SAUDI COMPANY FOR HARDWARE
(SAUDI JOINT STOCK COMPANY)

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

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Independent auditor's report to the shareholders of Saudi Company for Hardware

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Saudi Company for Hardware (the "Company") and its subsidiary (together the "Group") as at December 31, 2020, 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).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2020;
- the consolidated statement of financial position as at December 31, 2020;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Independent auditor's report to the shareholders of Saudi Company for Hardware (continued)

Our audit approach

Overview

Key Audit Matter	• Carrying value of goodwill

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

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 of 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.

Key audit matter	How our audit addressed the Key audit matter
Carrying value of goodwill At December 31, 2020, the Group had goodwill, which arose on the acquisition of Medscan Terminal Company Limited in 2016, amounting to Saudi Riyals 22.4 million. 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 management at the level of only one cash-generating unit ("CGU") (being the whole of Medscan Terminal Company Limited itself). Management carried out an impairment exercise as at December 31, 2020 in respect of goodwill allocated to the CGU by	We audited management's assessment of goodwill impairment by performing the following procedures: Assessed the methodology used by management to determine a recoverable value based on the value-in-use of the assets of the CGU and compared it to that required by IAS 36. We also tested the arithmetical accuracy of the model; • Tested the accuracy and relevance of the input data used in the model by reference to supporting evidence, such as approved budgets, and considered the reasonableness of these budgets by comparison to the Group's historical results and performance against budgets;

Key audit matter	How our audit addressed the Key audit matter
determining a recoverable amount based on value-in-use derived from a discounted cash flow model, which was based on the most recent formal business plan prepared by the Group's management. This exercise did not identify any impairment loss to be recognized. We considered impairment testing of goodwill performed by the management to be a key audit matter since the assessment of the recoverable amount of goodwill under the value-in-use basis is complex and requires considerable judgment on the part of management. The critical judgmental elements of management's assessment are: a) assumptions concerning the expected economic conditions, especially growth in the market in which the subsidiary primarily operates; b) assumptions of the impact of the future actions of the subsidiary's main competitors on expected revenue and gross margin assumptions; and c) sales growth rate, terminal growth rate and discount rate used in the value-in-use model. *Refer to Note 3-11-2 for the accounting policy and Note 15 for the related disclosures in the accompanying consolidated financial statements.*	• Reviewed the methodology applied that underpins the value-in-use calculations and use of key assumptions including sales growth rates and terminal growth rates; • Engaged our internal valuation experts to assist in the review of the methodology of the value-in-use calculations and assessing the reasonableness of the discount rate used, and • Performed sensitivity analyses over key assumptions, principally sales growth rate and discount rate, in order to assess the potential impact of a range of possible outcomes. We also reviewed the adequacy of the Group's disclosures included in the accompanying consolidated financial statements, for compliance with the relevant accounting standards.

Independent auditor's report to the shareholders of Saudi Company for Hardware (continued)

Other information

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

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

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

When we read the Annual Report of the Group, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of 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 the applicable requirements of the Regulations for Companies and the Company's By-laws, 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.

Independent auditor's report to the shareholders of Saudi Company for Hardware (continued)

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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's 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.

Independent auditor's report to the shareholders of Saudi Company for Hardware (continued)

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.

PricewaterhouseCoopers

Bader I. Benmohareb
License Number 471

March 20, 2021

SAUDI COMPANY FOR HARDWARE
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2020
(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

	Notes	2020	2019 (Note 2-7)
Revenue	5	1,481,761,595	1,457,757,788
Cost of revenue	2-7,7	(1,185,337,821)	(1,176,101,363)
GROSS PROFIT		296,423,774	281,656,425
Selling and marketing expenses	2-7,8	(30,872,950)	(44,395,809)
General and administration expenses	9	(118,899,658)	(129,596,536)
Impairment loss on financial assets	18	(6,922,068)	(607,893)
OPERATING PROFIT		139,729,098	107,056,187
Other income		4,085,316	4,316,441
Finance cost	10	(41,862,181)	(38,275,349)
PROFIT BEFORE ZAKAT		101,952,233	73,097,279
Zakat	11	(16,425,607)	(11,460,223)
NET PROFIT FOR THE YEAR		85,526,626	61,637,056
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of actuarial gains on end of service obligations		1,576,921	-
Net changes in fair value of financial assets at fair value through other comprehensive income	27	189,940	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		87,293,487	61,637,056
Earnings per share (Saudi Riyals)			
Basic and diluted earnings per share attributable to the shareholders of the Company	12	2.38	1.71
Weighted average number of shares		36,000,000	36,000,000

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements.

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, 2020
(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

	Note	2020	2019
ASSETS			
Non-current assets			
Right-of-use assets	13	**566,474,772**	584,007,598
Property and equipment	14	**300,534,883**	267,689,996
Intangible assets	15	**33,467,091**	36,616,258
Financial assets at fair value through other comprehensive income (FVTOCI)	16	**9,852,093**	9,662,153
Total non-current assets		**910,328,839**	897,976,005
Current assets			
Inventories	17	**625,037,746**	769,224,144
Accounts receivable	18	**34,824,102**	37,287,630
Prepayments and other receivables	19	**35,673,464**	41,624,699
Cash and cash equivalents	20	**32,660,408**	17,273,202
Total current assets		**728,195,720**	865,409,675
TOTAL ASSETS		**1,638,524,559**	1,763,385,680
EQUITY AND LIABILITIES			
Equity			
Share capital	25	**360,000,000**	360,000,000
Statutory reserve	26	**24,504,713**	15,952,051
Retained earnings		**224,062,966**	163,512,081
Fair value reserve	27	**1,591,640**	1,401,700
Total equity		**610,159,319**	540,865,832
Non-current liabilities			
Long term borrowings	21	-	27,000,000
Employees end of service benefit obligations	22	**40,100,088**	42,951,036
Lease liabilities	13	**586,442,854**	598,230,133
Total non-current liabilities		**626,542,942**	668,181,169
Current liabilities			
Short term borrowings	21	-	135,961,581
Current portion of long-term borrowings	21	-	22,366,071
Accounts and notes payable	23	**214,770,873**	257,140,535
Current portion of lease liabilities	13	**61,003,274**	47,559,873
Accrued expenses and other liabilities	24	**112,434,444**	79,743,311
Zakat payable	11	**13,374,892**	11,465,580
Dividends payable	28	**238,815**	101,728
Total current liabilities		**401,822,298**	554,338,679
Total liabilities		**1,028,365,240**	1,222,519,848
TOTAL EQUITY AND LIABILITIES		**1,638,524,559**	1,763,385,680

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements.

