

FAWAZ ABDULAZIZ ALHOKAIR & COMPANY
(A Saudi Joint Stock Company)
Condensed consolidated interim financial statements
(unaudited)
For the three and six month periods ended 30 September 2020
together with the
Independent Auditor's Review Report

FAWAZ ABDULAZIZ ALHOKAIR & COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six month period ended 30 September 2020

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Independent auditor's report on review of condensed consolidated interim financial statements

To the Shareholders of Fawaz Abdulaziz AlHokair & Co.

Introduction

We have reviewed the accompanying 30 September 2020 condensed consolidated interim financial statements of **Fawaz Abdulaziz AlHokair & Co.** ("the Company") and its subsidiaries ("the Group") which comprises:

- the condensed consolidated statement of financial position as at 30 September 2020;
- the condensed consolidated statement of profit or loss for the three-month and six-month periods ended 30 September 2020;
- the condensed consolidated statement of comprehensive income for the three-month and six-month periods ended 30 September 2020;
- the condensed consolidated statement of changes in equity for the six-month period ended 30 September 2020;
- the condensed consolidated statement of cash flows for the six-month period ended 30 September 2020; and
- the notes to the condensed consolidated interim financial statements for the six-month period ended 30 September 2020

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the 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 interim financial information 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.



Independent auditor's report on review of condensed consolidated interim financial statements

To the Shareholders of Fawaz Abdulaziz AlHokair & Co. (continued)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2020 condensed consolidated interim financial statements of **Fawaz Abdulaziz AlHokair & Co.** and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

**For KPMG Al Fozan & Partners
Certified Public Accountants**

Hani Hamzah A. Bedairi
License No: 460

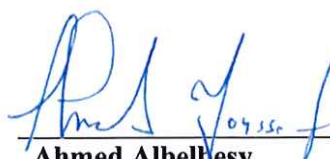
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Corresponding to: 10 November 2020

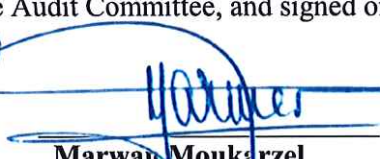



FAWAZ ABDULAZIZ ALHOKAIR & COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2020
(All amounts in Saudi Riyals unless otherwise stated)

	<u>Notes</u>	30 September 2020 (Unaudited)	31 March 2020 (Audited)
Assets			
Property and equipment		1,390,157,032	1,514,310,454
Right of use assets		3,680,267,484	4,058,005,277
Goodwill and intangible assets		1,060,074,184	1,079,535,759
Investment property		3,516,928	3,516,928
Investments in associates	7	31,912,752	31,912,752
Other investments	7	200,000,000	200,000,000
Receivable from disposal of subsidiaries	16	--	75,000,000
Non-current assets		<u>6,365,928,380</u>	<u>6,962,281,170</u>
Inventories		1,262,639,540	1,655,553,242
Advances, deposits and other receivable		650,685,628	570,309,960
Prepayments, rentals and insurance		32,892,743	68,470,014
Receivable from disposal of subsidiaries	16	75,000,000	75,000,000
Cash and bank balances		<u>665,006,906</u>	<u>686,455,380</u>
Current assets		<u>2,686,224,817</u>	<u>3,055,788,596</u>
Total assets		<u>9,052,153,197</u>	<u>10,018,069,766</u>
Equity			
Share capital	8	2,100,000,000	2,100,000,000
Statutory reserve		205,816,329	205,816,329
Foreign currency translation reserve		(566,715,727)	(579,002,031)
Accumulated losses		(736,472,316)	(112,249,813)
Equity attributable to the shareholders of the Company		<u>1,002,628,286</u>	<u>1,614,564,485</u>
Non-controlling interests		(94,970,247)	(84,870,401)
Total equity		<u>907,658,039</u>	<u>1,529,694,084</u>
Liabilities			
Loans and borrowings	9	2,364,123,653	2,423,747,120
Lease liabilities		3,267,760,510	3,611,204,334
Employee benefits		98,733,944	101,618,395
Non-current liabilities		<u>5,730,618,107</u>	<u>6,136,569,849</u>
Loans and borrowings	9	752,909,812	759,722,532
Lease liabilities		654,304,494	646,747,985
Zakat and tax liabilities		29,057,453	10,802,154
Trade payables		513,898,394	472,622,846
Accruals and other liabilities		463,706,898	461,910,316
Current liabilities		<u>2,413,877,051</u>	<u>2,351,805,833</u>
Total liabilities		<u>8,144,495,158</u>	<u>8,488,375,682</u>
Total equity and liabilities		<u>9,052,153,197</u>	<u>10,018,069,766</u>

