SAUDI COMPANY FOR HARDWARE
(SAUDI JOINT STOCK COMPANY)

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

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Deloitte.

Deloitte and Touche & Co.
Chartered Accountants
Dammam branch office
License # 323/11/96/2
Date 24/4/1419
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders
Saudi Company for Hardware
(Saudi Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Saudi Company for Hardware, a Saudi Joint Stock Company and its subsidiary ("the Group") which comprise the consolidated statement of financial position as of 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 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 consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are 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 that are 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 that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SAUDI COMPANY FOR HARDWARE (CONTINUED)

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the key audit matter
First time adoption of IFRS 16 IFRS 16 Leases, which replaces IAS 17, introduces a new lease accounting model. This model requires lessees recognise a right-of-use (ROU) asset and a lease liability arising from a lease in its statement of financial position. The Group applied IFRS 16 on January 1, 2019, using the modified retrospective approach. Consequently, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to retained earnings as at January 1, 2019 with no restatement of comparative information. As a result, as at January 1, 2019, the Group recognized ROU assets of SR 446.2 million, lease liability of SR 507.7 million and a decrease in retained earnings as at January 1, 2019 of SR 83.6 million. Significant judgement is required in the assumptions and estimates made in order to determine the ROU asset and lease liability. The assumptions and estimates include assessment of lease term and the determination of appropriate discount rates. These adjustments arising from first time adoption of IFRS 16 are material to the Group, and therefore it has been considered as a key audit matter. Refer note 3 to the Consolidated financial statements for accounting policy related to IFRS 16 lease accounting and note 14 for other relevant disclosures.	The leases mainly relates to Group retail outlets, warehouses and leased land with different terms including options to extend or terminate the leases. In response to the identified key audit matter, we performed the following audit procedures: • As part of the risk assessment procedures related to management's implementation process we evaluated the design and implementation of internal controls including management's process to review the terms and conditions of lease contracts and the use of it to support the calculation of the lease liability, etc. • Verified the accuracy of the underlying lease data by agreeing a representative sample of leases to the original lease agreements and re performed the calculations for each lease sampled. • Considered the completeness of underlying lease data and IFRS 16 adjustments by testing the reconciliation (refer note 2) of operating lease commitments as disclosed in the 2018 financial statements; • We obtained the Group's quantification of ROU assets and lease liabilities. For a sample of leases, we agreed the inputs used in the quantification to the lease agreements and challenged the calculations of the discount rate applied. • We reviewed the appropriateness of the associated disclosures included in the consolidated financial statements in relation to leases against the requirements of IFRS 16.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the key audit matter
Impairment of goodwill The Group recognized SR 22.4 million of goodwill at December 31, 2019 as a result of the acquisition of Medscan Terminal Services in the prior years. In accordance with IAS 36 – Impairment of Assets, an entity is required to test goodwill acquired in a business combination for impairment at least annually irrespective of whether there is any indication of impairment. Goodwill is monitored by the management at the level of only one Cash-Generating Unit (CGU) – Medscan Terminal Company Limited. The goodwill impairment assessment was carried out by the management based on a discounted cash flow analysis, which uses the most recent five years business projections prepared by the management. The result of the assessment did not result in any impairment loss to be recognized. There is a risk regarding the potential impairment of the carrying value of goodwill given the judgements management is required to make in respect of the assumptions used to determine the recoverable amount of goodwill under value in use basis. In carrying out the impairment assessment, significant judgment and assumptions are required in determining the future cash flows, growth rates, discount rates and terminal value. Therefore, we identified the impairment testing of goodwill as a key audit matter. Refer note 5 and note 16 to the consolidated financial statements for additional details.	We performed following audit procedures in relation to goodwill impairment: • Assessed the adequacy of the design and tested the implementation of controls over monitoring the carrying value of goodwill. • Challenged management's assessment of the cash generating units (CGU) within the Group based on a review of the cash flows internally reported by management, and our understanding of the Group structure. • Challenged management's future cash flow forecasts by comparing the forecasts to the latest Board approved projections. We critically reviewed the historical accuracy of budgets and forecasts by, for example, comparing the budgets used in the prior year value in use model against the actual performance of the business in the current year, to evaluate the quality and accuracy of the forecasting process. • Assessed the appropriateness of cash flow projections of value in use of the business and challenged the reasonableness of key assumptions such as the future business growth rate, terminal growth rate and discount rate, etc., based on our knowledge of the business and industry by comparing the assumptions to historical results and comparing the current year actual results with prior year forecast and other relevant information. • Checked whether the impairment model had been prepared on the basis of management's assumptions and was arithmetically accurate. We challenged the appropriateness of sensitivities of these assumptions based on work performed on the key assumptions, and recalculated these sensitized scenarios in order to assess the potential impact of a range of possible outcomes; and Considered the adequacy of the Group's goodwill disclosure in terms of applicable accounting standards.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SAUDI COMPANY FOR HARDWARE (CONTINUED)

Key Audit Matters (continued)

Provision for shrinkage, slow moving and obsolete inventories The nature of operations of the Group requires that it is necessary to hold merchandise at its showrooms, franchisees and at regional warehouses in order to sell the merchandise to customers in various showrooms and to avoid shortage of merchandise at any point in time. The Group had gross inventory of merchandise amounting to SR 788.2 million (2018: SR 702.7 million) and provision for shrinkage, slow and non-moving inventories amounting to SR 19 million (2018: SR 18.9 million) in the consolidated statement of financial position. The Group provides for slow moving and obsolete inventory based on its historical experience, sales trends and others factors. The Group considers the results of physical inventory counts to determine the expected level of inventory shrinkage provision. This methodology relies upon significant judgments and key assumptions used by the management in determining appropriate provisioning percentages and is therefore considered as a key audit matter. Refer note 3 to the Consolidated financial statements for accounting policy related to the inventory and note 18 for relevant disclosure.	We obtained a detailed understanding and evaluated the design and tested implementation of controls that the Group has established in relation to the inventory provision. We obtained assurance over the appropriateness of the management's assumptions applied in calculating the value of inventory provision by performing the following: • Reviewed the Group's provisioning policy with specific consideration given to inventories which are discontinued by the management with less movement in a given year; • Verified the value of a sample of inventory to confirm whether it is held at the lower of cost and net realizable value through comparison to vendor invoices and recent sales prices; • Tested the reliability of the underlying data used by management to calculate the slow and non-moving and obsolescence allowance, typically an aged merchandise analysis showing last movements; • Assessed historical accuracy of inventory provision by comparing it with actual inventory write-offs in relation to stock loss or other inventory provisioning adjustments; • Recomputed the provision recorded to verify that they are recorded in line with the Group's policy and at their net realizable value. This was done in conjunction with IT specialist for some components where the provision is based on the aging; and • Evaluated the shrinkage provision made by the Group by considering the inventory shortages trend reported in recent stock counts.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SAUDI COMPANY FOR HARDWARE (CONTINUED)

Other information included in the Group's 2019 Annual Report

Other information consists of the information included in the Group's 2019 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The annual report is expected to be made available to us after the date of auditor's report.

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 identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. 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.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional skepticism throughout the audit.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SAUDI COMPANY FOR HARDWARE (CONTINUED)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

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

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

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.

Deloitte and Touche & Co
Chartered Accountants

Waleed Moh'd Sobahi
License No. 378
6 Sha'ban 1441
March 30, 2020

SAUDI COMPANY FOR HARDWARE
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019

	Notes	2019 SR	2018 SR
Revenue	6,7	**1,457,757,788**	1,390,470,544
Cost of revenue	8	**(1,198,803,260)**	(1,140,564,889)
GROSS PROFIT		**258,954,528**	249,905,655
Selling and marketing expenses	9	**(21,693,912)**	(19,208,567)
General and administration expenses	10	**(130,204,429)**	(118,336,936)
OPERATING PROFIT		**107,056,187**	112,360,152
Other income		**4,316,441**	3,352,075
Finance cost	11	**(38,275,349)**	(6,310,505)
PROFIT BEFORE ZAKAT		**73,097,279**	109,401,722
Zakat	12	**(11,460,223)**	(11,518,274)
NET PROFIT FOR THE YEAR		**61,637,056**	97,883,448
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss			
Net changes in fair value of equity investments at fair value through other comprehensive income		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**61,637,056**	97,883,448
Earnings per share (Saudi Riyals)			
Basic and diluted earnings per share attributable to the equity shareholders of the Company	13	**1.71**	2.72
Weighted average number of shares		**36,000,000**	36,000,000

Chief Financial Officer **Chief Executive Officer** **Chairman of Board of Directors**