Chief Financial Officer	Chief Executive Officer	Chairman of Board of Directors

SAUDI COMPANY FOR HARDWARE
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020
(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

	Note	Share capital	Statutory reserve	Retained earnings	Fair value reserve	Total
Balance at January 1, 2019		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		-	-	-	-	-
Total comprehensive income		-	-	61,637,056	-	61,637,056
Transfer to statutory reserve	26	-	6,163,706	(6,163,706)	-	-
Dividend distribution	28	-	-	(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
Balance at January 1, 2020		**360,000,000**	**15,952,051**	**163,512,081**	**1,401,700**	**540,865,832**
Net profit for the year		-	-	**85,526,626**	-	**85,526,626**
Other comprehensive income		-	-	**1,576,921**	**189,940**	**1,766,861**
Total comprehensive income		-	-	**87,103,547**	**189,940**	**87,293,487**
Transfer to statutory reserve	**26**	-	**8,552,662**	**(8,552,662)**	-	-
Dividend distribution	**28**	-	-	**(18,000,000)**	-	**(18,000,000)**
Balance at December 31, 2020		**360,000,000**	**24,504,713**	**224,062,966**	**1,591,640**	**610,159,319**

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements.

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

SAUDI COMPANY FOR HARDWARE
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before zakat		**101,952,233**	73,097,279
Adjustments for:			
Interest on borrowings and bank charges	10	**6,030,314**	8,458,703
Interest on lease liability	10	**35,831,867**	29,816,646
Depreciation and amortization	14,15	**51,206,262**	48,586,144
Depreciation on right-of-use asset	13	**70,402,392**	68,071,297
Loss/(Gain) on disposal of property and equipment		**672,729**	(389,912)
Write-off property and equipment		**-**	94,824
Loss from shrinkage and inventory shortages		**14,335,165**	16,485,376
Provision for slow moving items and inventory shortages		**18,315,730**	111,324
Lease Concession - IFRS16	13	**(9,925,640)**	-
Impairment loss on financial assets	18	**6,922,068**	607,893
Allowance for prepayments and other receivables	19	**2,058,255**	733,656
Provision for employees end of service benefit obligations	22	**7,270,302**	7,293,303
Movement in working capital:			
Inventories		**111,535,503**	(101,976,068)
Accounts receivable		**(4,458,540)**	(7,269,717)
Prepayments and other receivables		**3,892,980**	(3,320,522)
Accounts and notes payable		**(42,369,662)**	34,656,803
Accrued expenses and other current liabilities		**32,921,043**	13,723,695
Cash generated from operations		**406,593,001**	188,780,724
Zakat paid	11	**(14,332,846)**	(12,234,938)
Finance cost paid		**(42,151,161)**	(38,326,073)
Employees end of service benefit obligations paid	22	**(8,544,329)**	(5,185,721)
Net cash generated from operating activities		**341,564,665**	133,033,992
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	14	**(79,525,189)**	(56,489,146)
Proceeds from disposal of property and equipment		**536,463**	581,150
Purchase of intangible assets	15	**(2,585,985)**	(1,171,556)
Net cash used in investing activities		**(81,574,711)**	(57,079,552)

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, 2020
(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

	Note	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in short term borrowings, net		**(135,961,581)**	98,283,006
Payments of lease liability		**(41,412,183)**	(67,794,485)
Repayments of long-term borrowings		**(49,366,071)**	(33,508,930)
Dividends paid		**(17,862,913)**	(71,994,314)
Net cash used in financing activities		**(244,602,748)**	(75,014,723)
Net change in cash and cash equivalents		**15,387,206**	939,717
Cash and cash equivalents at January 1		**17,273,202**	16,333,485
CASH AND CASH EQUIVALENTS AT DECEMBER 31	**20**	**32,660,408**	17,273,202

Significant non-cash transactions:

Lease liabilities		**52,993,945**	(713,584,491)
Right-of-use assets		**(52,869,566)**	652,078,895
Transfers from zakat payable to accrued expense and other liabilities		**(183,449)**	-
Adjustments of prepaid rent against lease liabilities		-	(22,099,571)
IFRS 16 net adjustment in retained earnings		-	83,605,167

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements.

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

(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

1. GENERAL 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).

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 33 leased stores located in various cities in the Kingdom of Saudi Arabia and one franchisee store located in Tabuk

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
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
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

(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

1. GENERAL 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
Jubail Branch	Jubail	19/08/1441	2055125472
Dareen Mall	Dammam	19/09/1441	2050128050
Khamis Mushait	Khamis Mushait	19/01/1442	5855348645
Al Jama	Jeddah	10/07/1441	4030379378
Azizia	Riyadh	25/11/1440	1010590697
Atyaf	Riyadh	20/01/1440	1010461248
Al Taif	Al Taif	20/01/1440	4032229985
Workshop			
Workshop Center	Riyadh	27/08/1431	1010293034

2. BASIS OF PREPARATION

2-1 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants (SOCPA), as endorsed in the kingdom of Saudi Arabia for financial reporting.

2-2 Historical cost convention

The consolidated financial statements have been prepared on the historical cost basis except for the following items:
- Financial assets at fair value through other comprehensive income (“FVTOCI”) is measured at fair value.
- Employees end of service benefit obligations is recognised at the present value of future obligations using the Projected Unit Credit Method.
- Lease liabilities are measured at net present value of lease payments.

2-3 New and amended IFRS standards adopted by the Group

The Group has applied the following standards and amendments to existing standards for its reporting period commencing January 1, 2020:

2-3-1 Amendments to IFRS 3 – definition of a business

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

2-3-2 Amendments to IAS 1 and IAS 8 on the definition of materiality

These amendments to IAS 1, ‘Presentation of financial statements’, and IAS 8, ‘Accounting policies, changes in accounting estimates and errors, and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of materiality; and iii) incorporate some of the guidance in IAS 1 about immaterial information.

2. BASIS OF PREPARATION (CONTINUED)

2-3-3 Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform

These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally, cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the consolidated statement of profit or loss and comprehensive income.
The adoption of above amendments does not have any material impact on the consolidated financial statements during the year.

2-3-4 Covid-19-Related Rent Concessions – amendments to IFRS 16

The Group has adopted the COVID-19 Related Rent Concession – Amendment to IFRS 16 issued by SOCPA on May 28, 2020, effective for annual periods beginning on or after June 1, 2020.

As a practical expedient, a lessee may elect not to assess whether a rent concession that meets the conditions in paragraph 46B of IFRS 16 is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the rent concession the same way it would account for the change applying this standard if the change were not a lease modification.

The practical expedient in paragraph 46A applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all the following conditions are met:

a. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
b. any reduction in lease payments affects only payments due on or before June 30, 2021; and
c. there is no substantive change to other terms and conditions of the lease.

Measurement

A lessee that uses the practical expedient accounts for any change in lease payments resulting from the rent concession in the same way that it would account for the change applying IFRS 16 if the change were not a lease modification.

A lessee applying the practical expedient would generally account for a forgiveness or waiver of lease payments as a variable lease payment, applying paragraph 38 of IFRS 16 – that is, recognising the concession in the period in which the event or condition that triggers those payments occurs. The lessee would also make a corresponding adjustment to the lease liability, in effect derecognising the part of the lease liability that has been forgiven or waived.

The Group has applied the practical expedient to all rent concessions that meet the conditions in paragraph 46B. The resulted impact has reduced the Group's cost of revenues and lease liabilities for the year ended December 31,2020 by Saudi Riyals 9,925,640 (See note 13).

2-4 Standards issued but not yet effective

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2021 and earlier application is permitted; however, the Group has not early adopted them in preparing these consolidated financial statements.