The attached notes from 1 to 19 are an integral part of these condensed consolidated interim financial statements. These condensed consolidated interim financial statements were authorized for issue by the Audit Committee, and signed on its behalf by:


Ahmed Albelbesy
Chief Financial Officer


Marwan Moukartzel
Chief Executive Officer


Fawaz Abdulaziz Alhokair
Chairman

FAWAZ ABDULAZIZ ALHOKAIR & COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the three and six month periods ended 30 September 2020
(All amounts in Saudi Riyals unless otherwise stated)

		Three month ended 30 September 2020	Three month ended 30 September 2019	Six month ended 30 September 2020	Six month ended 30 September 2019
	<i>Note</i>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Revenue	12	1,185,601,757	1,234,588,433	1,750,550,760	2,966,983,505
Cost of revenue	13	(1,133,738,388)	(1,051,310,650)	(1,941,412,535)	(2,276,190,169)
Gross profit / (loss)		51,863,369	183,277,783	(190,861,775)	690,793,336
Selling and distribution expenses		(44,898,500)	(28,051,263)	(80,804,576)	(67,056,867)
General and administrative expenses		(63,327,492)	(40,701,460)	(118,903,636)	(88,452,836)
Depreciation and amortization		(76,246,566)	(70,681,779)	(154,024,729)	(134,413,527)
Impairment loss on other receivables		--	--	(28,500,000)	--
Other operating expense	14	(4,989,252)	(1,396,809)	(41,351,909)	(8,833,785)
Other operating income	14	133,406,594	62,943,735	198,106,715	63,027,840
Operating (loss) / profit		(4,191,847)	105,390,207	(416,339,910)	455,064,161
Finance costs – Loans and borrowings		(36,173,293)	(51,531,606)	(72,470,417)	(97,241,220)
Finance costs – Lease liability		(48,388,314)	(69,965,058)	(119,446,613)	(136,837,078)
(Loss) / profit before zakat and income tax		(88,753,454)	(16,106,457)	(608,256,940)	220,985,863
Zakat and income tax expense		(9,422,531)	(10,613,444)	(25,531,234)	(22,767,966)
(Loss) / profit for the period		(98,175,985)	(26,719,901)	(633,788,174)	198,217,897
(Loss) / profit attributable to:					
Shareholders of the Company		(98,790,275)	(27,217,269)	(624,222,503)	196,831,064
Non-controlling interest		614,290	497,368	(9,565,671)	1,386,833
		<u>(98,175,985)</u>	<u>(26,719,901)</u>	<u>(633,788,174)</u>	<u>198,217,897</u>
(Loss) / Earnings per share					
Basic and diluted (loss) / earnings per share (Saudi Riyal)	10	(0.47)	(0.13)	(2.97)	0.94

The attached notes from 1 to 19 are an integral part of these condensed consolidated interim financial statements.





FAWAZ ABDULAZIZ ALHOKAIR & COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the three and six month periods ended 30 September 2020
(All amounts in Saudi Riyals unless otherwise stated)