SAUDI COMPANY FOR HARDWARE
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

	Notes	2019 SR	2018 SR
ASSETS			
Non-current assets			
Right-of-use assets	14	**584,007,598**	-
Property and equipment	15	**267,689,996**	254,536,178
Intangible assets	16	**36,616,258**	40,981,580
Equity investment at FVTOCI	17	**9,662,153**	9,662,153
Total non-current assets		**897,976,005**	305,179,911
Current assets			
Inventories	18	**769,224,144**	683,844,776
Accounts receivable	19	**34,992,739**	30,625,806
Prepayments and other receivables	20	**43,919,590**	61,137,404
Cash and cash equivalents	21	**17,273,202**	16,333,485
Total current assets		**865,409,675**	791,941,471
TOTAL ASSETS		**1,763,385,680**	1,097,121,382
EQUITY AND LIABILITIES			
Equity			
Share capital	1,27	**360,000,000**	360,000,000
Statutory reserve	28	**15,952,051**	9,788,345
Retained earnings		**163,512,081**	263,643,898
Fair value reserve of financial assets at FVTOCI	17	**1,401,700**	1,401,700
Total equity		**540,865,832**	634,833,943
Non-current liabilities			
Long term borrowings	22	**27,000,000**	59,366,072
Retirement benefit obligations	23	**42,951,036**	40,843,454
Lease liabilities	24	**598,230,133**	-
Total non-current liabilities		**668,181,169**	100,209,526
Current liabilities			
Short term borrowings	22	**135,961,581**	37,678,575
Current portion of long term borrowings	22	**22,366,071**	23,508,929
Accounts payable	25	**257,140,535**	222,483,732
Current portion of lease liabilities	24	**47,559,873**	-
Accrued expenses and other liabilities	26	**79,743,311**	66,070,340
Zakat payable	12	**11,465,580**	12,240,295
Dividends payable	29	**101,728**	96,042
Total current liabilities		**554,338,679**	362,077,913
Total liabilities		**1,222,519,848**	462,287,439
TOTAL EQUITY AND LIABILITIES		**1,763,385,680**	1,097,121,382

Chief Financial Officer **Chief Executive Officer** **Chairman of Board of Directors**

The accompanying notes form an integral part of these consolidated financial statements

SAUDI COMPANY FOR HARDWARE
(SAUDI JOINT STOCK COMPANY)

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

	Note	Share capital SR	Statutory reserve SR	Retained earnings SR	Fair value reserve of financial assets at FVTOCI SR	Total SR
Balance at January 1, 2018		240,000,000	57,701,439	300,396,702	1,401,700	599,499,841
Adjustment in application of IFRS 15		-	-	(863,210)	-	(863,210)
Adjustment in application of IFRS 9		-	-	(1,686,136)	-	(1,686,136)
Balance at January 1, 2018 (adjusted)		240,000,000	57,701,439	297,847,356	1,401,700	596,950,495
Net profit for the year		-	-	97,883,448	-	97,883,448
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive income for the year		-	-	97,883,448	-	97,883,448
Transfer to statutory reserve	28	-	9,788,345	(9,788,345)	-	-
Share capital issued		120,000,000	(57,701,439)	(62,298,561)	-	-
Dividend distribution	29	-	-	(60,000,000)	-	(60,000,000)
Balance at December 31, 2018		360,000,000	9,788,345	263,643,898	1,401,700	634,833,943
Adjustment in application of IFRS 16	2	-	-	**(83,605,167)**	-	**(83,605,167)**
Balance at January 1, 2019 (adjusted)		**360,000,000**	**9,788,345**	**180,038,731**	**1,401,700**	**551,228,776**
Net profit for the year		-	-	**61,637,056**	-	**61,637,056**
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive income for the year		-	-	**61,637,056**	-	**61,637,056**
Transfer to statutory reserve	28	-	**6,163,706**	**(6,163,706)**	-	-
Dividend distribution	29	-	-	**(72,000,000)**	-	**(72,000,000)**
Balance at December 31, 2019		**360,000,000**	**15,952,051**	**163,512,081**	**1,401,700**	**540,865,832**

Chief Financial Officer **Chief Executive Officer** **Chairman of Board of Directors**

The accompanying notes form an integral part of these consolidated financial statements

SAUDI COMPANY FOR HARDWARE
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019 SR	2018 SR
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit for the year	**61,637,056**	97,883,448
Adjustments for:		
Zakat	**11,460,223**	11,518,274
Finance cost	**38,275,349**	6,310,505
Depreciation and amortization	**48,586,144**	42,960,536
Depreciation on right-of-use asset	**68,071,297**	-
Gain on disposal of property and equipment	**(389,912)**	(21,167)
Write-off property and equipment	**94,824**	250,398
Provision/ (reversal) for slow moving items and inventory shortages	**111,324**	(6,400,839)
Write-off inventories	**16,485,376**	19,490,775
Provision for doubtful debts	**607,893**	450,242
Provision for other receivables	**733,656**	1,820,715
Provision for retirement benefit obligations	**7,293,303**	6,520,496
Movement in working capital:		
Inventories	**(101,976,068)**	(99,926,970)
Accounts receivable	**(4,974,826)**	(10,304,396)
Prepayments and other receivables	**(5,615,413)**	(1,879,411)
Accounts payable	**34,656,803**	68,948,342
Accrued expenses and other current liabilities	**13,723,695**	2,172,183
Cash generated from operations	**188,780,724**	139,793,131
Zakat paid	**(12,234,938)**	(10,748,869)
Finance cost paid	**(38,326,073)**	(7,269,371)
Retirement benefit obligations paid	**(5,185,721)**	(4,542,632)
Net cash generated from operating activities	**133,033,992**	117,232,259
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase for property and equipment	**(56,489,146)**	(53,237,220)
Proceeds from disposal of property and equipment	**581,150**	80,412
Purchase for intangible assets	**(1,171,556)**	(2,929,014)
Net cash used in investing activities	**(57,079,552)**	(56,085,822)

Chief Financial Officer | **Chief Executive Officer** | **Chairman of Board of Directors**

SAUDI COMPANY FOR HARDWARE
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019 SR	2018 SR
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in short term borrowings, net	**98,283,006**	3,652,170
Repayment of lease liabilities	**(67,794,485)**	-
Repayments of long term borrowings	**(33,508,930)**	(15,787,777)
Dividends paid	**(71,994,314)**	(59,997,975)
Net cash used in financing activities	**(75,014,723)**	(72,133,582)
Net change in cash and cash equivalents	**939,717**	(10,987,145)
Cash and cash equivalents at January 1	**16,333,485**	27,320,630
CASH AND CASH EQUIVALENTS, DECEMBER 31	**17,273,202**	16,333,485

Significant non-cash transactions:

Adjustment of property and equipment (note 15)	-	(4,897,476)
Adjustment of prepaid rent against lease liabilities	**(22,099,571)**	-
Lease liabilities	**(713,584,491)**	-
Right-of-use assets	**652,078,895**	-
IFRS 16 net adjustment in retained earnings	**83,605,167**	-

Chief Financial Officer **Chief Executive Officer** **Chairman of Board of Directors**

The accompanying notes form an integral part of these consolidated financial statements

1. CORPORATE INFORMATION

Saudi Company for Hardware (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 1010056595 issued in Riyadh on Safar 26. 1405H (corresponding to November 19, 1984). The Capital Market Authority (the "CMA") announced on Jumada II 5,1436H (corresponding to March 25, 2015) the CMA's board decision to approve the launch of 7,200,000 shares in the Company initial public offering which represents 30% of the total shares of the Company's 24,000,000 shares in which it was allocated to investment funds and licensed individuals. The Company's shares were listed in the Saudi Stock Market ("Tadawul") on Sha'ban 23, 1436H (corresponding to May 12, 2015).

As of December 31, 2019 the Company's share capital was SR 360 million divided into 36 million shares of SR 10 each (2018: SR 360 million divided into 36 million shares of SR 10 each).

The Company is principally engaged in retailing and wholesaling of household and office supplies and appliances, construction tools and equipment, and electrical tools and hardware.

The registered address of the Company is P.O. Box 86387, Riyadh 11622, Kingdom of Saudi Arabia.

The accompanying consolidated financial statements include the financial statements of the Company, its subsidiary and its following 30 stores located in various cities in the Kingdom of Saudi Arabia:

Subsidiary name	Country	Effective ownership percentage	Activities
Medscan Terminal Company Limited	Saudi Arabia	100%	Transportation and logistics

The Company and its subsidiary are referred to hereinafter as ("the Group").

Stores	Region	Date of CR	Commercial registration No.
Takhassoussi	Riyadh	26/02/1405	1010056595
Hamra	Riyadh	14/04/1420	1010154852
Badiaa	Riyadh	19/11/1430	1010276497
Rimal	Riyadh	23/06/1431	1010289426
Khurais	Riyadh	22/07/1417	1010144072
Al Qasr	Riyadh	22/01/1433	1010322479
Northern Ring Road	Riyadh	08/07/1425	1010201062
Alia Plaza	Riyadh	06/06/1435	1010409935
Al Thaagar Plaza	Riyadh	16/04/1436	1010430261
King Abdullah Branch	Riyadh	04/07/1407	1010065245
Buraydah	Qasim	13/04/1426	1131020838
Andalous	Jeddah	10/01/1415	4030104324
Tahlia	Jeddah	10/02/1409	4030061896
Prince Sultan Road	Jeddah	15/03/1431	4030198058
Al Sawary Mall	Jeddah	06/06/1435	4030268514
Medina Al Mounawara Branch	Medina Al Mounawara	23/06/1428	4650039295
Yanbu Branch	Yanbu	18/07/1431	4700012605
Dammam Branch	Dammam	28/05/1416	2050030529
Dhahran Branch	Dhahran	14/11/1420	2052000780
Jubail Branch (new)	Jubail	19/08/1440	7008904042
Al Ahsa Branch	Al Ahsa	20/01/1421	2252026146
Jazan Branch	Jazan	16/04/1436	5900031715
Hail Branch	Hail	16/04/1436	3350043304
Onayzah Branch	Qasim	29/04/1437	1128019513

1. CORPORATE INFORMATION (CONTINUED)

Stores	Region	Date of CR	Commercial registration No.
Al Kharj Branch	Al Kharj	22/11/1437	1011024139
Hafr El Batten	Hafr El Batten	22/11/1437	2511025181
Damman	Dammam	14/01/1439	2050113956
Skaka	Aljouf	01/09/1439	3400116314
Al Tyaf	Riyadh	20/01/1440	1010461248
Al Taif	Al Taif	20/01/1440	4032229985
Workshop			
Workshop Center	Riyadh	27/08/1431	1010293034

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

2.1 New and amended IFRS Standards that are effective for the current year

In current year, the Group, for the first time, has adopted IFRS 16 Leases (as issued by the IASB in January 2016). The standard replaces the existing guidance on leases, including IAS 17 'Leases", IFRIC 4 'Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease".