2-4-1 Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities. These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

2. BASIS OF PREPARATION (CONTINUED)

2-4 Standards issued but not yet effective (continued)

2-4-2 Amendments to IFRS 3, IAS 16, IAS 37

- IFRS 3 ‘Business combinations’ update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

- IAS 16, ‘Property, plant and equipment’ prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

- IAS 37, ‘Provisions, contingent liabilities and contingent assets’ specify which costs a company includes when assessing whether a contract will be loss-making.

2-5 Annual Improvements to IFRSs 2018–2020 Cycle

These improvements are effective on or after 1 January 2021

- IFRS 9, 'Financial Instruments' - Clarify the fees a company includes in performing the “10 per cent test” in order to assess whether to derecognise a financial liability.

- IFRS 16, ‘Leases’ - Remove the potential for confusion regarding lease incentives by amending an Illustrative Example 13 accompanying IFRS 16.

2 -6 Principles of consolidation accounting

<u>Subsidiary</u>

Subsidiary is an entity (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and they are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 -7 Restatement

In the normal course of business, the Group receives certain vendor contributions. During the prior year, the Group used to account for such contributions as a deduction from the selling and marketing expenses. The Group’s management has reassessed, in detail, the relevant arrangements for such contributions and concluded that such contributions should instead be accounted for within the cost of revenue. Accordingly, and for a better presentation of the underlying arrangement, management has restated the relevant comparative information for 2019 in the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2019 as shown below:

(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

2. BASIS OF PREPARATION (CONTINUED)

2 -7 Restatement (continued)

	As previously reported	Restatement	As restated
Cost of revenue	1,198,803,260	(22,701,897)	1,176,101,363
Gross profit	258,954,528	22,701,897	281,656,425
Selling and marketing expense	21,693,912	22,701,897	44,395,809

This restatement did not have any impact on the consolidated statement of financial position as of December 31, 2019, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended December 31, 2019.

The Group's management believes that the above restatement does not materially affect the Group's key performance indicators

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3-1 Revenue

The Group recognizes revenues from contracts with customers based on a five-step model as set out in IFRS (15) as follows:

Step 1: Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
Step 2. Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
Step 5. Recognize revenue when (or as) the Group satisfies a performance obligation.

The accounting policies for the Group's revenue from contracts with customers are outlined below:

<u>Sale of goods – wholesale</u>

The Group sells hardware, electronic equipment, furniture, household items, etc. in the wholesale market directly to Wholesale customers. Sales are recognized when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-1 Revenue (continued)

Sale of goods – retail

The Group operates a chain of retail stores selling hardware, electronic equipment, mobile phones, furniture, household items, etc. Revenue from the sale of goods is recognised when the Group sells a product to the customer.

Payment of the transaction price is due immediately when the customer purchases the product and takes delivery in store. It is the Group's policy to sell its products to the end customer with a right of return within 7 days. Therefore, a refund liability (included in trade and other payables) and a right to the returned goods (included in other current assets) are recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level. Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

Sale of goods – customer loyalty program

The Group operates a loyalty program "My Rewards", where retail customers accumulate points for purchases made which entitle them to them to discount on future purchases, subject to a minimum number of points is obtained. A contract liability for the award points is recognised at the time of the initial sale transaction. Revenue is recognised when the points are redeemed or when they expire 12 months after 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. A contract liability is recognised until the points are redeemed or expired.

Rendering of services

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

- Revenue from services from delivery, installation and maintenance of items sold to customers recognized when the services are completed and invoiced to the customers.

Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money

3-2 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.

Vendor Contributions

The Group receives considerations from suppliers for various programs such as volume incentives, markdowns, margin protection and progress support. The considerations received from suppliers are accounted for as a reduction of the cost of sales.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-3 Expenses

Selling and marketing expenses principally comprise of costs incurred in the 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 the International Financial Reporting Standards as endorsed in Saudi Arabia. Allocations between general and administration expenses, selling and marketing expenses and cost of revenue, when required, are made on a consistent basis.

3-4 Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest’s proportionate share of the acquired entity’s net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

Over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity’s incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-5 Group leasing activities and how these are accounted for

The Group leases various offices, warehouses, retail stores, equipment 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 other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. For leases where the Group is a lessee, see note 13.

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 are only included in the lease term if the lease is reasonably certain to be extended. In determining the lease term, the management generally considers certain factors including historical lease durations and the costs and business disruption required to replace the leased asset. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset’s useful life

Assets and liabilities arising from a lease are initially measured on a present value basis.

i. Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs

Right-of-use assets are subsequently measured at cost less accumulated depreciation

ii. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee’s incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise small items relating to IT equipment and office furniture.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-5 Group leasing activities and how these are accounted for (continued)

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.

3-6 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The consolidated financial statements are presented in Saudi Riyals which is the Group's functional and presentation currency. All amounts in Saudi Riyals unless otherwise stated.

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in profit or loss.

Transactions and balances

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as financial assets held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as financial assets classified as at fair value through other comprehensive income are recognised in other comprehensive income.

3-7 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are removed from the Consolidated Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

3-8 Borrowing cost

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the period in which they are incurred.

3.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-9 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. The Company and its subsidiary are subject to withholding tax on transactions with non-resident parties in the Kingdom of Saudi Arabia in accordance with income tax requirements.

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.

3-10 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 attributed to bringing the asset to a working condition for it's intended use, and the cost 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 capitalised as part of that equipment. Where major components of an item of property and equipment have different useful lives, they are accounted for as sperate 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.

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

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

The assets' residual values and useful lives are reviewed, and adjusted prospectively if appropriate, at the end of each reporting period, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-10 Property and equipment (continued)

Depreciation is calculated using the straight-line method to allocate the cost or revalued amounts of the assets, net of their residual values, over their estimated useful lives as follows:

	Years
Buildings	20
Furniture and fixtures	2.5 to 20
Computer hardware	2-4`
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.

Land is not subject for depreciation.

3-11 Intangible assets

3-11-1 Intangible assets

Intangible assets other than goodwill are measured at cost, less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized on a straight-line basis over the estimated useful lives from 2 to 7 years. Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group and amount can be measured reliably. Intangible assets' residual values, useful lives and impairment indicators are reviewed at each reporting period and adjusted prospectively, if considered necessary.

3-11-2 Goodwill

Goodwill is measured on acquisitions of subsidiaries and is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

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.

Any impairment loss for goodwill is recognised directly in the Consolidated Statement of Profit or Loss and other comprehensive income. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-12 Impairment of non- financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

3-13 Inventories

Inventories are stated at the lower of cost and net realizable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Cost comprise purchase cost and, where applicable, direct costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Allowance is made, where necessary for slow moving inventories. Cost of inventories is recognised as an expense and included in cost of sales. Net realizable value comprises estimated selling price less further costs to completion and appropriate selling and distribution costs.

3-14 Financial instruments

3-14-1 Financial assets

The Group classifies its financial assets in the following measurement categories:

• those to be measured subsequently at fair value (either through OCI or through profit or loss), and
• those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the financial assets at fair value through other comprehensive income (FVTOCI).

