# Fawaz Abdulaziz Al Hokair & Company

(A Saudi Joint Stock Company)

Interim condensed consolidated financial statements
(unaudited)
For the three-month period ended 31 March 2023
together with the
**Independent Auditor's Review Report**

**Fawaz Abdulaziz Al Hokair & Company**
(a Saudi Joint Stock company)
**Interim condensed consolidated financial statements**
For the three-month period ended 31 March 2023

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

**To the Shareholders of**
**Fawaz Abdulaziz Al Hokair & Company**
**(A Saudi Joint Stock Company)**

**Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of Fawaz Abdulaziz Al Hokair & Company (the "Company") and its subsidiaries (collectively referred as the "Group"), a Saudi Joint Stock Company as of 31 March 2023 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard No 34 "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

**Scope of Review**

Except as explained in the following paragraph, we conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" that is endorsed in the Kingdom of Saudi Arabia. A review of the interim condensed consolidaed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Basis for Qualified Conclusion**

The interim condensed consolidated statement of financial position as of 31 March 2023 includes right of use assets amounting to SR 2,884 million and lease liabilities amounting to SR 3,156 million (SR 3,111 million and SR 3,375 million respectively as of 31 December 2022). In addition, depreciation of right of use assets of SR 114 million and finance cost of lease liabilities of SR 36 million was charged to the interim condensed consolidated statement of profit or loss for the three months period ended 31 March 2023 (SR 141 million and SR 46 million respectively for the three months period ended 31 March 2022). We were unable to complete our review for these amounts as of and for the three months period ended 31 March 2023, as of and for the nine months period ended 31 December 2022 and for the three months period ended 31 March 2022 due to the unavailability of sufficient information required. As explained in note (20), management is conducting a thorough review of the right of use assets and lease liabilities to furnish us with necessary information supporting the amounts to assess any potential impact on the interim condensed consolidated interim financial statements as of and for the three months period ended 31 March 2023, as of and for the nine months period ended 31 December 2022 and for the three months period ended 31 March 2022. Had we been able to complete our review of right of use assets, lease liabilities and the accounts related to them, matters might have come to our attention indicating that adjustments might be necessary to the interim condensed consolidated interim financial statements for the three months period ended 31 March 2023 and for the prior periods and years.

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**INDEPENDENT AUDITOR'S REPORT ON THE REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Qualified Conclusion**

Except for the potential adjustments to the interim condensed consolidated financial statements that we might have become aware of had it not been for the situation described above, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

**Emphasis of matter**

We draw attention to note 16 to the interim condensed consolidated financial statements which states that as at 31 March 2023, the Group has an outstanding receivable balance of SR 272.45 million from a shareholder. Our conclusion is not modified in respect of this matter.

**For Dr. Mohamed Al-Amri & Co.**

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

د. محمد العمري وشركاه - محاسبون قانونيون
س. ت : ١٠١٠٤١٢٩٨٢
Riyadh
Certified Public Accountants
Dr. Mohamed Al-Amri & Co.

Riyadh, on: 10 Dhul-Qi'dah 1444 (H)
Corresponding to: 30 May 2023 (G)

## Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)
## Condensed consolidated statement of financial position

As at 31 March 2023

(All amounts in Saudi Riyals unless otherwise stated)

| | Notes | 31 March 2023 (Unaudited) | 31 December 2022 (Audited) |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property and equipment | 6 | **1,344,350,594** | 1,324,328,435 |
| Right-of-use assets | | **2,883,569,634** | 3,110,825,775 |
| Goodwill and intangible assets | | **1,127,689,206** | 1,120,845,679 |
| Investment property | | **1,356,600** | 1,387,200 |
| Investment in equity accounted investments | 7 | **70,911,707** | 62,139,303 |
| Other investments | 8 | **294,441,950** | 314,247,541 |
| Derivative asset | | **33,009,737** | 35,127,274 |
| **Non-current assets** | | **5,755,329,428** | 5,968,901,207 |
| **Current assets** | | | |
| Inventories | 9 | **1,137,225,311** | 1,000,279,166 |
| Advances, deposits and other receivables | | **607,015,718** | 718,198,081 |
| Prepayments | | **53,689,078** | 35,446,157 |
| Cash and cash equivalents | | **145,025,205** | 193,825,276 |
| **Current assets** | | **1,942,955,312** | 1,947,748,680 |
| **Total assets** | | **7,698,284,740** | 7,916,649,887 |
| **Equity** | | | |
| Share capital | | **1,147,664,480** | 1,147,664,480 |
| Statutory reserve | | **-** | - |
| Foreign currency translation reserve | | **(540,796,573)** | (524,088,331) |
| Fair value reserve | | **42,076,481** | 42,076,481 |
| Accumulated losses | | **(335,957,689)** | (292,184,580) |
| **Equity attributable to the shareholders of the Company** | | **312,986,699** | 373,468,050 |
| **Non-controlling interest** | | **(93,181,656)** | (92,125,951) |
| **Total equity** | | **219,805,043** | 281,342,099 |
| **Liabilities** | | | |
| Loans and borrowings | 10 | **100,000,000** | 115,000,000 |
| Lease liabilities | | **2,560,048,268** | 2,734,453,943 |
| Employee benefits | | **103,671,831** | 95,948,028 |
| **Non-Current liabilities** | | **2,763,720,099** | 2,945,401,971 |
| Loans and borrowings | 10 | **2,750,819,516** | 2,817,367,738 |
| Lease liabilities – current portion | | **596,133,556** | 640,873,664 |
| Trade and other payables | | **1,254,942,587** | 1,111,420,842 |
| Bank overdraft | | **50,262,871** | 49,758,105 |
| Zakat and tax liabilities | | **62,601,068** | 70,485,468 |
| **Current liabilities** | | **4,714,759,598** | 4,689,905,817 |
| **Total liabilities** | | **7,478,479,697** | 7,635,307,788 |
| **Total equity and liabilities** | | **7,698,284,740** | 7,916,649,887 |

*The attached notes from 1 to 21 are an integral part of these interim condensed consolidated financial statements.*

*These interim condensed consolidated financial statements were authorized for issue by the Board of Directors, and signed on its behalf by:*

| | | |
|---|---|---|
| **Ahmed Albelbesy** | **Mohamad Rafic Mourad** | **Fawaz Abdulaziz Al Hokair** |
| Chief Financial Officer | Chief Executive Officer | Chairman |

## Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)
## Condensed consolidated statement of profit or loss

