,541,857	7,641,857
Charge for the year	-	900,000
At the end of the year	8,541,857	8,541,857

13. TRADE RECEIVABLES

	December 31, 2019	December 31, 2018
Trade receivables	11,281,518	17,441,344
Less: provision for expected credit loss	(429,402)	(4,053,263)
	10,852,116	13,388,081

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>> 5 years</i>	<i>Total</i>
December 31, 2019	6,989,875	2,879,426	982,815	-	10,852,116
December 31, 2018	6,728,244	3,773,583	2,601,918	284,336	13,388,081

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 debtors and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors 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:

	December 31, 2019	December 31, 2018
At the beginning of the year	4,053,263	2,453,263
Charge for the year	497,043	1,600,000
Amounts written off	(4,120,904)	-
At the end of the year	429,402	4,053,263

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14. PREPAYMENTS AND OTHER RECEIVABLES

	December 31, 2019	December 31, 2018
Prepaid Government fee	11,340,177	13,038,884
Sub lease receivables	7,727,041	5,404,466
Advances to suppliers	4,070,200	12,468,758
Employees receivables	3,283,492	4,139,466
Prepaid lease rentals	2,076,325	22,578,561
Others	1,208,759	1,231,889
	29,705,994	58,862,024

15. RELATED PARTY TRANSACTIONS AND BALANCES

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

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, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Amounts due from related parties						
Mr. Hazem Al Aswad	Company's Chairman	(Proceeds received) / sale of subsidiary	(60,000,000)	115,889,504	-	60,000,000
Saudi Marketing and Trading SAL (Holding)	Affiliate	Funds transfer	-	6,692,500	6,692,500	6,692,500
Al Aswad Trading and Contracting Establishment	Affiliate	Rental and advances paid	(3,377,253)	(3,299,237)		
		Rental income	2,142,000	2,072,000	2,131,825	3,367,078
Al Dawaa Medical Services	Affiliate	Rental income net of payment	289,435	210,384	994,819	705,384
		Sales	799,722	773,257		
Al Karam Restaurant	Affiliate	Collection	(728,719)	(773,257)	71,003	-
Others	Affiliate	Rental income	392,160	1,138,757	392,160	-
					10,282,307	70,764,962
Amounts due to related parties (note 21)						
		Purchases	1,681,478	1,824,874		
		Gondola and sales revenues	(349,041)	(326,583)		
Al Dawaa Medical Services	Affiliate	Payment	(1,406,773)	(1,607,000)	588,991	663,327
		Purchases	1,983,960	2,663,983		
		Gondola, rental income and sales	(289,211)	(682,433)		
Al Aswad Trading Establishment	Affiliate	Payments	(1,668,932)	(2,105,105)	276,790	250,973
		Purchases	2,703,348	2,492,265		
Others	Affiliates	Payments	(2,690,109)	(2,492,265)	13,239	-
					879,020	914,300

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

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Compensation of key management personnel

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

	December 31, 2019	December 31, 2018
Short term benefits	3,216,000	4,916,000
End of service benefits	268,000	268,000
Board of Directors' remunerations	450,000	600,000
	3,934,000	5,784,000

16. CASH AND CASH EQUIVALENTS

	December 31, 2019	December 31, 2018
Cash in hand	4,325,165	5,408,225
Cash at banks	16,350,087	10,825,871
	20,675,252	16,234,096

17. EQUITY**a. Share capital**

Share capital is divided into 45,000,000 shares of SR 10 each (2018: 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 Company may resolve to discontinue such transfers when the reserve totals 30% of the share capital. The reserve is not available for distribution.

c. Non- Controlling Interest

Non-controlling interest in the subsidiary was as follows:

	December 31, 2019	December 31, 2018
	%	%
Pure Spring Agencies and Trading Company Ltd.	10	10

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

	December 31, 2019	December 31, 2018
At the beginning of the year	233,845	226,913
Related to disposed subsidiary (note 1)	-	8,820
Share in results of subsidiary	51,948	(1,888)
At the end of the year	285,793	233,845

18. TERM LOANS

	December 31, 2019	December 31, 2018
Loans and borrowings	195,611,103	355,773,141
Less: current portion	(123,666,659)	(232,856,479)
Noncurrent portion	71,944,444	122,916,662

18.1 Term loans

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 11.8 million (2018: SR 14.4 million) out of which a SR 0.9 million (2018: SR 1.5 million) have been capitalized to construction work in progress, (note 7).