The Group initially recognises financial assets on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in the transferred financial asset that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount is presented in the Consolidated Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-14-1 Financial assets (continued)

The Group has the following financial assets;

Financial Assets at Amortised Cost

Financial assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI") are measured at amortised cost. A gain or loss on a debt investment subsequently measured at amortised cost and not part of a hedging relationship is recognised in the Consolidated Statement of Profit or Loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Financial Assets at FVTOCI

Financial assets held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in the Consolidated Statement of Profit or Loss. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVTOCI). When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI, is reclassified from equity to the Consolidated Statement of Profit or Loss and recognised in other gains/ (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income/expense.

3-14-2 Financial Liabilities

Financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. Financial assets and liabilities are offset and the net amount is presented in the Consolidated Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method. Financial liabilities of the Group comprise of bank borrowings and trade and other payables.

3-15 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.

3.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-16 Impairment of financial assets

The Group assesses on a forward-looking basis the Expected Credit Losses ("ECL") associated with its debt instruments as part of its financial assets, carried at amortised cost and FVTOCI.

For accounts receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due. Expected loss rates were derived from historical information of the Group and are adjusted to reflect the expected future outcome which also incorporates forward looking information for macroeconomic factors such as inflation and gross domestic product growth rate.

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 360 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

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.

Other financial assets such as employees' receivables, bank balances have low credit risk and the impact of applying ECL is immaterial.

For some trade receivables the Group may obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the

Impairment loss on financial assets are presented as net impairment loss within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-17 Employees benefits

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.

Employees end of service obligation

For defined end of service 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.

The employees end of service 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.

3-18 Cash and cash equivalents

For the purpose of consolidated statement of financial position, cash and bank balances include bank balances and deposits with original maturities of three months or less, if any.

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Bank overdrafts, if any, are shown within borrowings in current liabilities in the consolidated statement of financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-19 Provisions

A provision is recognised if, as a result of past events, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation.

3-20 Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

3-21 Accounts and notes payable

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. Notes payable represent bills of exchange to finance working capital.

3-22 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

• the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
• by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

• the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
• the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3-23 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer (Chief Operating Decision Maker) which in the Group's case is to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. Segment results that are reported to the Group's Chief Operating Decision Maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

4. CRITICAL ESTIMATES AND JUDGEMENTS

The preparation of these consolidated financial statements in conformity with IFRS as endorsed in the kingdom of Saudi Arabia for financial reporting requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The areas involving significant estimates or judgements are in the following notes:

- Refer to note 15: Goodwill - Annual impairment testing of goodwill.
- Refer to note 17 Inventories - Allowance for slow moving items and inventory shortages.
- Refer to note 3-17 and 22: Measurement of employee end of service benefit obligations.
- Refer to note 3-10: Property and equipment useful lives
- Refer to note 3-5: Determine lease term

5. 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 6 operating segments.

	2020	2019
Sales of goods, net	**1,459,542,627**	1,439,601,908
Service revenue	**5,134,776**	8,034,982
Logistics revenue	**17,084,192**	10,120,898
	1,481,761,595	1,457,757,788

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 the subsidiary of the Group.

Sales of goods constitutes the followings:

	2020	2019
Retail sales	**1,437,140,589**	1,421,284,170
Wholesale	**22,402,038**	18,317,738
	1,459,542,627	1,439,601,908

(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

6. SEGMENT INFORMATION

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

Sales and services segment: This segment include 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 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, 2020 and 2019 is as follows:

For the year ended December 31, 2020	**Sales and services**	**Logistic services**	**Total**
Revenue:			
Total segment revenue	1,464,677,403	53,682,733	1,518,360,136
Inter-segment revenue	-	(36,598,541)	(36,598,541)
Revenue from external customers	1,464,677,403	17,084,192	1,481,761,595
Timing of revenue recognition:			
At a point in time	1,462,756,984	17,084,192	1,479,841,176
Overtime	1,920,419	-	1,920,419
Revenue from external customers	1,464,677,403	17,084,192	1,481,761,595
Profit from operations	134,080,246	5,648,852	139,729,098
Finance cost	(41,756,962)	(105,219)	(41,862,181)
Other income	3,616,403	468,913	4,085,316
Profit before zakat	95,939,687	6,012,546	101,952,233
Zakat	(16,425,607)	-	(16,425,607)
Net profit for the year	79,514,080	6,012,546	85,526,626

Other segment information: **For the year ended December 31, 2020**	**Sales and services**	**Logistic services**	**Total**
Capital expenditures	78,432,566	3,678,608	82,111,174
Depreciation and amortization	47,609,951	3,596,310	51,206,262
Depreciation on right-of-use asset	70,343,324	59,068	70,402,392
Total segment assets:			
December 31, 2020	1,613,659,336	24,865,223	1,638,524,55
Total segment liabilities:			
December 31, 2020	1,015,258,081	13,107,159	1,028,365,24

(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

6 SEGMENT INFORMATION (CONTINUED)

For the year ended December 31, 2019	**Sales and services**	**Logistic services**	**Total**
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
Timing of revenue recognition:			
At a point in time	1,445,848,306	10,120,898	1,455,969,204
Overtime	1,788,584	-	1,788,584
Revenue from external customers	1,447,636,890	10,120,898	1,457,757,78
Profit from operations	102,456,386	4,599,801	107,056,187
Finance cost	(38,148,122)	(127,227)	(38,275,349)
Other income	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

Other segment information: **For the year ended December 31,**	**Sales and services**	**Logistic services**	**Total**
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

7. COST OF REVENUE

	2020	2019 (Note 2-7)
Cost of goods sold	**864,010,969**	872,263,152
Salaries and other benefits	**140,462,004**	133,421,856
Depreciation on right-of-use asset	**62,632,073**	58,648,631
Depreciation and amortization	**36,939,310**	34,842,532
Rentals and leasehold expenses	**15,319,401**	19,954,497
Loss from shrinkage and inventory shortages	**14,335,165**	16,485,376
Franchisee commission	**14,599,881**	15,285,040
Provision for slow moving items and inventory shortages	**18,315,730**	111,324
Others	**18,723,288**	25,088,955
	1,185,337,821	1,176,101,363

(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

8. SELLING AND MARKETING EXPENSES

	2020	2019 (Note 2-7)
Advertisement and promotion	**29,052,978**	42,081,617
Salaries and other benefits	**1,819,972**	2,314,192
	30,872,950	44,395,809

9. GENERAL AND ADMINISTRATION EXPENSES

	2020	2019
Salaries and other benefits	**60,381,181**	71,388,690
Service and logistics	**25,652,724**	31,481,434
Depreciation and amortization	**14,266,952**	13,743,612
Depreciation on right-of-use asset	**7,770,319**	9,422,666
Rentals and leasehold expenses	**5,688,527**	2,826,478
Other	**3,081,700**	-
Allowance for prepayments and other receivables	**2,058,255**	733,656
	118,899,658	129,596,536

10. FINANCE COST

	2020	2019
Interest on lease liability	**35,831,867**	29,816,646
Interest on short term borrowings	**3,119,078**	2,805,610
Bank and other charges	**1,547,188**	2,582,751
Interest on long term borrowings	**1,364,048**	3,070,342
	41,862,181	38,275,349

11. ZAKAT

The Group is subject to zakat according to the regulations of the General Authority of Zakat and Tax ("GAZT") in the Kingdom of Saudi Arabia. The Group files its zakat returns on consolidated basis, starting from the financial year ended December 31, 2017 and thereafter, where it includes the Company and its subsidiary, due to the fact that the Group is one economic entity wholly owned and managed by the Company. The following financial information pertains to the consolidated return of the Group.