For the three-month period ended 31 March 2023
(All Amounts in Saudi Riyals unless otherwise stated)

| | Notes | For the three-month period ended 31 March 2023 (Unaudited) | For the three-month period ended 31 March 2022 (Unaudited) |
|---|---|---|---|
| Revenue | 13 | **1,420,552,974** | 1,386,725,771 |
| Cost of revenue | 14 | **(1,253,688,747)** | (1,205,403,538) |
| **Gross profit** | | **166,864,227** | 181,322,233 |
| Other operating income | 15 | **72,679,225** | 50,299,244 |
| Selling and distribution expenses | | **(52,481,122)** | (27,261,207) |
| General and administrative expenses | | **(88,140,473)** | (56,801,173) |
| Depreciation on property and equipment | | **(39,222,201)** | (35,246,539) |
| Depreciation on investment properties | | **(30,600)** | (122,400) |
| Amortization on intangible assets | | **(3,608,727)** | (2,611,316) |
| Impairment loss on goodwill | | **-** | (70,533,770) |
| Other operating expense | 15 | **(7,205,626)** | (5,521,245) |
| **Operating profit** | | **48,854,703** | 33,523,827 |
| Finance (loss) / income | | **(2,117,537)** | 29,616,914 |
| Finance costs over loans and borrowings | | **(49,246,797)** | (33,923,064) |
| Finance costs over lease liabilities | | **(35,722,820)** | (46,358,783) |
| **Net finance costs** | | **(87,087,154)** | (50,664,933) |
| Change in fair value of other investment | | **-** | (2,429,344) |
| Share of loss of equity-accounted investees | 7 | **(1,614,747)** | (11,709,922) |
| **Loss before zakat and income tax** | | **(39,847,198)** | (31,280,372) |
| Zakat and income tax expense | | **(4,463,277)** | (13,334,710) |
| **Loss for the period** | | **(44,310,475)** | (44,615,082) |
| **Loss for the period is attributable to:** | | | |
| Shareholders of the Company | | **(43,773,109)** | (40,785,634) |
| Non-controlling interests | | **(537,366)** | (3,829,448) |
| | | **(44,310,475)** | (44,615,082) |
| **Loss per share** | | | |
| Basic and diluted loss per share | 11 | **(0.38)** | (0.36) |

*The attached notes from 1 to 21 are an integral part of these interim condensed consolidated financial statements.*

| | | |
|---|---|---|
| **Ahmed AlHelbesy** | **Mohamad Rafic Mourad** | **Fawaz Abdulaziz Al Hokair** |
| *Chief Financial Officer* | *Chief Executive Officer* | *Chairman* |

**Fawaz Abdulaziz Al Hokair & Company** (a Saudi Joint Stock Company)
## Condensed consolidated statement of comprehensive income
For the three-month period ended 31 December 2022
(All Amounts in Saudi Riyals unless otherwise stated)

| | *Notes* | **For the three-month period ended 31 March 2023 (Unaudited)** | For the three-month period ended 31 March 2022 (Unaudited) |
|---|---|---|---|
| **Loss for the period** | | **(44,310,475)** | (44,615,082) |
| **Items that will not be reclassified to profit or loss:** | | | |
| Re-measurements of defined benefit liability | | - | 10,546,914 |
| Equity investments at FVOCI – net change in fair value | | - | 13,213,820 |
| | | - | 23,760,734 |
| **Items that are or may be reclassified subsequently to profit or loss:** | | | |
| Foreign operations – foreign currency translation differences | | **(17,226,581)** | (25,231,631) |
| | | **(17,226,581)** | (25,231,631) |
| **Other comprehensive loss for the period** | | **(17,226,581)** | (1,470,897) |
| **Total comprehensive loss for the period** | | **(61,537,056)** | (46,085,979) |
| | | | |
| **Total comprehensive loss for the period attributable to:** | | | |
| - Shareholders of the Company | | **(60,481,351)** | (41,580,853) |
| - Non-controlling interests | | **(1,055,705)** | (4,505,126) |
| | | **(61,537,056)** | (46,085,979) |

*The attached notes from 1 to 21 are an integral part of these interim condensed consolidated financial statements.*

| **Ahmed Albelbesy** | **Mohamad Rafic Mourad** | **Fawaz Abdulaziz Al Hokair** |
|---|---|---|
| *Chief Financial Officer* | *Chief Executive Officer* | *Chairman* |

## Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)
## Condensed consolidated statement of changes in equity
For the three-month period ended 31 March 2023
(All Amounts in Saudi Riyals unless otherwise stated)

| | *Notes* | Share capital | Statutory reserve | Foreign currency translation reserve | Fair value reserve | Accumulated losses | Total shareholders' equity | Non-Controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2022 (Unaudited)** | | 2,100,000,000 | - | (494,955,750) | - | (952,335,520) | 652,708,730 | (102,573,894) | 550,134,836 |
| Restatement | 19 | - | - | - | - | (358,690,701) | (358,690,701) | - | (358,690,701) |
| **Balance at 1 January 2022 (Restated) (Unaudited)** | | 2,100,000,000 | - | (494,955,750) | - | (1,311,026,221) | 294,018,029 | (102,573,894) | 191,444,135 |
| **Total comprehensive (loss) / income for the period** | | | | | | | | | |
| Loss for the period | | - | - | - | - | (40,785,634) | (40,785,634) | (3,829,448) | (44,615,082) |
| Other comprehensive (loss) / income | | - | - | (24,560,066) | 12,949,544 | 10,815,303 | (795,219) | (675,678) | (1,470,897) |
| **Total comprehensive loss for the period** | | - | - | (24,560,066) | 12,949,544 | (29,970,331) | (41,580,853) | (4,505,126) | (46,085,979) |
| **Balance at 31 March 2022 (Restated) (Audited)** | | 2,100,000,000 | - | (519,515,816) | 12,949,544 | (1,340,996,552) | 252,437,176 | (107,079,020) | 145,358,156 |
| **Balance at 1 January 2023 (Audited)** | | 1,147,664,480 | - | (524,088,331) | 42,076,481 | (292,184,580) | 373,468,050 | (92,125,951) | 281,342,099 |
| **Total comprehensive loss for the period** | | | | | | | | | |
| Loss for the period | | - | - | - | - | (43,773,109) | (43,773,109) | (537,366) | (44,310,475) |
| Other comprehensive loss | | - | - | (16,708,242) | - | - | (16,708,242) | (518,339) | (17,226,581) |
| **Total comprehensive loss for the period** | | - | - | (16,708,242) | - | (43,773,109) | (60,481,351) | (1,055,705) | (61,537,056) |
| **Balance at 31 March 2023 (Unaudited)** | | 1,147,664,480 | | (540,796,573) | 42,076,481 | (335,957,689) | 312,986,699 | (93,181,656) | 219,805,043 |

*The attached notes from 1 to 21 are an integral part of these interim condensed consolidated financial statements.*

**Ahmed Albelbesy**
*Chief Financial Officer*

**Mohamad Rafic Mourad**
*Chief Executive Officer*

**Fawaz Abdulaziz Al Hokair**
*Chairman*

**Fawaz Abdulaziz Al Hokair & Company** (a Saudi Joint Stock Company)
## Condensed consolidated statement of cash flows
For the three-month period ended 31 March 2023
(All Amounts in Saudi Riyals unless otherwise stated)