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The loan agreements include covenants which among other things, require certain financial ratios to be maintained. The Group was in breach of certain covenants as at December 31, 2019. However, the Group obtained waiver letters during the year 2019 and hence the loans are classified in accordance with their original maturity.

The maturity profile for term loans was as follows:

	December 31, 2019	December 31, 2018
2019	-	232,856,479
2020	123,666,659	65,000,000
2021	56,944,444	44,166,662
2022	15,000,000	13,750,000
	195,611,103	355,773,141

18.2 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 13.7 million (2018: SR 7.6 million) which have all been charged to the consolidated statement of profit or loss and other comprehensive income.

19. LEASE LIABILITY

	Interest rate	Maturity	December 31, 2019
Current portion	4.59% to 5.77%	2020 to 2043	57,922,593
Non –current portion	4.59% to 5.77%	2020 to 2043	675,340,354
Total			733,262,947

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

	December 31, 2019
Depreciation expense of right-of-use assets	64,046,303
Interest expense on lease liabilities	40,864,767
Expense relating to short-term leases (included in general and administration expenses)	4,330,148
Expense relating to short-term leases (included in selling and distribution expenses)	2,252,550
Total amount recognised in profit or loss	111,493,768

The Group had total cash outflows for leases amounted to SR 66.2 million in 2019.

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

	December 31, 2019
Within one year	79,160,278
1-5 years	311,600,750
Thereafter	698,030,412
Lease obligation	1,088,791,440

20. EMPLOYEES' END OF SERVICE BENEFITS**20.1 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, 2018 in respect of employees' benefits payable under relevant local regulations and contractual arrangements.

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	December 31, 2019	December 31, 2018
Post-employment benefits plan	54,127,994	49,259,660

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.

20.2 Net benefit expense recognised in profit or loss	December 31, 2019	December 31, 2018
Current service cost	6,924,286	6,527,006
Interest cost on benefit obligations	1,989,183	1,654,520
Net benefit expense	8,913,469	8,181,526

20.3 Net actuarial loss / (gain) recognised in other comprehensive income	December 31, 2019	December 31, 2018
Loss / (gain) due to change in financial assumptions	1,692,536	(5,456,406)
Net actuarial loss / (gain)	1,692,536	(5,456,406)

20.4 Movement in the present value of defined benefit obligations

	December 31, 2019	December 31, 2018
Defined benefit obligations at the beginning of the year	49,259,660	51,441,525
Interest cost	1,989,183	1,654,520
Current service cost	6,924,286	6,527,006
Relating to disposed subsidiary (note 1)	-	(233,261)
Benefits paid	(5,737,671)	(4,673,724)
Re-measurement: actuarial loss / (gain) on obligations	1,692,536	(5,456,406)
Defined benefit obligations at the end of the year	54,127,994	49,259,660

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

	December 31, 2019	December 31, 2018
	% per annum	% per annum
Discount rate	2.70%	4.10%
Future salary increases	1.35%	1.85%

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

Assumptions	Discount rate per annum	
Sensitivity level	0.5% Increase	0.5% Decrease
Defined benefit obligations as at December 31, 2019	51,741,905	55,065,231
Defined benefit obligations as at December 31, 2018	46,963,793	49,789,823

Assumptions	Salary increase rate per annum	
Sensitivity level	0.5% Increase	0.5% Decrease
Defined benefit obligations as at December 31, 2019	55,125,183	51,670,669
Defined benefit obligations as at December 31, 2018	49,856,149	46,889,226

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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.