11-1 Calculation of adjusted net profit

	2020	2019
Profit before zakat	**101,952,233**	73,097,279
Provisions	**29,215,317**	8,746,176
Adjusted net profit	**131,167,550**	81,843,455

(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

11. ZAKAT (CONTINUED)

11.2 Components of zakat base

	2020	2019
Share capital at beginning of the year	**360,000,000**	360,000,000
Statutory reserve at beginning of the year	**15,952,051**	9,788,345
Retained earnings at beginning of the year	**163,512,081**	108,038,731
Lease liabilities and others	**704,511,897**	766,881,869
Property and equipment	**(334,001,974)**	(267,689,996)
Right of use assets and others	**(594,189,778)**	(636,122,484)
Adjusted net income	**131,167,550**	81,843,455
Financial asset at FVTOCI	**6,723,920**	5,379,160
Estimated zakat base	**453,675,747**	428,119,080

11.3 Zakat payable

The movement in the zakat payable was as follows:

	Note	2020	2019
January 1		**11,465,580**	12,240,295
Charged for the year		**12,612,147**	11,465,580
Settlement of prior years	11.4	**3,813,460**	(5,357)
Charged to the consolidated statement of profit or loss		**16,425,607**	11,460,223
Paid during the year		**(14,332,846)**	(12,234,938)
Reclassified to accrued expense and other liabilities		**(183,449)**	-
December 31		**13,374,892**	11,465,580

11.4 Zakat filing status

The Group's filed its consolidated zakat return with the General Authority of Zakat and Tax (GAZT) up to the year ended December 31, 2019 and settled the related zakat payable accordingly. The Group has received its final consolidated zakat assessments up to the year ended December 31, 2018 and settled the related additional zakat payable amounting to Saudi Riyals 3.8 million accordingly. The subsidiary has filed its standalone zakat return with GAZT up to the year ended December 31, 2016 and settled the related zakat payable accordingly. The assessments for the subsidiary for the years from 2011 to 2016 have not been yet finalized.

12. EARNINGS PER SHARE (EPS)

The calculation of the basic earnings per share is based on the following data:

12-1 Basic earnings per share:

	2020	2019
Total basic earnings per share attributable to the shareholders of the Company	**2.38**	1.71

12-2 Reconciliations of earnings used in calculating earnings per share

	2020	2019
Profit attributable to the shareholders of the Company used in calculating basic earnings per share	**85,526,626**	61,637,056
Earnings for the purposes of basic earnings per share	**85,526,626**	61,637,056

(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

12. EARNINGS PER SHARE (EPS) (CONTINUED)

12-3 Weighted average number of shares

	2020	2019
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**36,000,000**	36,000,000

The calculation of diluted earnings per share is not applicable to the Group as there is no dilutive effect on the basic earnings per share of the Group.

13. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(i) Amounts recognized in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	2020	2019
Right-of-use assets		
Properties	**565,027,551**	581,458,241
Vehicles	**1,447,221**	2,549,357
	566,474,772	584,007,598

	2020	2019
Lease liabilities		
Current portion	**61,003,274**	47,559,873
Non-current portion	**586,442,854**	598,230,133
	647,446,128	645,790,006

Additions to the right-of-use assets during the 2020 financial year were Saudi Riyals 52,869,566 (2019 – Saudi Riyals 205,880,79).

Amounts recognized in the consolidated statement of profit or loss and other comprehensive income

(ii) The consolidated statement of profit or loss and other comprehensive income shows the following amounts relating to leases

	2020	2019
Depreciation charge of right-of-use assets		
Properties	**69,300,266**	66,661,374
Vehicles	**1,102,126**	1,409,923
	70,402,392	68,071,297

	2020	2019
Interest expense on lease liability	**35,831,867**	29,816,646
Expense relating to short-term leases	**8,189,528**	3,145,093
Expense relating to leases of low-value assets that are not shown above as Short-term leases	**738,163**	646,007
Lease concession for the year	**(9,925,640)**	-

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

(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

14. PROPERTY AND EQUIPMENT

Cost	**Land**	**Buildings**	**Leasehold improvements**	**Furniture and fixtures**	**Computer hardware**	**Vehicles**	**Tools and equipment**	**Capital work-in-progress**	**Total**
January 1, 2019	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 intangibles 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
Additions	**-**	**-**	**20,610,801**	**12,224,723**	**3,502,831**	**1,150,238**	**4,041,223**	**37,995,373**	**79,525,189**
Disposals	**-**	**-**	**(6,083,908)**	**(418,787)**	**(303,440)**	**(965,076)**	**(344,338)**	**-**	**(8,115,549)**
Transfers	**-**	**-**	**10,142,874**	**275,118**	**455,257**	**-**	**376,298**	**(11,249,547)**	**-**
December 31, 2020	**17,768,405**	**41,568,946**	**270,606,513**	**112,487,779**	**32,171,049**	**36,447,656**	**45,785,592**	**56,172,809**	**613,008,749**
Accumulated depreciation									
January 1, 2019	-	12,977,904	100,713,069	45,948,752	19,486,167	24,921,579	28,930,634	-	232,978,105
Depreciation	-	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
Depreciation charge	-	**1,584,656**	**23,703,062**	**9,704,576**	**2,925,314**	**3,900,762**	**3,652,740**	-	**45,471,110**
Disposals	-	-	**(5,270,316)**	**(387,782)**	**(298,415)**	**(606,070)**	**(343,774)**	-	**(6,906,357)**
December 31, 2020	**-**	**16,147,216**	**141,548,097**	**63,893,961**	**25,056,072**	**30,044,719**	**35,783,801**	**-**	**312,473,866**
Net book value as at December 31, 2020	**17,768,405**	**25,421,730**	**129,058,416**	**48,593,818**	**7,114,977**	**6,402,937**	**10,001,791**	**56,172,809**	**300,534,883**
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

(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

14. PROPERTY AND EQUIPMENT (CONTINUED)

Capital work-in-progress as at December 31, 2020 and 2019 represents advance paid towards fixed asset purchases and cost of stores and warehouse under construction / renovation.