	Three month ended 30 September 2020 <u>(Unaudited)</u>	Three month ended 30 September 2019 <u>(Unaudited)</u>	Six month ended 30 September 2020 <u>(Unaudited)</u>	Six month ended 30 September 2019 <u>(Unaudited)</u>
(Loss)/ profit for the period	(98,175,985)	(26,719,901)	(633,788,174)	198,217,897
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Equity investments at FVOCI – net change in fair value	--	(31,361,800)	--	(31,361,800)
	--	(31,361,800)	--	(31,361,800)
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Foreign Operations – foreign currency translation differences	<u>(24,461,133)</u>	<u>(8,220,476)</u>	<u>11,752,129</u>	<u>(10,708,449)</u>
	(24,461,133)	(8,220,476)	11,752,129	(10,708,449)
Other comprehensive (loss) / income for the period	<u>(24,461,133)</u>	<u>(39,582,276)</u>	<u>11,752,129</u>	<u>(42,070,249)</u>
Total comprehensive (loss) / income for the period	<u>(122,637,118)</u>	<u>(66,302,177)</u>	<u>(622,036,045)</u>	<u>156,147,648</u>
Total comprehensive (loss) / income for the period attributable to:				
Shareholders of the Company	(123,168,039)	(66,889,121)	(611,936,199)	154,545,847
	530,921	586,944	(10,099,846)	1,601,801
Non-controlling interest	<u>(122,637,118)</u>	<u>(66,302,177)</u>	<u>(622,036,045)</u>	<u>156,147,648</u>

The attached notes from 1 to 19 are an integral part of these condensed consolidated interim financial statements.

FAWAZ ABDULAZIZ ALHOKAIR & COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six month period ended 30 September 2020
(All amounts in Saudi Riyals unless otherwise stated)

	Equity attributable to Shareholders of the Company							
	Share capital	Statutory reserve	Foreign currency translation reserve	Fair value reserve	Retained earnings	Total shareholders' equity	Non-controlling interest	Total equity
Balance at 1 April 2019	2,100,000,000	205,816,329	(613,274,765)	161,041,800	623,915,770	2,477,499,134	(66,622,617)	2,410,876,517
Total comprehensive income / (loss) for the period								
Profit for the period	--	--	--	--	196,831,064	196,831,064	1,386,833	198,217,897
Other comprehensive (loss) / income	--	--	(10,923,417)	(31,361,800)	--	(42,285,217)	214,968	(42,070,249)
Total comprehensive (loss) / income for the period	--	--	(10,923,417)	(31,361,800)	196,831,064	154,545,847	1,601,801	156,147,648
Balance at 30 September 2019	2,100,000,000	205,816,329	(624,198,182)	129,680,000	820,746,834	2,632,044,981	(65,020,816)	2,567,024,165
Balance at 1 April 2020	2,100,000,000	205,816,329	(579,002,031)	--	(112,249,813)	1,614,564,485	(84,870,401)	1,529,694,084
Total comprehensive income / (loss) for the period								
Loss for the period	--	--	--	--	(624,222,503)	(624,222,503)	(9,565,671)	(633,788,174)
Other comprehensive (loss) / income	--	--	12,286,304	--	--	12,286,304	(534,175)	11,752,129
Total comprehensive (loss) / income for the period	--	--	12,286,304	--	(624,222,503)	(611,936,199)	(10,099,846)	(622,036,045)
Balance at 30 September 2020	2,100,000,000	205,816,329	(566,715,727)	--	(736,472,316)	1,002,628,286	(94,970,247)	907,658,039

The attached notes from 1 to 19 are an integral part of these condensed consolidated interim financial statements.

FAWAZ ABDULAZIZ ALHOKAIR & COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six month period ended 30 September 2020
(All amounts in Saudi Riyals unless otherwise stated)