21. TRADE PAYABLES AND ACCRUALS

	December 31, 2019	December 31, 2018
Trade payables - third parties	299,895,856	320,334,853
Amounts due to related parties (note 15)	879,020	914,300
Accrued expenses	17,602,003	23,143,622
Others	5,465,644	5,107,663
	323,842,523	349,500,438

22. PROVISION FOR ZAKAT

22.1 The principal elements of the Zakat base are as follows:

	December 31, 2019	December 31, 2018
Non-current assets	(1,431,657,836)	(740,889,840)
Non-current liabilities	801,412,792	172,176,322
Opening equity	568,742,382	593,986,483
Net profit before zakat	13,042,942	10,091,066

22.2 Charge for the year

	December 31, 2019	December 31, 2018
Current year charge	3,552,397	3,578,359
Prior years adjustments	(819,418)	2,733,617
Charge for the year	2,732,979	6,311,976

22.3 Movement of provision for Zakat

The movement of provision for Zakat is as follows:

	December 31, 2019	December 31, 2018
At the beginning of the year	4,028,435	3,036,874
Charged during the year	2,732,979	6,311,976
Paid during the year	(3,209,017)	(5,320,415)
At the end of the year	3,552,397	4,028,435

22.4 Status of assessments

The Company has finalized its Zakat assessments for years 2009 to 2012 from GAZT. The declarations for the years from 2013 to 2018 have been submitted to GAZT'.

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

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23. REVENUE

	December 31, 2019	December 31, 2018
Retail revenue	1,528,254,563	1,511,829,250
Entertainment services revenue	37,701,580	41,236,599
Household revenue	14,968,629	10,846,538
	1,580,924,772	1,563,912,387

24. COST OF REVENUE**24.1** Cost of revenue by segment was as follows:

	December 31, 2019	December 31, 2018
Retail	1,071,632,968	1,083,261,297
Entertainment services	23,550,560	24,427,142
Household	11,406,478	13,261,072
	1,106,590,006	1,120,949,511

24.2 Cost of revenue by nature was as follows:

	December 31, 2019	December 31, 2018
Cost of goods sold	1,081,348,748	1,096,522,369
Employees' costs	9,965,470	9,314,255
Rent	-	5,434,893
Depreciation of property and equipment	6,145,048	5,168,059
Depreciation of right of use assets	4,315,373	-
Utilities	1,670,359	1,439,373
Others	3,145,008	3,070,562
	1,106,590,006	1,120,949,511

25. SELLING AND DISTRIBUTION EXPENSES

	December 31, 2019	December 31, 2018
Employees' costs	139,968,594	152,677,554
Rent (note 25.1)	2,252,550	73,087,011
Depreciation of property and equipment	33,481,430	37,397,740
Depreciation of right of use assets	59,730,930	-
Utilities	27,618,311	31,308,742
Government fee	23,285,808	14,534,313
Advertisement	6,114,554	5,977,955
Repair and maintenance	5,547,347	5,451,908
Packing	6,673,443	5,275,239
Cleaning supplies	2,098,635	2,622,547
Insurance	2,209,161	2,771,475
Transportation	1,905,949	2,151,511
Allowance for expected credit loss	497,043	1,600,000
Commissions	528,830	886,045
Gifts and donations	221,884	219,089
Travel	139,419	160,811
Others	1,829,120	896,150
	314,103,008	337,018,090

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25.1. An amount of SR 16.1 million has been reclassified to other income which represents the sub lease income earned by the Group during the year. Previously it was net off with rent expense. Also refer note 28.

26. GENERAL AND ADMINISTRATION EXPENSES

	December 31, 2019	December 31, 2018
Employees' costs	57,320,326	64,529,072
Depreciation of property and equipment	9,921,569	9,590,993
Bank charges	4,562,543	4,369,649
Rent	4,330,148	4,288,896
Office supplies	5,468,143	4,118,976
Utilities	2,559,006	2,749,318
Professional fees	2,463,273	2,212,053
Repair and maintenance	1,650,194	1,276,325
Transportation	1,130,901	1,206,320
Government fee	1,442,146	982,089
Insurance	603,915	318,834
Amortisation	1,051,199	736,455
Travel	507,035	530,126
Cleaning supplies	374,639	184,829
Others	1,345,673	1,630,907
	94,730,710	98,724,842