| | **For the three-month period ended 31 March 2023 (Unaudited)** | For the three-month period ended 31 March 2022 (Unaudited) |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Loss for the period | **(44,310,475)** | (44,615,082) |
| *Adjustments for:* | | |
| - Depreciation on property and equipment | **39,222,201** | 35,246,537 |
| - Depreciation on investment properties | **30,600** | 122,400 |
| - Amortization on intangible assets | **3,608,727** | 2,611,318 |
| - Depreciation on right-of-use assets | **113,540,636** | 141,433,858 |
| - Provision for employees' benefits | **16,374,057** | 4,214,535 |
| - Finance loss / (income) | **2,117,537** | (29,616,914) |
| - Provision for inventory shrinkage and slow-moving inventory | **12,301,704** | (28,175,623) |
| - Gain on lease termination | **(12,501,245)** | 16,932,247 |
| - Zakat and income tax expense | **4,463,277** | 13,334,710 |
| - Finance cost over loans and borrowings | **49,246,797** | 33,923,064 |
| - Finance cost over lease liabilities | **35,722,820** | 46,358,783 |
| - Share of loss from equity accounted investments | **1,614,747** | 11,709,922 |
| - Loss on disposal of property and equipment and intangibles | **162,603** | 16,981,714 |
| - Store closure losses | **3,590,185** | 5,326,857 |
| - Impairment loss on goodwill | **-** | 70,533,770 |
| - Change in fair value of other investments | **-** | 2,429,344 |
| - Directly written off inventory | **10,472,089** | 27,250,576 |
| - Rental concession for leases | **(5,483,861)** | (8,945,215) |
| - Write off of property and equipment and intangibles | **97,674** | - |
| | **230,270,073** | 317,056,801 |
| ***Changes in:*** | | |
| - Inventories | **(159,719,938)** | (531,796,752) |
| - Advances, deposits and other receivables | **111,182,363** | 328,778,884 |
| - Prepayments, rentals and insurance | **(18,242,921)** | (28,697,833) |
| - Trade and other payables | **143,521,745** | 224,061,237 |
| **Cash generated from operating activities** | **307,011,322** | 309,402,337 |
| Zakat and income tax paid | **(12,347,677)** | (4,926,801) |
| Employee benefits paid | **(8,650,254)** | (6,155,032) |
| **Net cash from operating activities** | **286,013,391** | 298,320,504 |
| **Cash flows from investing activities:** | | |
| Purchase of property and equipment | **(63,094,115)** | (20,984,574) |
| Purchase of investment in equity accounted investments | **(10,387,150)** | - |
| Disposal of cash margin | **902,000** | - |
| Purchase of intangible assets | **(10,452,961)** | (20,150,806) |
| **Net cash used in investing activities** | **(83,032,226)** | (41,135,380) |

**Fawaz Abdulaziz Al Hokair & Company** (a Saudi Joint Stock Company)
## Condensed consolidated statement of cash flows (continued)
For the three-month period ended 31 March 2023
(All Amounts in Saudi Riyals unless otherwise stated)

| | **For the three-month period ended 31 March 2023 (Unaudited)** | For the three-month period ended 31 March 2022 (Unaudited) |
|---|---|---|
| **Cash flows from financing activities:** | | |
| Repayments of loans and borrowings | **(110,944,926)** | (62,047,718) |
| Additions in loans and borrowings | **29,396,704** | - |
| Payments of finance costs over loans and borrowings | **(49,246,797)** | (42,413,931) |
| Repayments of lease liabilities | **(84,572,417)** | (137,807,048) |
| Payments of finance costs over lease liabilities | **(35,722,820)** | (46,358,783) |
| **Net cash used in financing activities** | **(251,090,256)** | (288,627,480) |
| Net decrease in cash and cash equivalents | **(48,109,091)** | (31,442,356) |
| Foreign currency exchange translation differences | **(1,195,746)** | (39,812,865) |
| Cash and cash equivalents at the beginning of period | **144,067,171** | 219,023,931 |
| **Cash and cash equivalents at end of period** | **94,762,334** | 147,768,710 |

**Cash and cash equivalent comprise of:**

| | **For the three-month period ended 31 March 2023 (Unaudited)** | For the three-month period ended 31 March 2022 (Unaudited) |
|---|---|---|
| Bank balances | **54,041,744** | 172,616,287 |
| Cash in hand | **90,983,461** | 25,271,458 |
| **Cash and cash equivalents in consolidated statement of financial position** | **145,025,205** | 197,887,745 |
| Bank overdraft | **(50,262,871)** | (50,119,035) |
| **Cash and cash equivalents in consolidated statement of cash flows** | **94,762,334** | 147,768,710 |

*The attached notes from 1 to 21 are an integral part of these interim condensed consolidated financial statements.*

| | | |
|---|---|---|
| **Ahmed Albelbesy** | **Mohamad Rafic Mourad** | **Fawaz Abdulaziz Al Hokair** |
| *Chief Financial Officer* | *Chief Executive Officer* | *Chairman* |

## 1. REPORTING ENTITY

Fawaz Abdulaziz Al Hokair & Co. (the "Company") is a listed Saudi Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration No. 1010076209 dated 20 Sha'ban 1410H (corresponding to 18 March 1990).

The objective of the Company and its subsidiaries (collectively referred as the "Group") is to engage in the following activities:

- Wholesale and retail trading in ready-made cloth for men, women and children, shoes, textiles, house and office furniture, perfumes, natural cosmetics, ornaments and beauty materials and their compounds and traditional jewelry.
- Wholesale and retail trading in sportswear and shoes and related items.
- Management and operation of optics centers and wholesale and retail trading in eyeglasses, sunglasses, contact lenses, optical equipment and accessories.
- Trading agencies.
- Purchase of land and construction of buildings thereon for running the Group's activities and business.
- Manufacture, wholesale and retail in Abayas, robes, scarfs and other women embroidered gowns.
- Wholesale and retail trading in gold, silver, jewelry, precious stones, diamonds, gold ornaments and precious metals.
- Wholesale and retail trading in communication equipment and related accessories and spare parts, maintenance and operation through trading agencies.
- Retail trading in consumer food products.
- Own and operate restaurants, coffee shops, import food products and acquire related equipment.
- Own and operate entertainment centers and acquire related equipment.

The shareholders of the parent company in their extra-ordinary general meeting held at 29 June 2022 have approved the reduction in the share capital by SAR 952 million through cancellation of 95,233,552 shares of SAR 10 each to absorb the accumulated losses. Accordingly, the Group amended its Articles of Association, however, Group's revised share capital was not updated in Commercial Registration.

On 20 December 2022 (G) (corresponding to 5 Jumada al-Alkhirah 1444 (H)), the Group announced the approval by the Shareholders Extraordinary General Assembly to amend the Group's financial year end from 31 March to 31 December.

The comparative information for the condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and cash flows for the three-month period ended 31 March 2023, and related explanatory notes, have not been audited or reviewed.

(All Amounts in Saudi Riyals unless otherwise stated)

## 2. GROUP STRUCTURE

These interim condensed consolidated financial statements include the assets, liabilities and result of operations of the Company and the following subsidiaries:

| | | | | Ownership interest held by the Group as at: | |
|---|---|---|---|---|---|
| **No** | **Subsidiaries** | **Country of incorporation** | **Business Activity** | **31 December 2022** | **31 March 2022** |
| 1 | Al Waheedah Equipment Co. Ltd. | Kingdom of Saudi Arabia | Retail | **100** | 100 |
| 2 | Haifa B. Al Kalam & Partners Co. for trading | Kingdom of Saudi Arabia | Retail | **100** | 100 |
| 3 | Saudi Retail Co. Ltd | Kingdom of Saudi Arabia | Retail | **100** | 100 |
| 4 | Wahba Trading Company Limited | Kingdom of Saudi Arabia | Retail | **100** | 100 |
| 5 | Unique Technology Trading Company | Kingdom of Saudi Arabia | Retail | **100** | 100 |
| 6 | Nesk Trading Projects Company | Kingdom of Saudi Arabia | Retail | **100** | 100 |
| 7 | Innovative Union Company (IUC) | Kingdom of Saudi Arabia | Food and Beverage | **100** | 100 |
| 8 | Al Hokair Retail Academy | Kingdom of Saudi Arabia | Training center | **100** | 100 |
| 9 | Food Gate company | Kingdom of Saudi Arabia | Food and Beverage | **70** | 70 |
| 10 | Logistics Fashion Trading DWC-LLC | United Arab Emirates | Retail | **100** | 100 |
| 11 | Fashion Retail Kazakhstan LLP | Republic of Kazakhstan | Retail | **100** | 100 |
| 12 | Global Apparel Kazakhstan LLP | Republic of Kazakhstan | Retail | **100** | 100 |
| 13 | Retail Group Georgia LLC | Georgia | Retail | **100** | 100 |
| 14 | Master Retail Georgia LLC | Georgia | Retail | **100** | 100 |
| 15 | Spanish Retail Georgia LLC | Georgia | Retail | **100** | 100 |
| 16 | Pro Retail Georgia LLC | Georgia | Retail | **100** | 100 |
| 17 | Best Retail Georgia LLC | Georgia | Retail | **100** | 100 |
| 18 | Mega Store Georgia LLC | Georgia | Retail | **100** | 100 |
| 19 | Fashion Retail Georgia LLC | Georgia | Retail | **100** | 100 |
| 20 | Global Apparel Georgia LLC | Georgia | Retail | **100** | 100 |
| 21 | Retail Group Holding LLC | Georgia | Retail | **100** | 100 |
| 22 | Master Home Retail | Georgia | Retail | **100** | 100 |
| 23 | International Retail of Morocco | Morocco | Retail | **100** | 100 |
| 24 | Multi Trends Co. | Morocco | Retail | **100** | 100 |
| 25 | Retail Group of America LLC | United States of America | Entertainment | **100** | 100 |
| 26 | Billy Beez USA | United States of America | Entertainment | **100** | 100 |
| 27 | Retail Group Balkans doo Beograd | Republic of Serbia | Retail | **100** | 100 |
| 28 | Retail Fashion d.o.o., Belgrade | Republic of Serbia | Retail | **100** | 100 |
| 29 | Retail Group Balkans doo Podgorica | Balkan Peninsula | Retail | **100** | 100 |
| 30 | Retail Group Balkans doo Skopje | Balkan Peninsula | Retail | **100** | 100 |
| 31 | RIGE Co. | Arab Republic of Egypt | Retail | **99** | 99 |
| 32 | Retail Group Egypt Co. S.A.E | Arab Republic of Egypt | Retail | **98** | 98 |
| 33 | Retail Group Armenia CJSC | Armenia | Retail | **96** | 96 |
| 34 | Spanish Retail CJSC | Armenia | Retail | **100** | 100 |

(All Amounts in Saudi Riyals unless otherwise stated)

## 2. GROUP STRUCTURE (CONTINUED)

| | | | | Ownership interest held by the Group as at: | |
|---|---|---|---|---|---|
| **No** | **Subsidiaries** | **Country of incorporation** | **Business Activity** | **31 December 2022** | **31 March 2022** |
| 35 | ZR Fashion Retail CJSC | Armenia | Retail | **100** | 100 |
| 36 | Global Apparel CJSC | Armenia | Retail | **100** | 100 |
| 37 | BR Fashion Retail CJSC | Armenia | Retail | **100** | 100 |
| 38 | Master Retail CJSC | Armenia | Retail | **100** | 100 |
| 39 | Best Retail CJSC | Armenia | Retail | **100** | 100 |
| 40 | Retail Group CJSC | Armenia | Retail | **100** | 100 |
| 41 | Pro Retail CJSC | Armenia | Retail | **100** | 100 |
| 42 | Factory Prices CJSC | Armenia | Retail | **100** | 100 |
| 43 | Retail Group Jordan Co. LDT | Hashemite Kingdom of Jordan | Retail | **100** | 100 |
| 44 | Nesk Trading Projects LLC | Hashemite Kingdom of Jordan | Retail | **100** | 100 |
| 45 | Models Own Holding Limited | United Kingdom | Retail | **51** | 51 |
| 46 | Models Own Limited | United Kingdom | Retail | **51** | 51 |
| 47 | Models Own International Ltd. | United Kingdom | Retail | **51** | 51 |
| 48 | Retail Group Azerbaijan LLC | Azerbaijan | Retail | **85** | 85 |
| 49 | Fashion Retail Azerbaijan LLC | Azerbaijan | Retail | **85** | 85 |
| 50 | Spanish Retail Azerbaijan LLC | Azerbaijan | Retail | **85** | 85 |
| 51 | Global Apparel Azerbaijan LLC | Azerbaijan | Retail | **85** | 85 |
| 52 | Mega Store Azerbaijan LLC | Azerbaijan | Retail | **85** | 85 |
| 53 | Master Retail Azerbaijan LLC | Azerbaijan | Retail | **85** | 85 |
| 54 | Pro Retail Azerbaijan LLC | Azerbaijan | Retail | **85** | 85 |
| 55 | Retail Group Holding LLC | Azerbaijan | Retail | **85** | 85 |
| 56 | Best Retail Azerbaijan LLC | Azerbaijan | Retail | **85** | 85 |

In addition to the above, the Group, directly and indirectly, owns certain dormant subsidiaries and special purpose vehicles across several countries which are not material to the Group.

The principal activities of all of the above subsidiary companies are wholesale and retail trading of fashion apparels and indoor entertainment business for kids. The indirect shareholding represents cross ownership among the subsidiary companies.

# 3. BASIS OF ACCOUNTING

## 3.1 Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting that is endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA") and should be read in conjunction with the Group's last annual Consolidated Financial Statements as at and for the period ended 31 December 2022 ("last annual consolidated financial statements"). These interim condensed consolidated financial statements do not include all of the information required for a complete set of IFRS Financial Statements however; selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements.

The interim condensed consolidated financial statements were approved by the Board of Directors for issuance on 10 Dhul-Qi'dah 1444 (H) (corresponding to 30 May 2023 (G)).

## 3.2 Preparation of financial statements

These interim condensed consolidated financial statements have been prepared on the historical cost basis except for the following material items in the condensed consolidated statement of financial position:

- Other investments at fair value;
- Derivative asset at fair value; and
- The defined benefit obligation is recognized at the present value of future obligations using the Projected Unit Credit Method.

As at 31 March 2023, the Group was in breach of certain financial covenants in relation to its long-term and short-term borrowings. Accordingly, the Company did not have an unconditional right to defer the settlement of the loan for at least 12 months after the reporting date. As a result, the Group has classified long term borrowings to current liability, refer note 10. This loan classification has resulted in current liabilities exceeding the Company's current assets by SR 2,772 million. Currently, the Group has not received any default notice or intimation from the lenders that requires repayment of the loan before its original contractual maturity. The terms of the loan agreement require certain actions consequent to breach of covenants which includes among other items the injection of equity in the Group. The Board of Directors in their meeting dated 10 November 2021 had resolved that the Company will proceed with the rights issue of SR 1,000 million after reducing its share capital to SR 1,148 million by absorbing the accumulated losses. On the Board's recommendation, the shareholders of the Parent Company in their extra-ordinary general meeting held at 29 June 2022 have approved the reduction in the share capital by SAR 952 million (through cancellation of 95.2 million shares of SAR 10 each) to absorb the accumulated losses as at 31 December 2021 amounting to SAR 952 million. Approval of the rights issue is expected from the Capital Markets Authority subsequent to the issuance of the period end financial statements, after which the shareholders will approve the issuance to be effective.

Based on the discussions with the lenders over this incident and due to the current negotiations to reschedule the borrowings terms, management is confident that these actions will remediate the situation with the lenders and will resolve the position of the Group with respect to the covenants.