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Therefore, IFRS 16 does not have an impact for leases where the Group is the lessor. Details of these new requirements are described in Note 3. The impact of the adoption of IFRS 16 on the Group's financial statements is described below.

The date of initial application of IFRS 16 for the Group is January 1, 2019.

The Group has opted for the modified retrospective application permitted by IFRS 16 upon adoption of the new standard. The Group does not restate any comparative information. Instead, the cumulative effect of applying the standard is recognised as an adjustment to the opening balance of retained earnings at the date of initial application.

Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to leases entered or modified before January 1, 2019. The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after January 1, 2019, (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.1 New and amended IFRS Standards that are effective for the current year (continued)

Impact on Lessee Accounting

Former operating leases

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:

a) recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments;

b) recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; and

c) separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts. For short term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within cost of revenue as rental and leasehold expenses in the consolidated statement of profit or loss.

Practical expedient

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a multiple discount rate to a portfolio of leases with reasonably similar characteristics;
- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases
- exclusion of initial direct costs for the measurement of right-of-use assets at the date of initial application;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- 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.

Former finance leases

The main difference between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of residual value guarantees provided by a lessee to a lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.1 New and amended IFRS Standards that are effective for the current year (continued)

Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in the leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

The group has no significant subleasing contract accordingly, there is no material impact on consolidated financial statements because of abovementioned amendment in IFRS 16.

Financial impact of initial application of IFRS 16

The tables below show the amount of adjustment for each consolidated financial statement line item affected by the application of IFRS 16 for the year December 31, 2019.

Impact on consolidated statement of profit or loss

	December 31, 2019 SR
Increase in depreciation expense	(68,071,297)
Increase in finance costs	(29,816,646)
Decrease in rental and leasehold expenses	85,550,950
Decrease in profit for the year	(12,336,993)

Impact on consolidated statement of cash flows

	December 31, 2019 SR
Operating lease payments	(3,791,101)
Interest paid	(29,816,646)
Net cash flows from operating activities	**(33,607,747)**
Payment of principal portion of lease liabilities	(67,794,485)
Net cash flows from financing activities	**(67,794,485)**

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.1 New and amended IFRS Standards that are effective for the current year (continued)

Financial impact of initial application of IFRS 16 (continued)

Impact on assets, liabilities and equity as at January 1, 2019

	As previously reported SR	Adjustments SR	As restated SR
Right-of-use assets	-	446,198,105	446,198,105
Prepayments and other receivables	61,137,404	(22,099,571)	39,037,833
Net impact on total assets	61,137,404	424,098,534	485,235,938
Lease liabilities	-	507,703,701	507,703,701
Retained earnings	263,643,898	(83,605,167)	180,038,731
Net impact on total liabilities and equity	263,643,898	424,098,534	687,742,432

The off-balance sheet lease obligations as of December 31, 2018 are reconciled as follows to the recognized lease liabilities as of January 1, 2019.

	SR
Operating lease commitments disclosed as of December 31, 2018	**725,788,404**
Adjustment for operating lease commitments	**22,753,023**
	748,541,427
Less: leases not yet commenced to which the lessee is committed	**(51,636,000)**
	696,905,427
Discounted using the lessee's incremental borrowing rate at the date of initial application	**(189,201,726)**
Lease liabilities recognised as at January 1, 2019	**507,703,701**
Of which are:	
Current lease liabilities	**57,906,041**
Non-current lease liabilities	**449,797,660**
	507,703,701

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.1 New and amended IFRS Standards that are effective for the current year (continued)

Financial impact of initial application of IFRS 16 (continued)
The associated right-of-use assets were measured on a modified retrospective basis. Right-of-use assets are measured as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognized right of use of assets relate to the following types of assets:

	December 31, 2019 SR	January 1, 2019 SR
Properties	**581,453,473**	442,291,646
Vehicles	**2,554,125**	3,906,459
Total right-of-use assets	**584,007,598**	446,198,105

Group as a lessee

a) The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right-of-use assets and leases liabilities. It resulted in a decrease in rental and leasehold expenses and an increase in depreciation expense and in interest expense.

b) Previously unutilized prepaid rent amounting to SR 22 million was derecognized in respect of lease contacts, which falls under the new rules of IFRS 16.

Group as a lessor

c) The Group's activities as lessor are not material accordingly there is no material impact on the consolidated financial statements.

Under IFRS 16, lessees must present

- Short-term lease payments and payments for leases of low-value assets are not included in the measurement of the lease liability as part of financing activities (the Group has included these payments as part of payments to suppliers in operating activities).

- Cash paid for the interest portion of lease liability as either operating activities or financing activities, as permitted by IAS 7 (the Group has opted to include the interest paid as part of operating activities); and

- Cash payments for the principal portion for leases liability, as part of financing activities. Under IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities. Consequently, the net cash generated by operating activities has increased by SR 67.79 million and net cash used in financing activities increased by the same amount.

The adoption of IFRS 16 did not have an impact on net cash flows.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.2 New and amended IFRS applied with no material effect on the consolidated financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2019, have been adopted in these consolidated financial statements.

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 28 *Investment in Associates and Joint Ventures*: Relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 1, 2019
Annual Improvements to IFRSs 2015-2017 *Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs.* The Annual Improvements include amendments to four Standards.	January 1, 2019
IAS 12 Income Taxes The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.	January 1, 2019
IAS 23 Borrowing costs The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.	January 1, 2019
IFRS 3 *Business Combinations* The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including re-measuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be re-measured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.	January 1, 2019

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.2 New and amended IFRS applied with no material effect on the consolidated financial statements (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 11 *Joint Arrangements*	January 1, 2019
The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not re-measure its PHI in the joint operation.	
Amendments to IAS 19 *Employee Benefits Plan Amendment, Curtailment or Settlement*	January 1, 2019
The amendments to IAS 19 Employee Benefits clarify the accounting for defined benefit plan amendments, curtailments and settlements.	
IFRIC 23 Uncertainty over Income Tax Treatments	January 1, 2019
The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:	

- Whether tax treatments should be considered collectively;
- Assumptions for taxation authorities' examinations;
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- The effect of changes in facts and circumstances.

The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

2.3 New and revised IFRS Standards in issue but not yet effective and not early adopted

At the date of authorization of these consolidated financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

New and revised IFRSs	Effective for annual periods beginning on or after
Definition of Material - Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*	January 1, 2020
The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'	

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.3 New and revised IFRS Standards in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Definition of a Business – Amendments to IFRS 3 *Business Combinations* The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.	January 1, 2020
Amendments to *References to the Conceptual Framework in IFRS Standards* Amendments to References to the Conceptual Framework in IFRS Standards related IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.	January 1, 2020
IFRS 7 Financial Instruments: Disclosures and IFRS 9 — Financial Instruments Amendments regarding pre-replacement issues in the context of the IBOR reform.	January 1, 2020
IFRS 17 Insurance Contracts IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as at January 1, 2022.	January 1, 2022
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.3 New and revised IFRS Standards in issue but not yet effective (continued)

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") as endorsed by Saudi Organization for Certified Public Accountants (SOCPA) (IFRS endorsed by SOCPA).

As required by CMA through its circular dated October 16, 2016, the Group applied cost model to measure the property and equipment upon adopting IFRS for three years starting from IFRS adoption date January 1, 2017.

Basis of preparation

The consolidated financial statements are prepared under the historical cost convention except for certain financial instruments at FVTOCI that are measured at fair values and retirement benefit obligations by using the actuarial basis for end of service benefits, on the accrual basis of accounting. These consolidated financial statements are presented in Saudi Riyals ("SR"), which is the Group's functional currency.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and an entities controlled by the Company and its subsidiary. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of the subsidiary to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations
Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with IFRS 2 Share-Based Payments at the acquisition date (see below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

Revenue recognition
Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before revenue is recognized. The Group recognizes revenue from the following major sources.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Sale of goods at retail showrooms
Sale of goods to retail customers, revenue is recognized when control of the goods has transferred being at the point the customer purchases the goods at the retail outlets. Payment of the transaction price is due immediately at the point the customers purchases the goods.

Under the Group's standard contract terms, customers have a right of return within 7 days. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognized for those products expected to be returned. At the same time, the Group has a right to recover the product when customers exercise their right of return so consequently recognizes a right to returned goods asset and a corresponding adjustment to cost of sales. The Group uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. It is considered highly probable that a significant reversal in the cumulative revenue recognized will not occur given the consistent level of return over previous years.