27. FINANCE COST

Finance cost on:	December 31, 2019	December 31, 2018
- Borrowings	24,516,231	20,494,330
- Employee's end of service benefits	1,989,183	1,654,520
- Lease liabilities	40,864,767	-
	67,370,181	22,148,850

28. OTHER INCOME

	December 31, 2019	December 31, 2018
Loss on disposal / write off of property and equipment - net	(1,766,451)	(3,526,541)
Rental income from investment properties, net (note 28.1)	1,622,098	1,622,098
Rental income from sublease (note 28.2)	14,429,741	16,091,880
Realized gain from investments held for trading	-	621,669
Foreign currency exchange losses, net	(24,066)	(95,041)
Others	650,753	6,520,376
	14,912,075	21,234,441

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

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

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29. EARNING PER SHARE

Considering that Group did not have any dilutive instruments as of December 31, 2019 and 2018, diluted earning per share was the same as ordinary earning per share.

	December 31, 2019	December 31, 2018
Net profit attributable to ordinary equity holders of the Group	10,258,015	3,780,978
Weighted average number of ordinary shares outstanding	45,000,000	45,000,000
Basic and diluted earnings per share from net income	0.23	0.08

30. COMMITMENTS AND CONTINGENCIES

The Group's bankers have issued payment guarantees, on behalf of the Group amounted to SR 11.8 million (2018: SR 11.8 million) and letter of credits amounted to SR 1.6 million (2018: 0.39 million). The Group has nil (2018: SR 2.8 million) future capital commitments in respect of construction of various outlets.

31. SEGMENTAL INFORMATION

31.1 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, 2019 and 2018 was as follows:

Year ended December 31, 2019	Retail	Household	Entertainment services	Total
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 income / (loss) for the year attributable to shareholders	12,705,577	(6,506,284)	4,058,722	10,258,015
Total non-current assets	1,357,356,799	-	74,301,037	1,431,657,836
Total assets	2,188,374,189	-	74,301,037	2,262,675,226
Total liabilities	1,685,328,423	-	-	1,685,328,423
Year ended December 31, 2018	Retail	Household	Entertainment services	Total
Revenue	1,511,829,249	10,846,538	41,236,600	1,563,912,387
Profit/(loss) from operations	6,217,734	(6,504,107)	7,506,317	7,219,944
Net income/(loss) for the year attributable to shareholders	3,423,618	(6,504,107)	6,861,467	3,780,978
Total non-current assets	660,707,429	-	80,182,411	740,889,840
Total assets	1,515,038,170	-	80,182,411	1,595,220,581
Total liabilities	1,026,478,199	-	-	1,026,478,199

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31.2 Geographical segments

The following tables summaries the Group's geographical segmental information for years ended December 31, 2019 and 2018:

Year ended December 31, 2019	Kingdom of Saudi Arabia	Republic of Lebanon	Total
Revenue	1,580,924,772	-	1,580,924,772
Profit from operations	65,501,048	-	65,501,048
Net income for the year	10,258,015	-	10,258,015
Total non-current assets	1,431,657,836	-	1,431,657,836
Total assets	2,262,675,226	-	2,262,675,226
Total liabilities	1,685,328,423	-	1,685,328,423

Year ended December 31, 2018	Kingdom of Saudi Arabia	Republic of Lebanon	Total
Revenue	1,562,799,007	1,113,380	1,563,912,387
Profit /(loss) from operations	11,942,065	(4,722,121)	7,219,944
Net income /(loss) for the year	8,511,065	(4,730,087)	3,780,978
Total non-current assets	740,889,840	-	740,889,840
Total assets	1,595,220,581	-	1,595,220,581
Total liabilities	1,026,478,199	-	1,026,478,199