	Six month ended 30 September 2020	Six month ended 30 September 2019
Cash Flows from Operating Activities:		
(Loss) / profit for the period	(633,788,174)	198,217,897
<i>Adjustments for:</i>		
Depreciation and amortization	455,793,902	445,611,088
Employee benefits	16,335,883	13,128,291
Provision for inventory shrinkage and slow moving inventory, net	(123,505,994)	(8,340,742)
Zakat and income tax charge	25,531,234	22,767,966
Finance cost – Loans and borrowings	72,470,417	97,241,220
Finance cost – Lease liability	119,446,613	136,837,078
Impairment of other receivables	28,500,000	--
Write-off of property & equipment/ other intangible assets	7,211,212	13,270,004
Concession on lease liability	(174,358,276)	--
Gain on disposal/ modification of Right of use assets - net	(10,907,834)	(8,090,300)
	<u>(217,271,017)</u>	<u>910,642,502</u>
Change in:		
Advances, deposits and other receivable	(18,923,668)	(43,791,745)
Prepayments, rentals and insurance	36,801,988	(12,412,275)
Inventories	516,419,696	(103,347,538)
Trade payables	41,275,548	(150,870,409)
Accruals and other liabilities	(14,359,723)	(47,723,894)
Cash generated from operating activities	<u>343,942,824</u>	<u>552,496,641</u>
Zakat and income tax paid	(7,275,934)	(38,353,079)
Employees benefits paid	(19,220,335)	(7,074,394)
Net cash from operating activities	<u>317,446,555</u>	<u>507,069,168</u>
Cash Flows from Investing Activities:		
Acquisition of property and equipment, net	(30,576,802)	(20,074,695)
Purchase of other intangible assets, net	(2,013,982)	(552,700)
Proceeds from disposal of property and equipment	--	25,232
Proceeds from disposal of intangible assets	17,840	11,268
Net cash used in investing activities	<u>(32,572,944)</u>	<u>(20,590,895)</u>
Cash Flows from Financing Activities:		
Long term borrowings repaid during the period	--	(243,411,945)
Proceeds from short term borrowings	--	276,390,145
Short-term borrowings repaid during the period	(67,660,904)	(175,896,755)
Lease liability paid - Principal	(74,652,583)	(270,391,402)
Lease liability paid – Finance cost	(119,446,613)	(72,953,520)
Finance cost paid	(56,314,114)	(97,144,811)
Net cash used in financing activities	<u>(318,074,214)</u>	<u>(583,408,288)</u>
Net decrease in cash and cash equivalents	<u>(33,200,603)</u>	<u>(96,930,015)</u>
Foreign currency exchange translation differences	11,752,129	(10,708,449)
Cash and cash equivalents – opening balance	686,455,380	516,394,140
Cash and cash equivalents – closing balance	<u>665,006,906</u>	<u>408,755,676</u>
Significant non-cash transactions:		
- Lease modifications and new stores during the period	137,043,461	68,080,163
- Held for sale assets / other receivables, investment	--	340,000,000
- Termination of leases / right-of-use assets	<u>(138,373,085)</u>	<u>(111,107,277)</u>

The attached notes from 1 to 19 are an integral part of these condensed consolidated interim financial statements.

FAWAZ ABDULAZIZ ALHOKAIR & COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six month period ended 30 September 2020
(All amounts in Saudi Riyals unless otherwise stated)

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 known 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.

2. GROUP STRUCTURE

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

<u>Subsidiaries</u>	<u>Country of incorporation</u>	<u>Ownership% held by the Group as at:</u>	
		<u>30 September 2020</u>	<u>31 March 2020</u>
Al Waheedah Equipment Co. Ltd.	Kingdom of Saudi Arabia	100	100
Haifa B. Al Kalam & Partners Co. for trading	Kingdom of Saudi Arabia	100	100
Saudi Retail Co. Ltd	Kingdom of Saudi Arabia	100	100
Wahba Trading Company Limited	Kingdom of Saudi Arabia	100	100
Unique Technology Trading Company	Kingdom of Saudi Arabia	100	100
Nesk Trading Projects Company	Kingdom of Saudi Arabia	100	100
Innovative Union Company (IUC)	Kingdom of Saudi Arabia	100	100
Food Gate Company	Kingdom of Saudi Arabia	70	70
Azal Restaurants Company	Kingdom of Saudi Arabia	65	65
First Pizza Company	Kingdom of Saudi Arabia	51	51
Logistics Fashion Trading DWC-LLC	United Arab Emirates	100	100
Advanced Fashion Concepts LLC	United Arab Emirates	100	100
International Fashion Franchising Limited	United Arab Emirates	100	100
Fashion Retail Kazakhstan LLP	Republic of Kazakhstan	100	100
Global Apparel Kazakhstan LLP	Republic of Kazakhstan	100	100
Retail Group Georgia LLC	Georgia	100	100

FAWAZ ABDULAZIZ ALHOKAIR & COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six month period ended 30 September 2020
(All amounts in Saudi Riyals unless otherwise stated)