The Group sells hardware, electronic equipment, mobile phones, furniture, household items, etc., directly to credit customers both through its own retail outlets and through internet sales. Revenue is recognized when the control of the goods has transferred, being at the point in time the goods are delivered to the customers. When the customer initially purchases the goods online the transaction price received by the group is recognized as a contract liability until the goods have been delivered to the customer.

The Group operates in loyalty point's programs, "My Rewards" which allows customers to accumulate points when they purchase products in the Group's retail stores. The points can then be redeemed for free products, subject to a minimum numbers of points being obtained. A contract liability is recognized for revenue relating to the loyalty points at the time of the initial sales transaction. Revenue from the loyalty points is recognized when the points are redeemed by the customer. Award points expired after 24 months of the initial sale. Revenue for points that are not expected to be redeemed is recognized in proportion to the pattern of rights exercised by customers.

No element of financing component is deemed present as the sales are made either on cash or on credit terms consistent with market practice.

Rendering of services
Revenue from logistic services is recognized when the services are completed and invoiced to the customers.

Cost of revenue
Costs of revenue principally comprise the cost of goods sold, which include direct labor, landed costs of merchandise sold, showroom lease rent, staff costs and depreciation.

Expenses
Selling and marketing expenses principally comprise of costs incurred in the distribution and marketing of the Group's products. All other expenses are classified as general and administration expenses.

General and administration expenses include direct and indirect costs not specifically part of cost of revenue as required under generally accepted accounting principles. Allocations between general and administration expenses, selling and marketing expenses and cost of revenue, when required, are made on a consistent basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases
The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

Policies applicable prior to January 1, 2019
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor
Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the term of the lease transfers substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating lease.

The Group as lessee
Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

Policies applicable from January 1, 2019

The Group as lessee
The Group assesses whether contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

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

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

The lease liability is presented as a separate line item in the consolidated statement of financial position.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Policies applicable from January 1, 2019 (continued)

The Group as lessee (continued)

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revise discount rate is used).

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

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

The right-of-use of assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss as described in the 'Property and equipment' policy.

As a practical expedient, IFRS16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

The Group as lessor
Currently the Group is not involved in leasing activities as lessor. When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Foreign currencies
At each reporting date, monetary assets and liabilities that are denominated in currencies other than the entity's functional currency (foreign currencies) are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Differences arising on settlement or translation of monetary items are recognized in the consolidated statement of profit or loss.

Borrowing cost
Borrowing costs directly attributable to construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized in consolidated profit or loss in the period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Zakat

The Group is subject to the regulations of the General Authority of Zakat and Tax ("GAZT") in the Kingdom of Saudi Arabia. The provision is charged to the consolidated statement of profit or loss and other comprehensive income. The zakat charge is computed on the Saudi shareholders' share of the zakat base or adjusted net income whichever is higher. Additional amounts, if any, that may become due on finalization of an assessment are accounted for in the year in which assessment is finalized.

Value added tax

- Expenses and assets are recognised net of the amount of value added tax ("VAT"), except:
- When receivables and payables are stated with the amount of VAT included.
- The net amount of VAT recoverable from, or payable to, the GAZT is included as part of receivables or payables in the statement of consolidated financial position.

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any, except freehold land and capital work in progress which are stated at cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items including borrowing costs. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. Where major components of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Disposal of asset is recognized when significant risks and rewards incidental to ownership have been transferred to buyers. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'Other income' in the consolidated statement of profit or loss and other comprehensive income.

Depreciation is charged to the consolidated statement of profit and loss and other comprehensive income using the straight line method whereby the cost of an operating asset less its estimated residual value is written off over its estimated useful life. Depreciation on addition is charged from the month in which the asset is available for use and on disposals up to the month of disposal. Depreciation method, useful lives and residual values are reviewed annually.

The following useful lives are used in the calculation of depreciation:

	Years
Buildings	20
Furniture and fixtures	2.5 to 20
Computer hardware	2 to 4
Vehicles	4
Tools and equipment	4 to 7

Leasehold improvements are being amortized on the straight-line basis over the shorter of useful life or lease period.

Capital work-in-progress is stated at cost less impairment losses, if any, and is not depreciated until the asset is brought into commercial operations and available for intended use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets

Intangible assets acquired separately
Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Intangible assets comprise goodwill and software licenses.

Goodwill
Goodwill is initially recognised and measured as set out above in business combination policy. Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Software licenses
Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives from 2 to 7 years. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Derecognition of intangible assets
An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

Impairment of tangible and intangible assets other than goodwill
At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax (pre zakat) discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of tangible and intangible assets other than goodwill (continued)
If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Inventories
Inventories are stated at the lower of cost and net realizable value. Cost comprise purchase cost and, where applicable, direct costs (e.g. shipping, transportation, insurance, and other costs) and those overheads that have been incurred in bringing the inventories to their present location and condition. Inventories are valued on a weighted average cost basis. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Financial instruments
Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets
All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets
Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Classification of financial assets
By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iv) below).

Impairment of financial assets
The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises ECL for accounts receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Significant increase in credit risk (continued)

In particular, the following information is taken into account, where deemed applicable, when assessing whether credit risk has increased significantly since initial recognition;

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument,
- e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default,
(2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

i) Definition of default
The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 365 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

ii) Credit impaired financial assets
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event (see (ii) above);
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

iii) Write off policy
The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

iv) Measurement and recognition of expected credit losses
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

iv) Measurement and recognition of expected credit losses (continued)
For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities
All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL
Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities (continued)

Financial liabilities at FVTPL (continued)

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship (see Hedge accounting policy). The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in consolidated statement of comprehensive income.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as at FVTPL are recognised in profit or loss.

Fair value is determined in the manner described in note 34.

Financial liabilities measured subsequently at amortised cost
Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities (continued)

Financial guarantee contract liabilities
A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9 (see financial assets above); and
- the amount recognised initially less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

Retirement benefit costs and termination benefits
For defined retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Re-measurement, comprising actuarial gains and losses is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Re-measurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- re-measurement.

Curtailment gains and losses are accounted for as past service costs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities (continued)

Retirement benefit costs and termination benefits (continued)
The retirement benefit obligations recognized in the statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

Short-term and other long-term employee benefits
A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Cash and cash equivalents
Cash and cash equivalents comprise cash at banks, cash on hand, short term deposits, demand deposits and highly liquid investments with original maturity of three months or less, net of outstanding bank overdrafts which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Dividend
Dividends are recorded in the consolidated financial statement in the period in which these are approved.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts payable and accruals

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year, which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortised cost using the effective interest method.

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. For liabilities which are probable, they are recorded in the consolidated statement of financial position 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.

Earnings per share

The Group presents basic, and diluted (if any), earnings per shares (EPS) data for its ordinary shares. Basic EPS is calculated by dividing net income for the year of the Group by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held ((if any). Diluted EPS , if any, is determined by adjusting the net income for the year and the weighted average number of ordinary shares outstanding during the year, adjusted for the own shares held, for the effects of all dilutive potential ordinary shares.

Segmental reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Significant accounting judgements, estimates and assumptions

In the application of the Group's accounting policies, which are described in note 3, the directors of the Group are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that, period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Property and equipment

The cost of property and equipment is depreciated over the estimated useful life, which is based on expected usage of the asset, expected physical wear and tear, the repair and maintenance program and technological obsolescence arising from changes and the residual value. The management has not considered any residual value as it is deemed immaterial.

Allowance for slow moving and obsolete inventories

Inventories are stated at the lower of cost and net realizable value. Adjustments to reduce the cost of inventories to net realizable value, if required, are made at the product level for estimated excess, obsolescence or damages. Factors influencing these adjustments include change in demand, product pricing, physical deterioration and quality issues.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgements in applying accounting policies (continued)

Significant increase in credit risk
As explained in note 3, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP and market credit risk of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Determining the lease term
In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Key sources of estimation uncertainty
The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Property and equipment
The Group reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation. Further, where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

Allowance for doubtful accounts receivable
When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. The Group uses estimates for the computation of loss rates.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Valuation of defined benefit obligations
The cost of the defined benefit pension plan and other post-employment benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and other assumptions. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (continued)

Impairment of non-financial assets
Impairment exists when the carrying value of an asset or Cash Generating Unit ("CGU") 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 Company is not yet committed to or significant future investments that will enhance the perfolmance of the 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.

Contract liabilities (refund liability)
The refund liability relates to customers' right to return products within 7 days of purchase. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned. The Group uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method.

Discounting of lease payments
The lease payments are discounted using the Group's incremental borrowing rate ("IBR"). Management has applied judgments and estimates to determine the IBR at the commencement of lease. IBR may varies for different properties mainly due to lease term and management has used Saudi Spread along with US Bond in assessing the suitable IBR for each individual asset or group of similar assets.

5. BUSINESS COMBINATION

On 23 Safar 1438H (corresponding to November 23, 2016), the Group signed an agreement ("agreement") to purchase the entire partners' shares in Medscan Terminal Company Ltd. ("Medscan"), which represented all the assets and liabilities of Medscan as well as transferring the brand name, logo and other intellectual property elements belonging to Medscan as of the agreement date, which is the date of the transfer of effective control to the Group ("acquisition date"), in exchange for a consideration of SR 37 million. The Group paid the full amount on the agreement date. The legal procedures related to the acquisition were completed during the quarter ended December 31, 2016. According to the terms of the agreement, the Company bears the costs related to the acquisition process.