32. FINANCIAL INSTRUMENTS BY CATEGORY

	December 31, 2019		
	Total	Financial assets at amortised cost	Financial assets at FVTPL
<i>Financial assets</i>			
Equity instrument at FVOCI	506,406	-	-
Trade receivables	10,852,116	10,852,116	-
Cash and cash equivalents	20,675,252	20,675,252	-
Prepayments and other receivables	22,350,710	22,350,710	-
Due from related parties	10,282,307	10,282,307	-
Total	64,666,791	64,160,385	-

	December 31, 2019	
	Total	Liabilities at amortised cost
<i>Financial liabilities</i>		
Trade payables and accruals	319,686,009	319,686,009
Borrowings	566,580,630	566,580,630
Total	886,266,639	886,266,639

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	December 31, 2018			
	Total	Financial assets at amortised cost	Financial assets at FVTPL	Financial assets at FVOCI
<i>Financial assets</i>				
Equity instrument at FVOCI	519,412	-	-	519,412
Trade receivables	13,388,081	13,388,081	-	-
Cash and cash equivalents	16,234,096	16,234,096	-	-
Prepayments and other receivables	9,543,932	9,543,932	-	-
Due from related parties	70,764,962	70,764,962	-	-
Total	110,450,483	109,931,071	-	519,412

	December 31, 2018		
	Total	Liabilities at amortised cost	Liabilities at FVTPL
<i>Financial liabilities</i>			
Trade payables and accruals	345,388,089	345,388,089	-
Borrowings	620,766,959	620,766,959	-
Total	966,155,048	966,155,048	-

The Company's exposure to various risks associated with the financial instruments is discussed in Note 33. 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.

33. 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

33.1 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:

Financial assets	December 31, 2019	December 31, 2018
Cash and cash equivalents	20,675,252	16,234,096
Trade receivables	10,852,116	13,388,081
Prepayments and other receivables	22,350,710	9,543,932
Due from related parties	10,282,307	70,764,962
	64,160,385	109,931,071

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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.

33.2 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:

December 31, 2019

	Within one year	1-5 years	Thereafter	Total
Trade payables and accruals	319,686,009	-	-	319,686,009
Borrowings	494,636,186	71,944,444	-	566,580,630
	<u>814,322,195</u>	<u>71,944,444</u>	<u>-</u>	<u>886,266,639</u>

December 31, 2018

	Within one year	1-5 years	Thereafter	Total
Trade payables and accruals	345,388,089	-	-	345,388,089
Borrowings	497,850,297	122,916,662	-	620,766,959
	<u>843,238,386</u>	<u>122,916,662</u>	<u>-</u>	<u>966,155,048</u>

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.

33.3 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.

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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 amounting to SR 566 million (2018: SR 621 million) bear variable finance costs at prevailing market rate.

	Increase/ decrease in basis points	Effect on profit before zakat
	+100	5,665,806
December 31, 2019	-100	(5,665,806)
	+100	6,207,670
December 31, 2018	-100	(6,207,670)

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.

33.4 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.

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 2 of the fair value hierarchy. As of December 31, 2019 and 2018, the carrying amount of financial assets and financial liabilities of the Company approximate their fair value.

33.5 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 maximise 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.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**
(Expressed in Saudi Riyals unless otherwise stated)

34 SUBSEQUENT EVENTS

The existence of novel coronavirus (COVID-19) was confirmed in early 2020 and has spread across multiple geographies, causing disruptions to businesses and economic activities. The Group considers this outbreak to be a non-adjusting post balance sheet event. As this situation is rapidly evolving, the Group's management is reviewing the potential risks around continued supply of materials, manpower, current inventory levels and uninterrupted functioning of facilities/branches all over the Kingdom of Saudi Arabia. It is not practicable to provide a quantitative estimate of the potential impact at this stage. In view of historical seasonality of Group's sales before Ramadan season, the Group does not foresee major impact on its operations if the situation is normalized within a reasonable time period. The management and those charged with governance will continue to monitor the situation.

In the opinion of management, there have been no further significant subsequent events since the year ended December 31, 2019 till the date authorization of financial statements by the Board of Directors that require either an adjustment or disclosure in these consolidated financial statements.

35 COMPARATIVE FIGURES

Certain reclassifications were made to the 2018 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 30 March, 2020 G.