2. GROUP STRUCTURE (CONTINUED)

<u>Subsidiaries</u>	<u>Country of incorporation</u>	Ownership% held by the Group as at:	
		30 September 2020	31 March 2020
Master Retail Georgia LLC	Georgia	100	100
Spanish Retail Georgia LLC	Georgia	100	100
Pro Retail Georgia LLC	Georgia	100	100
Best Retail Georgia LLC	Georgia	100	100
Mega Store Georgia LLC	Georgia	100	100
Fashion Retail Georgia LLC	Georgia	100	100
Global Apparel Georgia LLC	Georgia	100	100
Retail Group Holding LLC	Georgia	100	100
Pro Retail Georgia LLC	Georgia	100	100
Modern Fashion Trading Line	Georgia	100	100
International Retail of Morocco	Morocco	100	100
Multi Trends Co.	Morocco	89	89
Retail Group of America LLC	United States of America	100	100
Monsoon Accessories USA INC	United States of America	100	100
Retail Group Jennyfer	United States of America	100	100
Retail Group France LLC	United States of America	100	100
Retail Group Spain LLC	United States of America	100	100
Retail Group Germany	United States of America	100	100
Retail Group Lipsy LLC	United States of America	100	100
Retail Group Zippy LLC	United States of America	100	100
Retail Group Cortefiel	United States of America	100	100
Retail Group Flormar	United States of America	100	100
Retail Group Balkans doo Beograd	Republic of Serbia	100	100
Retail Group Balkans doo Podgorica	Balkan Peninsula	100	100
Retail Group Balkans doo Skopje	Balkan Peninsula	100	100
RIGE Co.	Arab Republic of Egypt	99	99
Retail Group Egypt Co. S.A.E	Arab Republic of Egypt	98	98
Retail Group Armenia CJSC	Armenia	96	96
Spanish Retail CJSC	Armenia	100	100
ZR Fashion Retail CJSC	Armenia	100	100
Global Apparel CJSC	Armenia	100	100
BR Fashion Retail CJSC	Armenia	100	100
Master Retail CJSC	Armenia	100	100
Best Retail CJSC	Armenia	100	100
Retail Group CJSC	Armenia	100	100
Pro Retail CJSC	Armenia	100	100
Retail Group Jordan Co. LDT	Hashemite Kingdom of Jordan	95	95
Nesk Trading Projects LLC	Hashemite Kingdom of Jordan	100	100
Retail General Trading Co. Ltd.	Iraq	95	95
United Group Retail Trading Company LLC	Iraq	66.5	66.5
Models Own Holding Limited	United Kingdom	51	51
Models Own Limited	United Kingdom	51	51
Models Own International Ltd.	United Kingdom	51	51
Retail Group Azerbaijan LLC	Azerbaijan	85	85
Fashion Retail Azerbaijan LLC	Azerbaijan	85	85
Spanish Retail Azerbaijan LLC	Azerbaijan	85	85
Global Apparel Azerbaijan LLC	Azerbaijan	85	85
Mega Store Azerbaijan LLC	Azerbaijan	85	85
Master Retail Azerbaijan LLC	Azerbaijan	85	85
Pro Retail Azerbaijan LLC	Azerbaijan	85	85
Retail Group Holding LLC	Azerbaijan	85	85
Best Retail Azerbaijan LLC	Azerbaijan	85	85

FAWAZ ABDULAZIZ ALHOKAIR & COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six month period ended 30 September 2020
(All amounts in Saudi Riyals unless otherwise stated)

2. GROUP STRUCTURE (CONTINUED)

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 condensed consolidated interim 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 Certified Public Accountants ("SOCPA") and should be read in conjunction with the Group's last annual Consolidated Financial Statements as at and for the year ended 31 March 2020 ("last annual Financial Statements"). These condensed consolidated interim 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 Financial Statements.

The condensed consolidated interim financial statements were approved by the Audit Committee for issuance on 23 Rabi'I 1442H (corresponding to 9 November 2020).

3.2 Preparation of financial statements

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

- Equity investment at fair value through other comprehensive income ("FVOCI") is measured at fair value.
- The defined benefit obligation is recognised at the present value of future obligations using the Projected Unit Credit Method.

3.3 Use of judgments and estimates

In preparing these condensed consolidated interim financial statements, management has made judgments 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 condensed consolidated interim financial statements are the same as those applied in the Group's annual consolidated financial statements as at and for the year ended 31 March 2020. Certain comparative figures have been reclassified to conform to current period's presentation.