International Financial Reporting Standard 3, (IFRS 3) "Business Combinations", requires that all identified assets and liabilities acquired in a business combination should be carried at fair values in the acquirer's balance sheet and any intangible assets acquired in the business combination are required to be separately recognised and carried at fair values. IFRS 3 allows the acquirer a maximum period of one year from the date of acquisition to finalise determination of the fair values of the assets and liabilities and to determine the value of any intangible separately identified.

The Group initially recognized Medscan assets and liabilities at provisional fair value which were equal to the book value as of November 23, 2016, which resulted in a goodwill of SR 25.4 million, representing the excess of purchase consideration over the initial book value of the acquired net assets, amounting to SR 11.6 million. In 2017, and in compliance with the requirement specified in IFRS 3, the fair valuation exercise of the recorded assets and liabilities was completed by the management as a result of which new information was obtained that necessitated adjustments to the provisional fair values of the acquired net assets. Accordingly, adjustments were made in these consolidated financial statements.

5. BUSINESS COMBINATION (CONTINUED)

The following is a summary of the goodwill that were initially recognized for the acquired Group on November 23, 2016 (date of acquisition) along with re-measurements for each major category of assets and liabilities:

	Notes	Fair values provisionally determined as at November 23, 2016	Adjustments as a result of finalization of fair value exercise	Fair values finalized and adjusted
Current assets:				
Cash and bank balances		5,586,939	-	5,586,939
Accounts receivable		4,301,472	-	4,301,472
Prepayments and other receivable		836,856	-	836,856
		10,725,267	-	10,725,267
Non-current assets:				
Property and equipment		3,081,054	3,023,475	6,104,529
Total assets		13,806,321	3,023,475	16,829,796
Current liabilities:				
Accounts payable		516,165	-	516,165
Accrued and other liabilities		530,067	-	530,067
Retirement benefit obligations		1,161,453	-	1,161,453
Total current liabilities		2,207,685	-	2,207,685
Net assets acquired		11,598,636	3,023,475	14,622,111
Less: investment consideration		37,000,000	-	37,000,000
Goodwill	16	25,401,364	-	22,377,889

The goodwill of SR 22.4 million is attributable to the high profitability of the acquired business, revenue growth and future market developments of the acquired business.

5.1 Acquired trade receivables

The fair value of acquired trade receivables were SR 4,301,472. The gross contractual amount for accounts receivable due is also SR 4,301,472. No amount is uncollectible from these trade receivables.

5.2 Revenue and profit contribution

The acquired business contributed revenue of SR 10.12 million and net profit of SR 5 million to the Group for the year ended December 31, 2019 (2018: SR 10.6 million and SR 4.5 million respective contribution in revenue and profit for the year).

6. REVENUE

The Group generates its revenue from sale of goods, rendering of transportation and logistics services over time and at point in time. This is consistent with the revenue information that is disclosed for each reportable segment in note 7 operating segments.

	2019 SR	2018 SR
Sales of goods, net	**1,439,601,908**	1,373,221,195
Service revenue	**8,034,982**	6,607,089
Logistics revenue	**10,120,898**	10,642,260
	1,457,757,788	1,390,470,544

6. REVENUE (CONTINUED)

Service revenue represents the Group's services department's revenue from delivery, installation and maintenance of items sold to customers.

Logistics revenue represents the revenue earned by Medscan, the subsidiary of the Group.

Sales of goods constitutes the followings:

	2019 SR	2018 SR
Retail sales, net	**1,421,284,170**	1,359,259,203
Whole-sale	**18,317,738**	13,961,992
	1,439,601,908	1,373,221,195

7. SEGMENT INFORMATION

The Group has two main operating segments namely, sales and services and logistic services.

Sales and Services segment: This segment includes sale of goods made to retail and wholesale customers. Service department represent services department's income from delivery, installation and maintenance of items sold.

Logistic Services: The logistics and related services segment provides a comprehensive logistics offering to its clients, including freight forwarding, transportation and contract logistics.

The Group's Chief Executive Officer (Chief Operating Decision Maker) reviews the internal management reports of each segment at least quarterly for the purpose of resources allocation and assessment of performance. Operating segments are organized based on factors including distribution method, targeted customers and geographic location.

The segment information provided to the strategic steering committee for the operating segment as of and for the year ended December 31, 2019 and 2018 is as follows:

For the year ended December 31, 2019	Sales and services SR	Logistic services SR	Total SR
Revenue:			
Total segment revenue	**1,447,636,890**	**21,179,878**	**1,468,816,768**
Inter-segment revenue	-	**(11,058,980)**	**(11,058,980)**
Revenue from external customers	**1,447,636,890**	**10,120,898**	**1,457,757,788**
Profit from operations	**102,456,386**	**4,599,801**	**107,056,187**
Finance cost	**(38,148,122)**	**(127,227)**	**(38,275,349)**
Other income, net	**3,741,525**	**574,916**	**4,316,441**
Profit before zakat	**68,049,789**	**5,047,490**	**73,097,279**
Zakat	**(11,460,223)**	-	**(11,460,223)**
Net profit for the year	**56,589,566**	**5,047,490**	**61,637,056**

7. SEGMENT INFORMATION (CONTINUED)

Other segment information: For the year ended December 31, 2019	**Sales and services SR**	**Logistic services SR**	**Total SR**
Capital expenditures	**51,770,378**	**5,890,324**	**57,660,702**
Depreciation and amortization	**45,610,696**	**2,975,448**	**48,586,144**
Depreciation on right-of-use asset	**68,012,391**	**58,906**	**68,071,297**
Total segment assets:			
December 31, 2019	**1,741,298,225**	**22,087,455**	**1,763,385,680**
Total segment liabilities:			
December 31, 2019	**1,211,531,719**	**10,988,129**	**1,222,519,848**

For the year ended December 31, 2018	Sales and services SR	Logistic services SR	Total SR
Revenue:			
Total segment revenue	1,379,828,284	23,647,855	1,403,476,139
Inter-segment revenue	-	(13,005,595)	(13,005,595)
Revenue from external customers	1,379,828,284	10,642,260	1,390,470,544
Profit from operations	107,823,572	4,536,580	112,360,152
Finance cost	(6,310,505)	-	(6,310,505)
Other income, net	3,344,412	7,663	3,352,075
Profit before zakat	104,857,479	4,544,243	109,401,722
Zakat	(11,496,774)	(21,500)	(11,518,274)
Net profit for the year	93,360,705	4,522,743	97,883,448
Other segment information: For the year ended December 31, 2018			
Capital expenditures	50,280,966	5,885,268	56,166,234
Depreciation and amortization	37,577,615	5,382,921	42,960,536
Total segment assets:			
December 31, 2018	1,081,101,209	16,020,173	1,097,121,382
Total segment liabilities:			
December 31, 2018	455,146,328	7,141,111	462,287,439

8. COST OF REVENUE

	2019 SR	2018 SR
Cost of goods sold	**894,965,049**	840,452,839
Loss from shrinkage and inventory shortages	**16,485,376**	19,490,775
Provision for slow moving items and inventory shortages	**111,324**	(6,400,839)
Salaries and other benefits	**133,421,856**	124,888,615
Rentals and leasehold expenses	**19,954,497**	92,288,618
Depreciation and amortization	**34,842,532**	28,311,401
Depreciation on right-of-use asset	**58,648,631**	-
Franchisee commission	**15,285,040**	15,037,150
Others	**25,088,955**	26,496,330
	1,198,803,260	1,140,564,889

9. SELLING AND MARKETING EXPENSES

	2019 SR	2018 SR
Advertisement and promotion	**19,379,720**	16,898,891
Salaries and other benefits	**2,314,192**	2,309,676
	21,693,912	19,208,567

10. GENERAL AND ADMINISTRATION EXPENSES

	2019 SR	2018 SR
Salaries and other benefits	**71,388,690**	65,898,876
Services	**29,662,799**	23,762,292
Depreciation and amortization	**13,743,612**	14,649,135
Depreciation on right-of-use asset	**9,422,666**	-
Rentals and leasehold expenses	**2,826,478**	11,496,527
Provision for other receivables	**733,656**	1,820,715
Provision for doubtful debts	**607,893**	450,242
Others	**1,818,635**	259,149
	130,204,429	118,336,936

11. FINANCE COST

	2019 SR	2018 SR
Interest on short term borrowings	**2,805,610**	693,092
Interest on long term borrowings	**3,070,342**	3,174,285
Interest on lease liability	**29,816,646**	-
Bank and other charges	**2,582,751**	2,443,128
	38,275,349	6,310,505

12. ZAKAT

The principal elements of the Zakat base are as follows:

	2019 SR	2018 SR
Non-current assets	**897,976,005**	305,179,911
Non-current liabilities	**668,181,169**	100,209,526
Opening shareholders' equity	**634,833,943**	599,499,841
Profit before Zakat	**73,097,279**	109,401,722
Dividends	**72,000,000**	60,000,000

The Zakat is based on the consolidated financial statements of the Group. The movement in Group's zakat provision is as follows:

	2019 SR	2018 SR
January 1,	**12,240,295**	11,542,327
Charged to profit or loss	**11,465,580**	12,240,295
Over provision for prior year	**(5,357)**	(722,021)
Payments during the year	**(12,234,938)**	(10,748,869)
Transfer to accrued expenses and other liabilities	**-**	(71,437)
December 31,	**11,465,580**	12,240,295

The charge for the year for zakat is as follows:

	2019 SR	2018 SR
In respect of current year	**11,465,580**	12,240,295
In respect of prior year	**(5,357)**	(722,021)
Total zakat expense recognised in current year	**11,460,223**	11,518,274

The Company received the final zakat assessment up to 2006 and the assessments for the years 2007 to 2018 are under study by the GAZT. The Group started filing a consolidated zakat return for the Company and its subsidiary starting January 1, 2017. The final zakat assessment for the subsidiary is under review by the GAZT for the years 2011 to 2016.