Furthermore, management of the Group is currently working towards reorganizing its brand mixture, where it plans to exist certain underperforming brands and direct more funds to performing brands. This is expected to lead to expansions and diversifications in the stores of these performing brands and trademarks. Certain cost cutting plans are also considered for the upcoming years, which will lead to enhancing gross margins of the Group. During the three-month period ended 31 March 2023, the group has recognized positive gross profits of SR 166.9 million (2022: SR 181.32 million), positive operating profit of SR 48.9 million (2022: SR 33.52 million), and cash inflows from operating activities of SR 306 million (2022: SR 298 million) and accordingly, these consolidated interim financial statements were prepared on a going concern basis.

## 3.3 Use of judgements and estimates

In preparing these interim condensed consolidated financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

# 4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these interim condensed consolidated financial statements are the same as those applied in the Group's annual consolidated financial statements as at and for the year ended 31 December 2022.

# 5. AMENDMENTS TO STANDARDS AND STANDARDS ISSUED BUT NOT YET EFFECTIVE

***New standards, interpretations and amendments adopted by the Group***

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2022, except for the following amendments which apply for the first time in 2023. However, not all are expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

The following amendments are effective for the period beginning 1 January 2023:

- IFRS 17 - Insurance Contracts;
- IAS 1 - Presentation of Financial Statements and IFRS Practice Statement 2 (Amendment – Disclosure of Accounting Policies);
- IAS 8 - Accounting policies, Changes in Accounting Estimates and Errors (Amendment - Definition of Accounting Estimates); and
- IAS 12 - Income Taxes (Amendment – Deferred Tax related to Assets and Liabilities arising from a Single Transaction).

These amendments had no impact on the interim condensed consolidated financial statements of the Group as there are no such transactions under the above amendments during the current period.

***Impact of accounting standards to be applied in future periods***

There are a number of standards and interpretations which have been issued by the International Accounting Standards Board that are effective for periods beginning subsequent to 31 December 2023 (the date of the Group's next annual financial statements) that the Group has decided not to adopt early. The Group does not believe these standards and interpretations will have a material impact on the financial statements once adopted.

# 6. PROPERTY AND EQUIPMENT

During the three-month period ended 31 March 2023, the Group added property and equipment with a cost of SR 63.09 million (three-month period ended 31 March 2022: SR 20.98 million). Also, during the three-month period ended 31 March 2023, the depreciation charge for three-month period amounted to SR 39.22 million (three-month period ended 31 March 2022: SR 35.25 million) and the Group incurred a loss on disposal off property and equipment amounting to SR 0.16 million (three-month period ended 31 March 2022 SR 16.98 million). There were advances against CWIP which were paid against some construction projects in previous years. During 2022, the Group decided not to go with those construction projects, accordingly advances paid to the Lynx Contracting Company were transferred to Saudi FAS Holding Company under due from related parties' balances.

(All Amounts in Saudi Riyals unless otherwise stated)

## 6. PROPERTY AND EQUIPMENT (Continued)

During the year ended 31 March 2022, the Group conducted an operational efficiency review at all of its assets, which resulted in changes in the expected usage of all assets. The buildings, leasehold improvements, furniture fixtures and office equipment and motor vehicles were intended to be used for 33 years, 8-15 years and 4-10 years respectively. As a result of revision of useful lives, the buildings, leasehold improvements, furniture, fixtures and office equipment and motor vehicles are expected to remain in use for 40 years, 15 years, 15 years, 6 years respectively. Consequently, the expected life of the assets increased which resulted in the decrease in the deprecation charge on property and equipment.

## 7. INVESTMENT IN EQUITY ACCOUNTED INVESTMENTS

| | FG 4 Limited | FAS LAB *(i)* | Total |
|---|---|---|---|
| **Balance at 1 April 2022 (Audited)** | 1,956,408 | 60,068,385 | 62,024,793 |
| Addition | -- | 9,818,749 | 9,818,749 |
| Share of loss | (1,956,408) | (7,747,831) | (9,704,239) |
| **Balance at 31 December 2022 (Audited)** | **--** | **62,139,303** | **62,139,303** |
| Addition | **--** | **10,387,151** | **10,387,151** |
| Share of loss | **--** | **(1,614,747)** | **(1,614,747)** |
| **Balance at 31 March 2023 (Unaudited)** | **--** | **70,911,707** | **70,911,707** |

(i) This represents a 50% equity investment in the share capital of FAS Lab Holding Company, a limited liability company incorporated in the Kingdom of Saudi Arabia, which is engaged primarily in leading the digital initiatives of the Group including but not limited to providing the malls' visitors and shoppers with a specialized and advanced loyalty program, simplified and innovative consumer financing solutions and an e-commerce platform.

## 8. OTHER INVESTMENTS

| | Equity securities at FVTPL *(i)* | Equity securities at FVOCI *(ii)* | Pledged term deposit *(iii)* | Total |
|---|---|---|---|---|
| Balance at 1 April 2022 (Audited) | 213,430,656 | 86,260,030 | - | 299,690,686 |
| Additions | - | - | 4,190,498 | 4,190,498 |
| Change in fair value | 3,694,908 | 29,126,937 | - | 32,821,845 |
| Exchange difference | - | (22,455,488) | - | (22,455,488) |
| **Balance at 31 December 2022 (Audited)** | **217,125,564** | **92,931,479** | **4,190,498** | **314,247,541** |
| Disposal | **-** | **-** | **(902,000)** | **(902,000)** |
| Exchange difference | **-** | **(18,903,591)** | **-** | **(18,903,591)** |
| **Balance at 31 March 2023 (Unaudited)** | **217,125,564** | **74,027,888** | **3,288,498** | **294,441,950** |

i. This represents investment in 20,000,000 units of Al Mubarak Real Estate Income Fund –II (the "fund") with a nominal value of SR 10 each which has been acquired by the Company in exchange of its share of ownership of an investment property. The fund is a private closed ended real estate investment fund and the Group acquired its units on 16 December 2019.

ii. On 31 March 2021, the Group has acquired 8.9% shares in Egyptian Centers for Real Estate Development in consideration for the settlement of a receivable from Egyptian Centers. The Group has designated the investment at FVOCI at initial recognition.

   Management has done their assessment of the fair value of FVTPL and FVOCI investments at the period end and believes that these are not significantly different from their carrying values.

iii. During the period ended 31 March 2023, the Group has term deposits in National Bank of Fujairah as a guarantee for supplier payment.