Allocation of depreciation charge is as follows:

	2020	2019
Cost of revenue	**36,758,079**	34,779,517
General and administration expenses	**8,713,031**	8,217,324
	45,471,110	42,996,841

15. INTANGIBLE ASSETS

	Software licenses	Goodwill	*Others	Total
Cost				
January 1, 2019	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 14)	52,425	-	-	52,425
December 31, 2019	42,021,034	22,377,889	1,325,942	65,724,865
Additions	**2,585,985**	-	-	**2,585,985**
December 31, 2020	**44,607,019**	**22,377,889**	**1,325,942**	**68,310,850**
Amortisation				
January 1, 2019	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
Amortisation	**5,467,692**	-	**267,460**	**5,735,152**
December 31, 2020	**34,442,569**	-	**401,190**	**34,843,759**
Net book values as at				
December 31, 2020	**10,164,450**	**22,377,889**	**924,752**	**33,467,091**
December 31, 2019	13,046,157	22,377,889	1,192,212	36,616,258

***Others**

Others includes an amount of Saudi Riyals 1.3 million paid as a key money to a previous tenant to acquire possession of leasehold land located in King Abdulaziz Port in Dammam.

Allocation of amortisation charge is as follows:

	2020	2019
Cost of revenue	**181,231**	63,015
General and administration expenses	**5,553,921**	5,526,288
	5,735,152	5,589,303

Goodwill

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

(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

15. INTANGIBLE ASSETS (CONTINUED)

The goodwill is related to the acquisition of Medscan and is monitored by the management at the level of only one cash-generating unit (Medscan).

	2020	2019
Medscan Terminal Company Limited	**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 plan (Budget) prepared by the Group's management. The results of this exercise did not result in any impairment loss to be recognized. 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:

Discount rate	10.02%
Sales growth rate (Annual Growth Rate)	0.43%
Long term growth rate	2%

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

Discount rate : Reflect specific risks relating to the relevant segment and the country in which it operates.

Sales growth rate (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

The recoverable amount of this CGU would equal its carrying amount if the below key assumption was to change as follows:

	2020		2019	
	From	**To**	From	To
Discount rate	**10.02%**	**58.2%**	12.67%	31.8%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated

If the long term growth rate applied to the cash flow projections of this CGU had been 0.5% lower than management's estimates (1.5% instead of 2%), this would not cause the carrying amount of the CGU to exceed its recoverable amount

The management has considered and assessed reasonably possible changes in any of the key assumptions above and has not identified any instances that could cause the carrying amount of the CGU to materially exceed its recoverable amount.

In the prior year, there were no reasonably possible changes in any of the key assumptions that would have resulted in an impairment write-down in CGU.

(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVTOCI)

	2020	2019
ACE International Hardware Holdings, Ltd	**9,852,093**	9,662,153
Percentage of shareholding	**2.3%**	2.3%
Number of shares	**22,022**	22,022

ACE Hardware International Holdings, Ltd (AIH) is a limited liability company incorporated under the laws of Bermuda. AIH is a majority-owned and controlled subsidiary of Ace Hardware Corporation with a noncontrolling interest owned by its international customers.

The fair value of AIH's shares has been reported according to the latest offering price approved by AIH's Board of Directors which was primarily based on annual pricing analysis and business evaluation.

17 INVENTORIES

	2020	2019
Merchandise in stores and warehouses	**572,694,069**	660,292,973
Goods-in-transit	**71,686,610**	106,761,132
Merchandise on consignment	**13,180,295**	15,058,110
Consumables	**4,792,905**	6,112,332
	662,353,879	788,224,547
Allowance for slow moving items and inventory shortages	**(37,316,133)**	(19,000,403)
	625,037,746	769,224,144

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

	2020	**2019**
January 1	**19,000,403**	18,889,079
Provided during the year	**18,315,730**	111,324
December 31	**37,316,133**	19,000,403

Allowance for slow moving items and inventory shortage is determined based on the Group's policy and other factors affecting the obsolescence of inventory items. An evaluation of inventories, designed to identify potential losses, is performed by the management on regular intervals. Management uses estimates based on the best available facts and circumstances including, but not limited to, evaluation of inventory items' age and obsolescence.

(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

18 ACCOUNTS RECEIVABLE

	2020	2019
Accounts receivable – trade	**29,529,906**	29,561,444
Accounts receivable – others	**14,737,004**	10,469,067
Impairment loss on financial assets	**(9,442,808)**	(2,742,881)
	34,824,102	37,287,630

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:

	Balance	Neither past due nor impaired	Less than 60 days	61-90 days	91-180 days	181-365 days	More than one year
December 31, 2020	**44,266,910**	**22,505,445**	**13,565,557**	**766,446**	**2,167,477**	**16,529**	**5,245,456**
December 31, 2019	40,030,511	30,368,756	3,298,347	783,379	618,382	1,871,027	3,090,620

Movement in Impairment loss on financial assets is as follows:

	2020	2019
January 1	**2,742,881**	2,134,988
Provided during the year	**6,922,068**	607,893
Write offs	**(222,141)**	-
December 31	**9,442,808**	2,742,881

19 PREPAYMENTS AND OTHER RECEIVABLES

	Note	2020	2019
Prepaid expenses		**21,418,256**	20,509,464
Advances		**13,656,249**	19,188,781
Due from a related party	29	**1,653,750**	-
Others		**5,105,814**	6,028,804
		41,834,069	45,727,049
Allowance for prepayments and other assets		**(6,160,605)**	(4,102,350)
		35,673,464	41,624,699

Movement in the allowance for prepayments and other receivables is as follows:

	2020	2019
January 1	**4,102,350**	3,368,694
provided during the year	**2,058,255**	733,656
December 31	**6,160,605**	4,102,350

(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

20. CASH AND CASH EQUIVALENTS

	2020	2019
Cash on hand	**1,378,441**	3,333,645
Bank balances	**31,281,967**	13,939,557
	32,660,408	17,273,202

Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the consolidated statement of cash flows at the end of the financial year as follows:

	2020	2019
Balances as above	**32,660,408**	17,273,202
Balances per statement of cash flows	**32,660,408**	17,273,202

21. BORROWINGS

	2020	2019
Short term borrowings	-	135,961,581
Long term borrowings	-	49,366,071
Total borrowings	-	185,327,652
Short term borrowings	-	135,961,581
Current portion of long-term borrowings	-	22,366,071
Non-current portion of long-term borrowings	-	27,000,000
Total borrowings	-	185,327,652

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

	2020	2019
Later than 1 year	-	15,428,572
Later than 2 years but not more than 5 years	-	11,571,428
	-	27,000,000

The Group has available facilities amounting to Saudi Riyal 522 million (2019: Saudi Riyal 551) 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.

As at December 31 2020, the Group has paid all its short term and long term borrowing balances however, the borrowing facilities are still active and available for future utilization.

These facilities, which are in form of Murabaha and Tawarroq financing, bear financial charges at prevailing market rates based on Saudi lnter-bank Offer Rate ("SIBOR") and Riyadh Inter-bank Offer Rate ("RIBOR").

The facilities are secured by order notes payable on demand equivalent to the total value of the facilities.

Borrowings contain certain covenants. A future breach of covenants may lead to renegotiation. The covenants are monitored on a monthly basis by Management, in case of potential breach, actions

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21 BORROWINGS (CONTINUED)

are taken by management to ensure compliance. The Group has complied with these covenants of its borrowing facilities as of December 31, 2020 and 2019.

For the majority of the borrowings, the fair values are not materially different from their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

Net debt reconciliation

An analysis of net debt and the movements in net debt for each of the periods presented.