13. EARNINGS PER SHARE (EPS)

Basic earnings per share is calculated by dividing the total comprehensive income for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding end of year. The calculation of diluted earnings per share is not applicable to the Group. Also, no separate earning per share calculation from continuing operations has been presented since there were no discontinued operations during the year.

13. EARNINGS PER SHARE (EPS) (CONTINUED)

The EPS calculation is given below:

	2019 **SR**	2018 SR
Total comprehensive income attributable to ordinary equity holders of the parent	**61,637,056**	97,883,448
Weighted average number of shares outstanding - beginning of year	**36,000,000**	36,000,000
Earnings per share	**1.71**	2.72

There is no dilutive effect on the basic earnings per share of the Group.

14. RIGHT-OF-USE ASSETS

Group as a Lessee

The Group leases various offices, warehouses, retail stores, and vehicles. Rental contracts are typically made for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

	Properties **SR**	**Vehicles** **SR**	**Total** **SR**	**Lease liabilities** **SR**
January 1, 2019 (restated)	442,291,646	3,906,459	446,198,105	507,703,701
Additions	**210,499,434**	**57,589**	**210,557,023**	**210,557,023**
Depreciation expense	**(66,661,374)**	**(1,409,923)**	**(68,071,297)**	-
Adjustment	**(4,676,233)**	-	(4,676,233)	**(4,676,233)**
Interest expense	-	-	-	**29,816,646**
Payments	-	-	-	**(97,611,131)**
December 31, 2019	581,453,473	2,554,125	584,007,598	645,790,006

Amounts recognised in profit and loss for current year is as follows;

	December 31, 2019 **SR**
Depreciation expense on right-of-use assets	**68,071,297**
Interest expense on lease liabilities	**29,816,646**
Expense relating to short-term leases	**3,145,094**
Expense relating to leases of low value assets	**646,007**

15. PROPERTY AND EQUIPMENT

Cost	Land SR	Buildings SR	Leasehold improvements SR	Furniture and fixtures SR	Computer hardware SR	Vehicles SR	Tools and equipment SR	Capital work-in-progress SR	Total SR
January 1, 2018	17,768,405	34,289,686	206,525,460	76,243,259	25,678,671	6,752,696	27,319,139	1,424,968	396,002,284
Adjustment	-	7,279,260	740,477	(251,262)	690,284	21,433,058	8,802,649	-	38,694,466
Additions	-	-	20,324,912	14,228,398	1,249,030	4,055,931	4,367,605	9,011,344	53,237,220
Transfers	-	-	60,000	7,838	-	-	-	(67,838)	-
Disposals	-	-	-	(18,989)	-	(63,300)	(87,000)	-	(169,289)
Write off	-	-	-	(250,398)	-	-	-	-	(250,398)
December 31, 2018	17,768,405	41,568,946	227,650,849	89,958,846	27,617,985	32,178,385	40,402,393	10,368,474	487,514,283
Additions	-	-	4,585,928	9,848,830	633,221	5,408,662	1,296,476	34,716,029	56,489,146
Disposals	-	-	-	-	-	(1,324,553)	-	-	(1,324,553)
Transfers	-	-	14,310,869	779,186	265,890	-	249,150	(15,605,095)	-
Transfers to intangible assets	-	-	-	-	-	-	-	(52,425)	(52,425)
Write off	-	-	(610,900)	(180,137)	(695)	-	(235,610)	-	(1,027,342)
December 31, 2019	**17,768,405**	**41,568,946**	**245,936,746**	**100,406,725**	**28,516,401**	**36,262,494**	**41,712,409**	**29,426,983**	**541,599,109**
Accumulated depreciation									
January 1, 2018	-	1,429,594	77,068,906	38,363,421	16,388,978	1,378,333	17,289,360	-	151,918,592
Adjustment	-	9,081,991	3,239,545	455,342	-	22,374,817	8,440,247	-	43,591,942
Depreciation charge	-	2,466,319	20,404,618	7,148,221	3,097,189	1,173,242	3,288,026	-	37,577,615
Disposals	-	-	-	(18,232)	-	(4,813)	(86,999)	-	(110,044)
December 31, 2018	-	12,977,904	100,713,069	45,948,752	19,486,167	24,921,579	28,930,634	-	232,978,105
Depreciation charge	-	1,584,656	22,976,596	8,771,500	2,943,694	2,961,763	3,758,632	-	42,996,841
Disposals	-	-	-	-	-	(1,133,315)	-	-	(1,133,315)
Write off	-	-	(574,314)	(143,085)	(688)	-	(214,431)	-	(932,518)
December 31, 2019	-	**14,562,560**	**123,115,351**	**54,577,167**	**22,429,173**	**26,750,027**	**32,474,835**	-	**273,909,113**
Net book value as at									
December 31, 2019	**17,768,405**	**27,006,386**	**122,821,395**	**45,829,558**	**6,087,228**	**9,512,467**	**9,237,574**	**29,426,983**	**267,689,996**
December 31, 2018	17,768,405	28,591,042	126,937,780	44,010,094	8,131,818	7,256,806	11,471,759	10,368,474	254,536,178

15. PROPERTYAND EQUIPMENT (CONTINUED)

Capital work-in-progress as at December 31, 2019 and 2018 represents advance paid towards fixed asset purchases and cost of stores under construction / renovation.

Allocation of depreciation charge is as follows:

	2019 **SR**	2018 SR
Cost of revenue	**34,779,517**	28,248,386
General and administration expenses	**8,217,324**	9,329,229
	42,996,841	37,577,615

16. INTANGIBLE ASSETS

	Software licenses SR	Goodwill SR	Others SR	Total SR
Cost				
January 1, 2018	37,868,039	22,377,889	1,325,942	61,571,870
Additions	2,929,014	-	-	2,929,014
December 31, 2018	40,797,053	22,377,889	1,325,942	64,500,884
Additions	**1,171,556**	-	-	**1,171,556**
Transfer from capital work in progress (note 15)	**52,425**	-	-	**52,425**
December 31, 2019	**42,021,034**	**22,377,889**	**1,325,942**	**65,724,865**
Amortisation				
January 1, 2018	18,136,383	-	-	18,136,383
Amortisation	5,249,191	-	133,730	5,382,921
December 31, 2018	23,385,574	-	133,730	23,519,304
Amortisation	**5,589,303**	-	-	**5,589,303**
December 31, 2019	**28,974,877**	-	**133,730**	**29,108,607**
Net book values as at				
December 31, 2019	**13,046,157**	**22,377,889**	**1,192,212**	**36,616,258**
December 31, 2018	17,411,479	22,377,889	1,192,212	40,981,580

Others

Others includes an amount of SR 1 million paid as a key money to a previous tenant to acquire possession of leasehold land located in King Abdulaziz Port Dammam.

Allocation of amortisation charge is as follows:

	2019 **SR**	2018 SR
Cost of revenue	**63,015**	63,015
General and administration expenses	**5,526,288**	5,319,906
	5,589,303	5,382,921

16. INTANGIBLES (CONTINUED)

Goodwill
On 23 Safar 1438H (corresponding to November 23, 2016), the Group acquired Medscan Terminal Company as 100% owned subsidiary.

The Goodwill is related to the acquisition of Medscan Terminal Company. Goodwill is monitored by the management at the level of only one cash-generating unit (Medscan). A segment level of summary of the goodwill allocation is presented below:

	2019 SR	2018 SR
Medscan Terminal Company	**22,377,889**	22,377,889

The management carried out an impairment exercise in respect of goodwill. The impairment test carried out was based on a discounted cash flow analysis (DCF) which utilized the most recent five year business projections prepared by the Group's management. The results of this exercise did not result in any impairment loss to be recognized. However, Management determined forecast sales growth and Gross margin based on past performance and market developments.

Terminal value is calculated using free cash flow to the CGU and Gordon Growth Model for the final year of the forecasted period.

Key assumptions used in value in use calculations
The calculation of value in use is most sensitive to the following assumptions:

Sales volume (Annual Growth Rate)	8%
Discount rate	12.67%
Long term growth rate	2%

The management has determined the value assigned to each of the above key assumptions as follows:

Sales volume (annual growth rate)
Average annual growth rate over the five-year forecast period, based on past performance and management's expectations of market development.

Long term growth rate
This is the average growth rate used to extrapolate cash flows beyond the five-year forecast period.

Sensitivity to changes in assumptions
With regard to the assessment of value in use of the cash generating units, the management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the subsidiary to materially exceed its recoverable amount.