(All Amounts in Saudi Riyals unless otherwise stated)

## 9. INVENTORIES

| | 31 March 2023 (Unaudited) | 31 December 2022 (Audited) |
|---|---|---|
| Finished goods | | |
| - Available for sale | **1,437,691,393** | 1,310,279,291 |
| - Goods in transit | **33,688,513** | 14,149,304 |
| Consumables and supplies | **24,864,133** | 24,262,829 |
| **Gross inventories** | **1,496,244,039** | 1,348,691,424 |
| Provision for inventory | **(359,018,728)** | (348,412,258) |
| **Net inventories** | **1,137,225,311** | 1,000,279,166 |

## 10. LOANS AND BORROWINGS

| | *Notes* | 31 March 2023 (Unaudited) | 31 December 2022 (Audited) |
|---|---|---|---|
| Islamic facility with banks (Murabaha) | (i) | **2,688,363,016** | 2,774,310,862 |
| Banking facilities of GCC subsidiaries | (ii) | **12,456,500** | 8,056,876 |
| Islamic facility with banks (Murabaha) - new | (iii) | **150,000,000** | 150,000,000 |
| | | **2,850,819,516** | 2,932,367,738 |
| Short term borrowings | | **12,456,500** | 8,056,876 |
| Current portion of long-term borrowings | | **2,738,363,016** | 2,809,310,862 |
| **Loans and Borrowings - Current liabilities** | | **2,750,819,516** | 2,817,367,738 |
| **Loans and Borrowings – Non-Current liabilities** | | **100,000,000** | 115,000,000 |
| | | **2,850,819,516** | 2,932,367,738 |

i. The Group signed a long-term Murabaha financing agreement with a National Commercial Bank as the Murabaha Investment Agent and Murabaha Participants, amounting to facilities of SAR 2,400 million and USD 166,000 on 1 March 2020. As per the terms of the agreement, the term of the Murabaha facility is for a period of seven years. The Murabaha facility is secured by promissory notes issued by the Company. The facility is repayable in six half yearly installments commencing after 12 months from the date of signing the agreement. As at 31 December 2022, the Group has fully utilized this facility. The interest rate on this facility is SIBOR + 2.7% on loan tranche taken in SR and LIBOR + 3% on loan tranche taken in USD.

The loans contain certain financial covenants. A breach of covenants may lead to renegotiation including increase in profit rates, withdrawal of facility or repayment on demand. The covenants are monitored on a periodic basis by management. In case of potential breach, actions are taken by management to ensure compliance. As at 31 March 2023, there has been non-compliance of certain covenants on the outstanding facility.

The Murabaha commercial terms agreement between the Company and the lending banks mandates that the existing breach of the financial covenants considered as an event of default which in turns allows the banks to declare the whole loan outstanding balance to be immediately due and accordingly the long-term loan balance has been classified to be part of the current liabilities on the consolidated statement of financial position. During 2022, the Company requested the lenders to waive the breach of loans covenants more than once during the period to which the lenders did not agree. However, the lenders have agreed that any waivers of the breach of loan covenants will only be considered in light of successful implementation of Capital Restructuring Transaction, the prepayment of revolving Murabaha Facilities and the corresponding partial cancellation of commitments under the Revolving Murabaha Facilities. The Board of Directors in their meeting dated 10 November 2021 had resolved that the Company will proceed with the rights issue of SR 1,000 million. On the board's recommendation, the shareholders through an extra-ordinary general meeting held on 29 June 2022 have approved the reduction of the share capital of the parent company to absorb the accumulated losses of SAR 952 million as at 31 December 2021. The rights issue is yet to be approved by the shareholders.

(All Amounts in Saudi Riyals unless otherwise stated)

## 10. LOANS AND BORROWINGS (Continued)

ii. The borrowings under GCC subsidiaries are secured by corporate guarantee given by the Parent Company. The facility is for short-term period on prevailing market terms.

iii. During 2022, the Group signed a Murabaha term financing agreement with a Riyadh Bank amounting to SR 150 million. As per the terms of the agreement, the term of the Murabaha facility is for a period of three years including 6 months grace period. The facility is repayable in 36 monthly installments commencing after 6 months from the date of signing the agreement. The agreement was signed in November 2022.

## 11. LOSS PER SHARE

The calculation of basic and diluted loss per share has been based on the following loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding.

| | **Three-month period ended 31 March 2023 (Unaudited)** | Three-month period ended 31 March 2022 (Unaudited) |
|---|---|---|
| Weighted average number of ordinary shares | **114,766,448** | 114,766,448 |
| Loss attributable to ordinary shareholders | **(43,773,109)** | (40,785,634) |
| **Basic and diluted loss per share** | **(0.38)** | (0.36) |

## 12. OPERATING SEGMENTS

### A. Basis for segmentation

The Group has the following three strategic divisions, which are its reportable segments. These divisions offer different products and services and are managed separately because they require different marketing strategies.

The Group's Chief Executive Officer (Chief Operating Decision Maker) reviews internal management reports on at least a quarterly basis.

**Reportable segments**
The following table describes the operations of each reportable segment:

| **Reportable segments** | **Operations** |
|---|---|
| Fashion retail | Primarily include sales of apparels, footwear's & accessories through retail outlets |
| Indoor entertainment | Kids Play Centers |
| Food & Beverages | Cafes and restaurants |

**Geographical information**
The Group operates through their various retail outlets, indoor entertainment for kids in the Kingdom of Saudi Arabia (Domestic) and International geography which primarily includes Jordan, Egypt, Republic of Kazakhstan, United States of America, Republic of Azerbaijan, Georgia, Armenia and Morocco.

# 12. OPERATING SEGMENTS (Continued)

## B. Information about reportable segments and geographical information

The segment information from operations of these segments is provided below:

| | Reportable segments | | | | | Geographical segments | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Fashion retail** | **Indoor entertainment** | **Food and Beverages** | **Inter-segment elimination** | **Total** | **Domestic** | **International** | **Inter-segment elimination** | **Total** |
| | Amount in SR'000 | | | | | Amount in SR'000 | | | |
| **Three-month period ended 31 March 2023 (Unaudited)** | | | | | | | | | |
| **Profit or loss** | | | | | | | | | |
| Revenue | **1,304,679** | **22,810** | **93,064** | **-** | **1,420,553** | **1,177,067** | **243,486** | **-** | **1,420,553** |
| Depreciation and amortization | **(33,485)** | **(3,912)** | **(5,465)** | **-** | **(42,862)** | **(35,862)** | **(7,000)** | **-** | **(42,862)** |
| Finance charges | **(83,258)** | **(49)** | **(1,663)** | **-** | **(84,970)** | **(79,923)** | **(5,047)** | **-** | **(84,970)** |
| **Net profit / (loss)** | **(41,385)** | **1,496** | **(4,421)** | **-** | **(44,310)** | **(42,349)** | **(1,961)** | **-** | **(44,310)** |
| **31 March 2023 (Unaudited)** | | | | | | | | | |
| **Statement of financial position** | | | | | | | | | |
| Non-current assets | **8,134,182** | **91,559** | **312,795** | **(2,783,207)** | **5,755,329** | **7,922,212** | **616,324** | **(2,783,207)** | **5,755,329** |
| Current assets | **1,983,414** | **115** | **(40,574)** | **-** | **1,942,955** | **2,082,943** | **(139,988)** | **-** | **1,942,955** |
| Total liabilities | **(7,159,628)** | **(69,281)** | **(249,571)** | **-** | **(7,478,480)** | **(6,913,982)** | **(564,498)** | **-** | **(7,478,480)** |
| **Three-month period ended 31 March 2022 (Unaudited)** | | | | | | | | | |
| **Profit or loss** | | | | | | | | | |
| Revenue | 1,240,749 | 16,422 | 129,555 | - | 1,386,726 | 1,166,138 | 220,588 | - | 1,386,726 |
| Depreciation and amortization | (26,365) | (4,065) | (7,550) | - | (37,980) | (31,067) | (6,913) | - | (37,980) |
| Finance charges | (74,124) | (677) | (5,481) | - | (80,282) | (69,944) | (10,338) | - | (80,282) |
| **Net profit / (loss)** | 11,353 | (5,296) | (50,672) | - | (44,615) | (65,951) | 21,336 | - | (44,615) |
| **31 December 2022 (Audited)** | | | | | | | | | |
| **Statement of financial position** | | | | | | | | | |
| Non-current assets | 8,272,109 | 92,554 | 315,557 | (2,711,319) | 5,968,901 | 8,026,658 | 653,562 | (2,711,319) | 5,968,901 |
| Current assets | 1,928,371 | (5,933) | 25,311 | - | 1,947,749 | 2,065,082 | (117,333) | - | 1,947,749 |
| Total liabilities | (7,251,758) | (70,573) | (312,977) | - | (7,635,308) | (7,034,350) | (600,958) | - | (7,635,308) |