	2020	**2019**
Cash and cash equivalents	**32,660,408**	17,273,202
Borrowings	**-**	(185,327,652)
Lease liabilities	**(647,446,128)**	(645,790,006)
Net debt	**(614,785,720)**	(813,844,456)

	Other assets	**Liabilities from Financing activities**		
	Cash and cash equivalents	**Borrowings from banks**	**Lease liabilities**	**Total**
Net debt as at January 1, 2019	16,333,485	(120,553,576)	(507,703,701)	(611,923,792)
Other changes	-	-	(205,880,790)	(205,880,790)
Net cash flows	939,717	(64,774,076)	67,794,485	3,960,126
Net debt as at December 31, 2019	17,273,202	(185,327,652)	(645,790,006)	(813,844,456)
New Leases	**-**	**-**	**(52,993,945)**	**(52,993,945)**
Other changes	**-**	**-**	**9,925,640**	**9,925,640**
Net cash flows	**15,387,206**	**185,327,652**	**41,412,183**	**242,127,041**
Net debt as at 31 December 2020	**32,660,408**	**-**	**(647,446,128)**	**(614,785,720)**

22 EMPLOYEES END OF SERVICE BENEFIT OBLIGATIONS

	2020	2019
January 1	**42,951,036**	40,843,454
Current service cost	**6,495,234**	5,819,789
Interest cost	**775,068**	1,473,514
Re-measurement (gains) losses:		
Actuarial losses arising from changes in financial assumptions	**2,208,922**	-
Actuarial gains arising from experience adjustments	**(3,785,843)**	-
Paid during the year	**(8,544,329)**	(5,185,721)
December 31	**40,100,088**	42,951,036

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its employees end of service benefit obligations at December 31, 2020 and December 31, 2019 in respect of employees' end-of-service benefits payable under relevant local regulations and contractual arrangements.

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22 EMPLOYEES END OF SERVICE BENEFIT OBLIGATIONS (CONTINUED)

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

	2020	2019
Discount rate	**2.5%**	3.60%
Salary increase rate	**1.5%**	2.00%

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

Sensitivity analysis

	2020	2019
Increase in discount rate of 1%	**(4,286,513)**	(1,991,860)
Decrease in discount rate of 1%	**1,679,708**	2,211,870
Increase in salary rate of 1%	**1,779,549**	2,226,430
Decrease in salary rate of 1%	**(4,490,092)**	(2,041,138)

Expected total undiscounted benefit payments are as follows:

	2020	2019
Expected total undiscounted benefit payments	**40,228,170**	42,951,036

23 ACCOUNTS AND NOTES PAYABLE

	2020	2019
Accounts payable – trade	**194,790,712**	198,058,850
Accounts payable – others	**10,204,594**	37,325,589
Notes payable	**9,775,567**	21,756,096
	214,770,873	257,140,535

The average credit period on purchases of goods is 30 - 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.

24 ACCRUED EXPENSES AND OTHER LIABILITIES

	2020	2019
Contract liability - Gift cards and vouchers	**34,925,540**	38,674,274
Accrued expenses	**29,533,895**	12,943,983
Employee related liabilities	**24,466,076**	10,989,636
Accrued rentals	**9,917,546**	13,210,700
Value added tax	**9,303,374**	-
Contract liability - Advances from customers	**2,546,171**	3,214,644
Others	**1,741,842**	710,074
	112,434,444	79,743,311

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25 SHARE CAPITAL

As at December 31, 2020, the Company's share capital was Saudi Riyals 360 million divided into 36 million shares of Saudi Riyals 10 each (2019: Saudi Riyals 360 million divided into 36 million shares of Saudi Riyals 10 each).

26 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% net profit 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.

27 FAIR VALUE RESERVE

The Group recognize changes in the fair value of investments in unquoted securities of ACE international which are measured at repurchase quotation available from the investee company at every year end, as explained in note 16. These changes are accumulated within the fair value reserve within equity.

Movement of financial asset at FVTOCI is as follow:

	2020	2019
January 1	**1,401,700**	1,401,700
Net change in fair value	**189,940**	-
December 31	**1,591,640**	1,401,700

28 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 Saudi Riyals 36 million at Saudi Riyals 1 per share. The dividends were paid on April 17, 2019.

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 Saudi Riyals 36 million at Saudi Riyals 1 per share. The dividends were paid on September 11, 2019.

In accordance with ordinary general assembly meeting held on April 30, 2020, the Company's shareholders resolved to delegate the authority to the Board of Directors to distribute dividends to the shareholders for the year 2020. The Board of Directors in their meeting held on July 23, 2020 resolved to distribute cash dividends to the Company's shareholders who owns the shares on the date of August 16, 2020 amounting to Saudi Riyals 18 million at Saudi Riyals 0.5 per share. Those dividends were paid on August 30, 2020.

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29 RELATED PARTY TRANSACTIONS AND BALANCES

During the years 2020 and 2019, the Group transacted with the following related parties. Prices and terms of payment are approved by the management.

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, 2020 and 2019.

Significant transaction with related parties

During the ordinary course of its business, the Group had the following significant related party transactions:

	Nature of transaction	**2020**	2019
Samaual Taha Bakhsh	Advance payment for lease a parcel of land	**1,653,750**	-
Inheritors of Abdullah Taha Baksh	Rental agreement for two show rooms	**2,918,333**	4,235,000

Inheritors of Abdullah Taha Baksh and Samaual Taha Baksh are shareholders of Abrar International Holding Company which is one of the major shareholders of the Company.

On March 2, 2020, the Group signed a contract (Dated February 18, 2020) to lease a parcel of land for a period of 22 year which is partially owned by Samaual Taha Bakhsh for a total value of Saudi Riyals 194 million (see also note 38).Those transactions were made on normal commercial terms and conditions and at market rates.

The balance of a related party as at year end is as follow:

Due from a related party

	Nature of relationship	**2020**	2019
Samaual Taha Bakhsh	**Major shareholder**	**1,653,750**	-

As at December 31, 2020 and 2019 there was no balance due from / to Inheritors of Abdullah Taha Baksh.

Key management personnel compensation

The Group provides remunerations to directors, executive officers and key management personnel as follows:

	2020				2019			
Description	**CEO**	**Directors**	**Other executives**	**Total**	CEO	Directors	Other executives	Total
Managerial remuneration	**726,300**	**726,300**	**1,450,545**	**2,903,145**	726,300	1,271,025	1,624,065	3,621,390
Allowances	**272,500**	**280,000**	**183,197**	**735,697**	280,000	307,500	546,203	1,133,703
Bonuses	-	-	-	-	-	-	462,000	462,000
Other Benefits	**64,942**	**115,761**	-	**180,703**	142,174	263,290	-	405,464
End of Service Benefits	**75,000**	**75,000**	**88,543**	**238,543**	81,000	137,250	87,087	305,337
Board member fees	**200,000**	**1,600,000**	-	**1,800,000**	200,000	1,600,000	-	1,800,000

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30 CONTINGENT LIABILITIES

As of December 31, the Group had the following contingent liabilities:

	2020	2019
Letters of credit	**65,993,460**	79,515,688
Letters of guarantees	**13,077,944**	12,577,944
	79,071,404	92,093,632

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

31 CAPITAL COMMITMENTS

Significant capital expenditure contracted for ongoing activities of the Group's stores/ warehouse at the end of the reporting period but not recognized as liabilities is as follows:

	2020	2019
Commitments for Group's stores / warehouse	**22,957,109**	33,575,319

On March 2, 2020, the Group signed a contract dated February 18, 2020 for a period of 22 years starting April 1, 2020 and ends on March 31, 2042 for a total amount of Saudi Riyals 194 million. This contract consists of 22 annual unequal payments staring April 1, 2020 for leasing a parcel of land. Management intends to use this parcel of land to build an investment property. As of December 31, 2020, the land was not handed over to the Group due to the incompletion of certain conditions of the contract (see also note 38) and thus there was no financial impact on the consolidated financial statements as of December 31, 2020.