17. EQUITY INVESTMENT AT FVTOCI

	2019 SR	2018 SR
ACE International Hardware	**9,662,153**	9,662,153
Percentage of shareholding	**2.3%**	2.3%
Number of shares	**22,022**	22,022

The equity investment of SR 9.66 million in ACE International Hardware (AIH) is measured at fair value based on SR 438.75 per share price through repurchase quotation available from AIH.

18. INVENTORIES

	2019 SR	2018 SR
Merchandise:		
In stores and warehouses	**660,292,973**	599,327,728
On consignment	**15,058,110**	19,590,963
Consumables	**6,112,332**	6,064,653
Goods-in-transit	**106,761,132**	77,750,511
	788,224,547	702,733,855
Less: provision for slow moving items and inventory shortages	**(19,000,403)**	(18,889,079)
	769,224,144	683,844,776

Movement in provision for slow moving items and inventory shortages is as follows:

	2019 SR	2018 SR
January 1	**18,889,079**	25,289,918
Provision/ (reversal) during the year	**111,324**	(6,400,839)
December 31	**19,000,403**	18,889,079

Cost of inventories recognised as an expense during the year in respect of continuing operations was SR 894.96 million (2018: SR 840.5 million).

19. ACCOUNTS RECEIVABLE

	2019 SR	2018 SR
Accounts receivable – trade	**27,266,553**	25,900,649
– others	**10,469,067**	6,860,145
Less : allowance for doubtful debts	**(2,742,881)**	(2,134,988)
	34,992,739	30,625,806

Movement in the allowance for doubtful debts is as follows:

	2019 SR	2018 SR
January 1	**2,134,988**	1,405,638
Adjustment on application of IFRS 9	**-**	279,108
Opening balance (adjusted)	**2,134,988**	1,684,746
Provision during the year	**607,893**	450,242
December 31	**2,742,881**	2,134,988

19. ACCOUNTS RECEIVABLE (CONTINUED)

Trade and other receivables are non-interest bearing and are generally on 30 - 120 days terms. As of December 31, the ageing analysis of trade and other receivables is as follows:

			Past due but not impaired				
	Total	Neither past due nor impaired	Less than 60 days	61-90 days	91-180 days	181-365 days	More than one year
December 31, 2019	**37,735,620**	**29,906,771**	**1,818,141**	**783,379**	**618,382**	**1,797,841**	**2,811,106**
December 31, 2018	32,760,794	26,096,496	3,051,520	394,124	1,922,245	809,865	486,544

The Group measures the loss allowance for trade receivables at an amount equal to lifetime Expected Credit Loss (ECL). The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, forward looking factors such as 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.

20. PREPAYMENTS AND OTHER RECEIVALBES

	2019 SR	2018 SR
Prepaid expenses		
- Rent	**1,638,984**	17,731,801
- Insurance	**3,061,294**	2,817,296
- Others	**15,809,186**	15,399,731
Advances to employees	**8,244,461**	6,790,736
Advances to suppliers	**10,944,320**	8,430,151
Advance rent	**-**	5,403,443
Value added tax receivable	**2,039,743**	-
Others	**6,283,952**	7,932,940
	48,021,940	64,506,098
Less : provision for other receivables	**(4,102,350)**	(3,368,694)
	43,919,590	61,137,404

Others includes an amount of sub-lease receivables amounting to SR 1.5 million (2018: SR 1.5 million) which is fully impaired.

	2019 SR	2018 SR
January 1,	**3,368,694**	-
Adjustment on application of IFRS 9	**-**	1,547,979
Opening balance (adjusted)	**3,368,694**	1,547,979
Provision during the year	**733,656**	1,820,715
December 31,	**4,102,350**	3,368,694

21. CASH AND CASH EQUIVALENTS

	2019 SR	2018 SR
Cash in hand	**3,333,645**	1,801,769
Bank balances	**13,939,557**	14,531,716
	17,273,202	16,333,485

22. BORROWINGS

	2019 SR	2018 SR
Short term borrowings	**135,961,581**	37,678,575
Long term borrowings	**49,366,071**	82,875,001
Total borrowings	**185,327,652**	120,553,576

	2019 SR	2018 SR
Short term borrowings	**135,961,581**	37,678,575
Current portion of long term borrowings	**22,366,071**	23,508,929
Non-current portion of long term borrowings	**27,000,000**	59,366,072
Total borrowings	**185,327,652**	120,553,576

Maturity profile of non-current portion of long-term borrowings is as follows:

	2019 SR	2018 SR
Later than 1 year	**15,428,572**	27,366,073
Later than 2 years but not more than 5 years	**11,571,428**	31,999,999
	27,000,000	59,366,072

The Group obtained borrowing facilities in the amount of SR 551 million from various local banks. Such facilities provide facilities for short and long-term borrowings, letters of credit and guarantee and notes payable for bills of exchange to finance working capital, investments, and capital expenditures. These facilities, which are in form of Murabaha and Tawarroq financing, bear financial charges at prevailing market rates based on Saudi Inter-bank Offer Rate ("SIBOR") and Riyadh Inter-bank Offer Rate ("RIBOR"). These facility agreements also include covenants which require maintenance of certain financial ratios, restrict payments of dividends and other requirements which the Group was in compliance with as of December 31, 2019. The facilities are secured by order notes payable on demand equivalent to the total value of the facilities.

23. RETIREMENT BENEFIT OBLIGATIONS

	2019 SR	2018 SR
January 1	**40,843,454**	38,865,590
Current service cost	**5,819,789**	5,404,570
Interest cost	**1,473,514**	1,115,926
Paid during the year	**(5,185,721)**	(4,542,632)
December 31	**42,951,036**	40,843,454

23. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its retirement benefit obligations at December 31, 2019 and December 31, 2018 in respect of employees' end-of-service benefits payable under relevant local regulations and contractual arrangements.

The principal assumptions used for the purposes of the actuarial valuation were as follows:

	2019	2018
Discount rate	**3.60%**	3.40%
Rate of salary increase	**2.00%**	3.7%

All movements in the retirement benefit obligation are recognized in profit or loss. The effect of the actuarial losses or gains is not material.

Sensitivity analyses

	2019 SR	2018 SR
Increase in discount rate of 1%	**(1,991,860)**	(626,646)
Decrease in discount rate of 1%	**2,211,870**	656,018
Increase in salary rate of 1%	**2,226,430**	1,186,852
Decrease in salary rate of 1%	**(2,041,138)**	(1,146,583)

Expected total undiscounted benefit payments are:

	2019 SR	2018 SR
Less than a year	**9,917,558**	12,723,319
Between 1 – 5 years	**26,609,666**	53,280,856
Over 5 years	**60,551,138**	11,220,859
	97,078,362	77,225,034

24. LEASE LIABILITIES

Analyzed as follow;

	December 31, 2019 SR
Not later than 1 year	**47,559,873**
Later than 1 year and not later than 5 years	**205,393,704**
Later than 5 years	**392,836,429**
	645,790,006

The Group does not face a significant liquidity risk with regard to its liabilities. Lease liabilities are monitored within the Group's treasury function.

25. ACCOUNTS PAYABLES

	2019 SR	2018 SR
Accounts payable – trade	**198,029,701**	178,710,890
– others	**37,325,589**	24,799,629
– notes payable	**21,756,096**	17,141,872
Due to related parties	**29,149**	1,831,341
	257,140,535	222,483,732

The average credit period on purchases of goods is 60 - 120 days. No interest is charged on the trade payables outstanding balance. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

26. ACCRUED EXPENSES AND OTHER LIABILITIES

	2019 SR	2018 SR
Gift cards and vouchers	**38,674,274**	35,087,431
Advances from customers	**3,214,644**	2,001,400
Employee related liabilities	**10,989,636**	16,599,833
Accrued expenses	**12,943,983**	8,054,776
Accrued rentals	**13,210,700**	3,018,604
Others	**710,074**	1,308,296
	79,743,311	66,070,340

27. SHARE CAPITAL

As of December 31, 2019 the Company's share capital was SR 360 million divided into 36 million shares of SR 10 each (2018: SR 360 million divided into 36 million shares of SR 10 each).

In October 2018, the Board of Directors proposed to increase share capital of the Company from SR 240 million to SR 360 million through issuing one bonus share for every two existing shares owned by the shareholders. Bonus shares are limited to shareholding recorded in company's shareholders register at the Securities Depository Center (Edaa), at the end of the second trading day following the date of the extraordinary general assembly day. The increase in share capital is through capitalization of retained earnings of SR 62.3 million and statutory reserve of SR 57.7 million. The increase was approved by the shareholders in their meeting held on 10 Jamuda 1440 H (corresponding to December 17, 2018). Legal formalities related to the increase in the share capital were completed in 2018.

28. STATUTORY RESERVE

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's By-laws, the Company has established a statutory reserve by the appropriation of 10% of total comprehensive income until the reserve equaled 50% of the share capital. Following a recent change to the Regulations for Companies, appropriations can cease when the reserve equals 30% instead of 50% of the share capital. The Company has accordingly amended its by-laws in 2017 to comply with the new regulations. This reserve is not available for dividend distribution to the shareholders of the Company.

29. DIVIDENDS

In accordance with extra-ordinary general assembly meeting held on May 13, 2018, the Company's shareholders resolved to delegate the authority to the Board of Directors to distribute dividends to the shareholders for the year 2018. Accordingly, the Board of Directors in their meeting held on February 26, 2019 resolved to distribute cash dividends to the Company's shareholders who owns the shares on the date of April 3, 2019 amounting to SR 36 million at SR 1 per share. The dividends were distributed on April 17, 2019.