(All Amounts in Saudi Riyals unless otherwise stated)

## 13. REVENUE

The Group generates revenue primarily from the sale of goods. Revenue is recognized when a customer obtains controls of the goods at a point in time i.e. on delivery and acknowledgement of goods. In the following table, revenue from contracts with customers is disaggregated by primary geographical market and major revenue streams:

| | **Three-month period ended 31 March 2023 (Unaudited)** | | |
|---|---|---|---|
| | **Kingdom of Saudi Arabia** | **International Countries** | **Total** |
| Apparels | **825,690,891** | **191,708,516** | **1,017,399,407** |
| Footwear & accessories | **48,171,306** | **12,492,059** | **60,663,365** |
| Others | **210,140,333** | **16,476,057** | **226,616,390** |
| Fashion retail | **1,084,002,530** | **220,676,632** | **1,304,679,162** |
| Food & beverages | **93,064,040** | **-** | **93,064,040** |
| Indoor entertainment | **-** | **22,809,772** | **22,809,772** |
| **Total revenue** | **1,177,066,570** | **243,486,404** | **1,420,552,974** |

| | Three-month period ended 31 March 2022 (Unaudited) | | |
|---|---|---|---|
| | **Kingdom of Saudi Arabia** | **International Countries** | **Total** |
| Apparels | 789,923,594 | 163,722,749 | 953,646,343 |
| Footwear & accessories | 58,591,445 | 22,202,252 | 80,793,697 |
| Others | 188,068,094 | 18,240,718 | 206,308,812 |
| Fashion retail | 1,036,583,133 | 204,165,719 | 1,240,748,852 |
| Food & beverages | 129,555,084 | - | 129,555,084 |
| Indoor entertainment | - | 16,421,835 | 16,421,835 |
| **Total revenue** | 1,166,138,217 | 220,587,554 | 1,386,725,771 |

## 14. COST OF REVENUE

| | **Three-month period ended 31 March 2023 (Unaudited)** | Three-month period ended 31 March 2022 (Unaudited) |
|---|---|---|
| Cost of sales | **899,403,463** | 821,932,014 |
| Employees' salaries and benefits | **161,520,759** | 171,230,182 |
| Depreciation on right-of-use asset | **113,540,636** | 141,433,858 |
| Rent expense | **29,674,344** | 13,721,821 |
| Utilities and maintenance | **19,291,396** | 31,185,864 |
| Travelling | **2,164,857** | 1,380,294 |
| Others | **28,093,292** | 24,519,505 |
| | **1,253,688,747** | 1,205,403,538 |

(All Amounts in Saudi Riyals unless otherwise stated)

## 15. OTHER OPERATING EXPENSES & INCOME

***a) Other operating expenses***

| | Note | Three-month period ended 31 March 2023 (Unaudited) | Three-month period ended 31 March 2022 (Unaudited) |
|---|---|---|---|
| Store closure losses | *i* | **3,590,185** | 5,326,857 |
| Foreign exchange loss | | **3,452,838** | - |
| Loss on disposal of property and equipment | | **162,603** | 194,388 |
| | | **7,205,626** | 5,521,245 |

i. Represents write off related to assets for closed stores which were no more usable.

***b) Other operating income***

| | Three-month period ended 31 March 2023 (Unaudited) | Three-month period ended 31 March 2022 (Unaudited) |
|---|---|---|
| Support from landlord | **46,474,000** | - |
| Gain on lease termination | **12,501,245** | 6,187,670 |
| Rental concession for leases | **5,483,861** | 8,945,215 |
| Foreign exchange gain, net | **-** | 17,583,887 |
| Others | **8,220,119** | 17,582,472 |
| | **72,679,225** | 50,299,244 |

## 16. RELATED PARTIES

Related parties comprise shareholders, key management personnel, directors and businesses, which are controlled directly or indirectly or influenced by the shareholders, directors or key management personnel. In the normal course of business, the Group has various transactions with its related parties. Transactions are entered into with the related parties on terms and conditions approved by either the Group's management or its Board of Directors.

### 16.1 Key management personnel compensation

Key management personnel compensation is comprised as follows:

| | Three-month period ended 31 March 2023 (Unaudited) | Three-month period ended 31 March 2022 (Unaudited) |
|---|---|---|
| Salaries and short-term benefits | **1,822,512** | 1,907,562 |
| Post-employment benefits | **687,729** | 214,368 |
| Board of Directors and board committees' remuneration | **420,000** | 1,772,750 |
| **Total key management compensation** | **2,930,241** | 3,894,680 |

(All Amounts in Saudi Riyals unless otherwise stated)

# 16. RELATED PARTIES (Continued)

## 16.2 Related party transactions (continued)

Transactions with related parties carried out during the period, in the normal course of business, are summarized below:

| | | | Transaction | | Balances | |
|---|---|---|---|---|---|---|
| **Name of related party** | **Relationship** | **Nature of transaction** | **Three-month period ended 31 March 2023 (Unaudited)** | Three-month period ended 31 March 2022 (Unaudited) | **31 March 23 (Unaudited)** | **31 December 22 (Audited)** |
| **Due from related parties** | | | | | | |
| Saudi FAS Holding Company (i) | Parent Company | Expenses paid on behalf of Company | **1,075,000** | - | **272,449,971** | 422,781,661 |
| | | Receipts | **150,000,000** | - | | |
| Egyptian Center for Real Estate Development | Affiliate | Rental | **835,418** | 693,942 | **-** | - |
| Al Farida Trading Agencies | Equity accounted investees | Services / payment made on behalf of Company | **1,633,565** | 842,296 | **13,604,852** | 12,034,959 |
| | | Receipts | **63,672** | - | | |
| Amwal Al Khaleeja Al Oula | | Management services | **-** | - | **2,271,205** | 2,271,205 |
| Food and entertainment co Ltd | Affiliate | Payments made on behalf of the Group | - | - | **14,573,964** | 14,573,964 |
| | | | | | **302,899,992** | 451,661,789 |
| **Due to related parties** | | | | | | |
| Arabian Centers Company | Affiliate | Rentals | **252,112,626** | 138,205,423 | **(73,185,864)** | (140,393,949) |
| | | Landlord support received | **32,524,000** | - | | |
| Wonderful Meals Co. ltd. | Affiliate | Purchase of goods | **12,019,050** | 43,819,015 | **(15,707,734)** | (16,035,205) |
| Hajen Co. ltd. | Affiliate | Printing and advertisement | **708,208** | 566,263 | **(947,085)** | (896,540) |
| | | | | | **(89,840,683)** | (157,325,694) |

## 16. RELATED PARTIES (Continued)

### 16.2 Related party transactions (continued)

All outstanding balances with these related parties are to be settled in cash within agreed credit period from the date of transaction. There were no past due or impaired receivables from related party hence no expense has been recognized in the current or prior period for bad or doubtful debts in respect of amounts owed by related parties.

As at 31 March 2023, the Group has an outstanding receivable balance of SR 272.45 million from Saudi FAS Holding Company (shareholder). This is also disclosed in the emphasis of matter paragraph in the independent auditor's report on the review of interim condensed consolidated financial statements.