32 EMPLOYEES' DEFINED CONTRIBUTION PLAN

The Group makes contributions for a defined contribution end of service 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 Saudi Riyal 5.08 million (2019: Saudi Riyal 6.23 million).

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33 FINANCIAL INSTRUMENTS

Financial Assets at amortize cost	2020	2019
Accounts receivable	**34,824,102**	37,287,630
Other financial assets at amortize cost	**5,579,506**	8,258,833
Cash and cash equivalent	**32,660,408**	17,273,202
	73,064,016	62,819,665

Financial Assets at FVTOCI	2020	2019
Financial assets at fair value through other comprehensive income (FVTOCI)	**9,852,093**	9,662,153

Financial Liabilities at amortize cost	2020	2019
Accounts and notes payable	**214,770,873**	257,140,535
Borrowing	**-**	185,327,652
Lease liabilities	**647,446,128**	645,790,006
	862,217,001	1,088,258,193

34 FINANCIAL RISK MANAGEMENT

The Group's principal financial liabilities comprise lease liabilities, loans and borrowings and accounts and notes 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 summarized 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. 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, 2020.

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.

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34 FINANCIAL RISK MANAGEMENT (CONTINUED)

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:

	2020	2019
Profit before Zakat		
Increase by 100 points	-	1,853,277
Decrease by 100 points	-	(1,853,277)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The Group did not undertake significant transactions in currencies other than Saudi Riyals, United Arab Emirates dirham (AED) and US Dollars, during the year and, accordingly, the Group has no significant exposure to other foreign currencies for the year ended December 31, 2020. Since the Saudi Riyal is pegged to the US Dollar and United Arab Emirates dirham, the Group is not exposed to significant foreign currency risk.

b) Credit Risk

Credit risk is the risk that one party to financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk on its bank balances, trade receivables and receivables from related parties and certain other current assets as follows:

	2020	2019
Bank balances	**31,281,967**	13,939,202
Accounts receivable	**34,824,102**	37,287,630
Other current assets	**5,579,506**	8,258,833
	71,685,575	**59,485,665**

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

Credit risk on receivable and bank balances is limited as:

Bank balances

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 that have a sound credit rating ranging from BBB+ and above. At the reporting date, no significant concentration of credit risk was identified by the management.

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34 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 certain customers. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. As at December 31, 2020, the accounts receivable balances due from the two major customers represent 55% of the total accounts receivable as at the same date. The Group evaluates the concentration of risk with respect to accounts receivable as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Other current assets

Other current assets include advances to employees, employee loans are secured against end of service balances.

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 120 days of the date of submitting the invoice. Trade payables are normally settled within 30 to 120 days of the date of purchase.

The following is contractual undiscounted maturity analysis of the financial liabilities of the Group as at December 31, 2020 and 2019.

	Less than one year	1 to 5 years	Above 5 years	Total
December 31, 2020				
Accounts and notes payable	**214,770,873**	**-**	**-**	**214,770,873**
Lease liabilities	**95,927,317**	**405,115,350**	**391,554,109**	**892,596,776**
	310,698,190	**405,115,350**	**391,554,109**	**1,107,367,649**
December 31, 2019				
Accounts and notes payable	257,140,535	-	-	257,140,535
Lease liabilities	82,966,063	395,938,734	434,683,868	913,588,665
Borrowings	158,327,652	27,000,000	-	185,327,652
	498,434,250	**422,938,734**	**434,683,868**	**1,356,056,852**

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35 CAPITAL RISK MANAGEMENT

The Board's policy is to maintain an efficient capital base to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitor the return on capital employed and the level of dividends to shareholders. The Group's objectives when managing capital are:

i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

ii) to provide an adequate return to shareholders.

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 ordinary transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Group is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

When measuring the fair value, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

The valuation technique used for measuring the financial assets at FVTOCI is disclosed in Note 16 to these consolidated financial statements.

	2020	2019
Level 3		
Unquoted financial asset at FVTOCI	**9,852,092**	9,662,153

There were no transfers among level 1, 2, and 3 for the year ended December 31, 2020 and 2019.

37 CORONA VIRUS PANDEMIC (COVID-19)

The Group is carefully monitoring the COVID-19 pandemic and the effect it is having on the retail market, the Group's employees and its financial performance. Measures have been implemented to enable the Group to continue operating on a business as usual basis, including remote working where possible, whilst taking all the necessary precautions to safeguard the well-being of its employees in the context of the ongoing pandemic.

The retail market has so far been impacted by the economic pressures created by the coronavirus which results in a negative impact on Group's revenue due to closure of certain Group's stores from March 17, to the end of April 2020. However, the Group took the advantages of the initiatives provided by the government to minimize the impact of the coronavirus outbreak "Covid-19" and in particular the initiative related to SANED, and also the related amendments of IFRS-16 rent concessions which resulted in a decrease in some operating expenses during the year ended December 31, 2020.

Notwithstanding the challenges faced in 2020, the Group was able to open new stores, expanding its sales operations, and launched a new E-commerce platform which reflected positively in improving its performance.

While the impact of the pandemic is currently expected to be temporary, there is uncertainty around the severity and duration of the disruption and its impact on the business and economic remains uncertain and is depends on the future developments that cannot be accurately estimated.

38 EVENTS OCCURRING AFTER THE REPORTING PERIOD

The leased land related to the signed contract with Samaual Taha Bakhsh has been handed over to the Group on January 3, 2021 corresponding to Jumada Al-Ula 19, 1442 H (see note 29).

In accordance with ordinary general assembly meeting held on April 30, 2020, the Company's shareholders resolved to delegate the authority to the Board of Directors to distribute dividends to the shareholders for the year 2020. The Board of Directors in their meeting held on March 11, 2021 resolved to distribute cash dividends to the Company's shareholders who owns the shares on the date of March 28, 2021 amounting to Saudi Riyals 27 million at Saudi Riyals 0.75 per share. Those dividends will be paid on April 11, 2021.

Except for the above mentioned, In the opinion of the management, there have been no significant subsequent events since December 31,2020 till the date of the approval of these consolidated financial statements that require disclosure or adjustment in these consolidated financial statements.

39 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved by the Board of Directors on March 11, 2021 corresponding to Rajab 27, 1442H.