29. DIVIDENDS (CONTINUED)

In accordance with ordinary general assembly meeting held on April 30, 2019, the Company's shareholders resolved to delegate the authority to the Board of Directors to distribute dividends to the shareholders for the year 2019. Accordingly, the Board of Directors in their meeting held on July 23, 2019 resolved to distribute cash dividends for the first half of 2019 to the Company's shareholders who owns the shares on the date of August 29, 2019 amounting to SR 36 million at SR 1 per share. The dividends were distributed on September 11, 2019.

30. RELATED PARTY TRANSACTIONS AND BALANCES

During the years 2019 and 2018, the Group and its subsidiary transacted with the following related parties. Prices and terms of payment are approved by the management.

Name of related party	Nature of relationship
Inheritors of Abdullah Taha Baksh	Shareholder
Saudi Arabian Marketing and Agencies Company Ltd.	Associated

The following table provides the total amount of transactions that have been entered into with related parties during the year as well as balances with related parties as at December 31, 2019 and 2018:

	Rental agreement for two showrooms	Purchases	Amounts owed by related parties	Amounts owed to related parties
2019				
Inheritors of Abdullah Taha Baksh	**4,235,000**	-	-	-
Saudi Arabian Marketing and Agencies Company Ltd.	-	**14,611,604**	-	**29,149**
2018				
Inheritors of Abdullah Taha Baksh	4,235,000	-	-	-
Saudi Arabian Marketing and Agencies Company Ltd.	-	13,609,944	-	1,831,341

Key management personnel compensation

In addition to their remunerations to key management personnel, the Group also provides non-cash benefits to directors and executive officers, and contributes to a post-employment defined benefit plan on their behalf. Remuneration for the year ended December 31, 2019 and 2018 of key management can be detailed as follows:

	2019				2018			
Description	**CEO**	**Directors**	**Other executives**	**Total**	CEO	Directors	Other executives	Total
Managerial remuneration	**726,300**	**1,271,025**	**1,624,065**	**3,621,390**	726.300	1.452.600	1.326.017	3.504.917
Allowances	**280,000**	**307,500**	**546,203**	**1,133,703**	280.000	617.500	511.995	1.409.495
Bonuses	-	-	**462,000**	**462,000**	-	-	286.500	286.500
Other Benefits	**142,174**	**263,290**	-	**405,464**	187.583	200.522	-	388.105
End of Service Benefits	**81,000**	**137,250**	**87,087**	**305,337**	75.000	81.000	96.632	252.632
Board member fees	**200,000**	**1,600,000**	-	**1,800,000**	200.000	1.600.000	-	1.800.000

31. OPERATING LEASE ARRANEGEMENTS

The Group as lessee

Operating lease payments represent rentals payable by the Group for certain show rooms and employees' accommodation. Operating leases are negotiated for an average term of 6 to 12 months and rentals are fixed over the lease period.

Payments recognized as an expense

	2019 SR	2018 SR
Payments under operating leases recognized as an expense during the year	**3,791,101**	87,734,866

Commitments for minimum lease payments under non-cancelable operating lease are as follow:

	2019 SR	2018 SR
2019	-	85,427,744
2020	-	64,475,226
2021	-	60,350,960
2022	-	61,211,674
2023	-	59,778,749
Thereafter	-	394,544,051
	-	725,788,404

32. COMMITMENTS AND CONTINGENCIES

As of December 31, the Group had the following contingencies and commitments:

	2019 SR	2018 SR
Letters of credit	**79,515,688**	54,529,751
Letters of guarantees	**12,577,944**	14,077,944

The Group is subject to litigation in the normal course of its business. The Group does not believe that the outcome of these court cases will have any material impact on the Group's results or financial position.

33. COMMITMENT FOR EXPENDITURE

The capital commitments related to ongoing activities of the Group's various exhibitions is as follows:

	2019 SR	2018 SR
Commitments for Group's various exhibitions	**33,575,319**	17,162,614

34. EMPLOYEES' DEFINED CONTRIBUTION PLAN

The Group makes contributions for a defined contribution retirement benefit plan to the General Organization for Social Insurance in respect of its Saudi employees. The total amount expensed during the year in respect of this plan was SR 6.23 million (2018: SR 5.96 million).

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's principal financial liabilities comprise loans and borrowings and accounts payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include accounts receivables and cash and cash equivalents that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management regularly review the policies and procedures to ensure that all the financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Group does not engage into any hedging activities. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

a) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: commission rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings. The sensitivity analyses in the following sections relate to the position as at December 31, 2019.

Commission risk

Commission rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market commission rates. The Group's exposure to the risk of changes in market commission rates relates primarily to the Group's long-term and short term loans with floating commission rates. The Group manages its exposure to commission rate risk by continuously monitoring movements in commission rates.

The following table demonstrates the sensitivity to a reasonably possible change in commission rates on that portion of loans and borrowings affected. With all other variables held constant, the Group's profit before zakat is affected through the impact on floating rate borrowings, as follows:

	2019 SR	2018 SR
Profit before zakat		
Increase by 100 points	**1,853,277**	1,205,536
Decrease by 100 points	**(1,853,277)**	(1,205,536)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group deals mainly in US Dollars, United Arab Emirates Dirham (AED) and Saudi Riyal. As the Saudi Riyal is pegged to the US Dollars and AED, the Group is not exposed to significant foreign currency risk.

Commodity risk

The Group is exposed to the impact of market fluctuations of the price of various merchandise supplies. The Group prepares annual budgets and periodic forecasts including sensitivity analyses in respect of various levels of such merchandise to manage the risk.

b) Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk on its cash and cash equivalents and accounts receivables as follows:

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

b) Credit Risk (continued)

	2019 SR	2018 SR
Cash and cash equivalent	**17,273,202**	16,333,485
Accounts receivable	**34,992,739**	30,625,806
	52,265,941	46,959,291

Cash and cash equivalents and term deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. The Group seeks to manage its credit risk with respect to banks by only dealing with reputable banks. At the reporting date, no significant concentration of credit risk were identified by the management.

Accounts receivable

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Trade receivables of the Group are spread across large number of credit customers. The Group seeks to manage its credit risk with respect to customers by setting credit limits for individual customers, monitoring outstanding receivables and ensuring close follow ups. An impairment analysis is performed at each reporting date on an individual basis for major customers. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. Note 19 details the Group`s maximum exposure to credit risk for financial assets that are not cash and cash equivalents. The Group evaluates the concentration of risk with respect to trade accounts receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

c) Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to realize financial assets quickly at an amount close to its fair value. The Group manages its liquidity risk by monitoring working capital and cash flow requirements on regular basis. The Group manages its liquidity risk by ensuring that bank facilities are available. The Group's term of revenue and services require amounts to be paid within 30 to 90 days of the date of submitting the invoice. Trade payables are normally settled within 60 to 120 days of the date of purchase.

The table below summarizes the maturities of the Group's financial liabilities at December 31, 2019, based on contractual payment dates and current market interest rates.

	Less than one year SR	1 to 5 years SR	Above 5 years SR	Total SR
December 31, 2019				
Accounts payable	**257,140,535**	-	-	**257,140,535**
Accrued expenses and other liabilities	**37,854,393**		-	**37,854,393**
Lease liabilities	**47,559,873**	**205,393,704**	**392,836,429**	**645,790,006**
Borrowings	**158,327,652**	**27,000,000**	-	**185,327,652**
	500,882,453	**232,393,704**	**392,836,429**	**1,126,112,586**
December 31, 2018				
Accounts payable	222,483,732	-	-	222,483,732
Accrued expenses and other liabilities	28,981,509	-	-	28,981,509
Borrowings	61,187,504	59,366,072	-	120,553,576
	312,652,745	59,366,072	-	372,018,817

36. FAIR VALUE MEASUREMENTS

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The carrying amount of financial assets and financial liabilities approximates their fair value. The Group only presents unquoted equity investments at FVTOCI under fair valuation model.

The following table shows the fair values of financial assets, including its level in the fair value hierarchy.

	2019	2018
	SR	SR
Level 3		
Unquoted equity investments at FVTOCI	**9,662,153**	9,662,153

There were no transfers among level 1, 2, and 3 for the year ended December 31, 2019 and for the year ended December 31, 2018.

37. EVENT AFTER THE REPORTING PERIOD

Subsequently in March 2020, the Group entered in to a contract with a related party to lease a land and construct a mall in Jeddah with an estimated project costs of SR 194 million.

Apart from the above, there were no events subsequent to December 31, 2019 and occurring before the date of the approval of the consolidated financial statements report that are expected to have a significant impact on these consolidated financial statements. However, In light of the emergence of the COVID19 pandemic in 2020 which could potentially have significant impact on the global economy and capital markets. The Group considers this event to be a non-adjusting event after the reporting period and therefore has not made any adjustments to the consolidated financial statements. The outcome of this event is unknown and therefore the impact on the Group cannot be reasonably quantified at the date of issuance of these consolidated financial statements. The effect of Covid-19 on the Group will be incorporated into the determination of the Group's estimates in 2020.

38. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

This consolidated financial information have been approved by the Board of Directors on March 25, 2020 corresponding to 1 Sha'aban1441.