## 17. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

### A. Accounting classification and fair values

As the Group's financial instruments are compiled under the historical cost convention, except for FVOCI, FVTPL equity investments and derivatives which are carried at fair values, differences can arise between the book values and fair value estimates.

When measuring the fair value, the Group uses market observable data as far as possible. Fair values are categorized 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 assets or liabilities that are not based on observable market data (unobservable inputs).

Management believes that the fair value of the Group's financial assets and liabilities are not materially different from their carrying values.

The following table shows carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair hierarchy value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

(All Amounts in Saudi Riyals unless otherwise stated)

## 17. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

| | 31 March 2023 (Unaudited) | | | | |
|---|---|---|---|---|---|
| | Carrying amount | Fair value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets** | | | | | |
| **FVTPL** | | | | | |
| Al Mubarak Real Estate Income Fund –II | **217,125,564** | -- | -- | **217,125,564** | **217,125,564** |
| Derivative assets | **33,009,737** | -- | **33,009,737** | -- | **33,009,737** |
| **FVOCI – equity instruments** | | | | | |
| Egyptian Centres for Real Estate Development | **74,027,888** | -- | -- | **74,027,888** | **74,027,888** |

| | 31 December 2022 (Audited) | | | | |
|---|---|---|---|---|---|
| | Carrying amount | Fair value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets** | | | | | |
| **FVTPL** | | | | | |
| Al Mubarak Real Estate Income Fund –II | 217,125,564 | -- | -- | 217,125,564 | 217,125,564 |
| Derivative assets | 35,127,274 | -- | 35,127,274 | -- | 35,127,274 |
| **FVOCI – equity instruments** | | | | | |
| Egyptian Centres for Real Estate Development | 92,931,479 | -- | -- | 92,931,479 | 92,931,479 |

### Financial Liabilities

All financial liabilities are measured at amortized cost using the effective interest rate method and as a result the carrying amounts are reasonable approximation of its fair values.

### B. Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques and significant unobservable inputs used in measuring the above investments

| Type | Valuation technique and significant unobservable inputs |
|---|---|
| **Equity securities** | The valuation model is based on discounted cash flows and considers the present value of the expected future income receivable under lease agreements and forecast take-up of vacant units, discounted using a risk-adjusted discount rate. The estimate is adjusted for the net debt of the investee.<br>Significant unobservable inputs include expected cash flows and risk adjusted discount rate. The estimated fair value would increase (decrease) if:<br>- the expected cash flows were higher (lower); or<br>- the risk-adjusted discount rate was lower (higher). |

## 17. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

### B. Valuation techniques and significant unobservable inputs

| Type | Valuation technique and significant unobservable inputs |
|---|---|
| **Derivative asset** | The fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Group and of the counterparty; this is calculated based on credit spreads derived from current credit default swap or bond prices. |

As at 31 March 2023, the Group held Interest Rate Swaps ("IRS") of a notional value of SR 1.24 billion in order to reduce its exposure to commission rate risks against long term financing. The Group holds interest rate swaps to cover the variable interest rate exposures on its loans from financial institutions. The interest rate swap arrangement does not meet the qualifying hedging criteria as per IFRS 9 requirement and have therefore been carried at fair value through profit or loss.

### C. Financial risk management

The Group has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Company's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the board of directors on its activities.

The Group's risk management policies are established to identify and analyse the risk faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risk faced by the Group. The Audit Committee is assisted in its role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(All Amounts in Saudi Riyals unless otherwise stated)

## 17. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

### C-1. Credit risk

Credit risk is the risk that other party will fail to discharge an obligation and will cause the Group to incur a financial loss. The Group has no significant concentration of credit risks. The Group's exposure to credit risk is as follows:

| | 31 March 2023 (Unaudited) | 31 December 2022 (Audited) |
|---|---|---|
| Cash at bank | **54,041,744** | 142,078,902 |
| Advances, deposits and other receivables | **332,516,247** | 481,397,878 |
| | **386,557,991** | 623,476,780 |

Credit risk on receivable and bank balances is limited as:
- Cash balances are held with banks with sound credit ratings ranging from BBB+ to A+.
- Advances, deposits and other receivables are shown net of allowance for impairment on these balances. The Group calculates impairment losses on the basis of its estimate of losses incurred in respect of other receivables.
- Financial position of related parties is stable. There were no past due or impaired receivables from related parties.

### C-2 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 the inability to sell a financial asset quickly at an amount close to its fair value.

Management monitors the liquidity risk on a regular basis and ensures that sufficient funds are available to meet the Group's future commitments.

### C-3 Market risk

Market risk is the risk that changes in the market prices – such as foreign exchange rates and commission rates– will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

## 18. COMMITMENTS AND CONTINGENCIES

As at the reporting date, the Group is committed to capital expenditures of SR 113.7 million (31 December 2022: SR 127.1 million) to purchase property and equipment.

As at the reporting date, the Group has outstanding contingencies:

| Type | Nature | 31 March 2023 (Unaudited) | 31 December 2022 (Audited) |
|---|---|---|---|
| Letter of credits | Purchase of retail trading inventory | **442,715,072** | 454,038,547 |
| Letter of guarantees | Bid bonds, contracts advance payments and performance bonds | **481,004,686** | 575,036,843 |

(All Amounts in Saudi Riyals unless otherwise stated)

## 19. RESTATEMENT

Certain of the prior year amounts have been restated as explained below:

**Consolidated statement of changes in equity**

| | As previously reported | Adjustment | As restated |
|---|---|---|---|
| **1 January 2022** | | | |
| Accumulated losses (Note A & B) | (952,335,520) | (358,690,701) | (1,311,026,221) |

**Note A:**
In December 2022, Management identified inventory shortage at a few locations during the physical count exercise. On investigation of that matter, Management discovered that shortage is coming from prior period and didn't get captured due to computational error in a physical stock count results for Inventory in prior period. This error resulted in a material overstatement of inventory recognized for the period ending 31 March 2021 and prior financial years. The error has been corrected by restating (SR 290 million in available for sale-finished goods and SR 15 million in consumables and supplies) each of the affected financial statement line items for the prior periods.

**Note B:**
During the 2022, Management reassessed its position regarding open cases with ZATCA relating to VAT for a period of April 2020 to March 2021 and Custom for a period of 2015 to 2019 and identified that the provision for these cases was understated as of 31 March 2021. This error resulted in a material understatement of Zakat and taxation provision for the period ending 31 March 2021. The error has been corrected by restating SR 53 million each of the affected financial statement line items for the prior periods.

## 20. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group maintains a database of all lease contracts (over 1,000 contracts) that is tested periodically. The database is currently being reviewed by a 3rd party consultant to assess the accuracy and completeness of information included in the database and any potential impact on the interim condensed consolidated financial statement as of and for the for the three months period ended 31 March 2023, as of 31 December 2022 and for the three months period ended 31 March 2022, in accordance with the requirements of International Financial Reporting Standard “IFRS” 16 as endorsed in the Kingdom of Saudi Arabia as a result of such revision.

## 21. SUBSEQUENT EVENTS

Subsequent to the period ended 31 March 2023, on 7 May 2023, the Group announced that it is currently in discussions with Arabian Centers Company (Cenomi Centers) a related party, in relation to a potential combination of the two companies. Discussions remain at an early stage and the parties have not yet reached an agreement on whether to proceed with any potential transaction. Further announcements will be made in case of any material development.