FAWAZ ABDULAZIZ ALHOKAIR & COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six month period ended 30 September 2020
(All amounts in Saudi Riyals unless otherwise stated)

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

Amendments to Standards

There are no new standards issued, however, the adoption of the following amendments to the existing standards had no significant financial impact on the condensed consolidated interim financial statements of the Group on the current period or prior periods and is expected to have no significant effect in future periods:

- Amendments to References to Conceptual Framework in IFRS Standards.
- Definition of a Business (Amendment to IFRS 3)
- Definition of Material (Amendment to IAS 1 and IAS 8)
- Interest rate benchmark reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

Standards and pronouncements issued and not yet effective

A number of new pronouncements are effective for annual periods beginning on or after 1 January 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these condensed consolidated interim financial statements.

- IFRS 17 Insurance Contracts.
- Classification of liabilities as Current or Non-current (Amendments to IAS 1)

6. INTERIM RESULTS

The operations and revenues of the Group are affected by seasonal changes during the year. Therefore, the results of operations for the three and six-month period ended 30 September 2020, may not provide an accurate indication of the actual results for the full year.

7. INVESTMENTS IN ASSOCIATES AND OTHERS

	<i>Ownership %</i>	<i>Country of incorporation</i>	30 September 2020 (Unaudited)	31 March 2020 (Audited)
Investment in associates:				
Investate Harbour Land	9.3	Cayman Islands	16,495,421	16,495,421
Burberry Saudi Co. Ltd.	25	Kingdom of Saudi Arabia	12,494,323	12,494,323
FG4 Limited	50	United Arab Emirates	2,022,462	2,022,462
Investate Harbour	1.7	Cayman Islands	900,546	900,546
Total			<u>31,912,752</u>	<u>31,912,752</u>
Other Investments:				
Al Mubarak Real Estate Income Fund –II (Note a)		Kingdom of Saudi Arabia	<u>200,000,000</u>	<u>200,000,000</u>
Total investments			<u>200,000,000</u>	<u>200,000,000</u>

- a) The fund is a private closed ended real estate investment fund and the Group acquired its units on 16 December 2019. As the fund is registered recently and the net asset value (NAV) is not available as at 30 September 2020, cost has been considered as an approximation of the fair value.

8. SHARE CAPITAL

The Company's share capital consists of 210 million shares (31 March 2020: 210 million shares) of SR 10 each fully paid and issued amounting to SR 2,100 million (31 March 2020: SR 2,100 million).

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9. LOANS & BORROWINGS

		30 September 2020 (Unaudited)	31 March 2020 (Audited)
	Note		
<i>Non-current liabilities</i>			
Long term borrowings	9.1	<u>2,364,123,653</u>	<u>2,423,747,120</u>
<i>Current liabilities</i>			
Current portion of long-term borrowings	9.1	<u>620,159,145</u>	<u>559,310,961</u>
Short term borrowings	9.2	<u>132,750,667</u>	<u>200,411,571</u>
		<u>752,909,812</u>	<u>759,722,532</u>

9.1 Long term borrowings

		30 September 2020 (Unaudited)	31 March 2020 (Audited)
<i>Murabaha financing</i>			
Facility 1		<u>3,000,000,000</u>	<u>3,000,000,000</u>
Less: Upfront fees		<u>(15,717,202)</u>	<u>(16,941,919)</u>
		<u>2,984,282,798</u>	<u>2,983,058,081</u>

Classification as per the maturity of the financing is as follows:

Non-current portion of long-term borrowings	<u>2,364,123,653</u>	<u>2,423,747,120</u>
Current portion of long-term borrowings	<u>620,159,145</u>	<u>559,310,961</u>
	<u>2,984,282,798</u>	<u>2,983,058,081</u>

Murabaha financing

Facility 1

The Group signed a long-term Murabaha financing agreement with The National Commercial Bank as the Murabaha Investment Agent and Murabaha Participants, amounting to facilities of SAR 2,400 million and USD 160,000,000 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 30 September 2020, the Group has fully utilized this facility. The Murabaha facility carries markup at London Interbank Offered Rate ('LIBOR') plus agreed margin per annum.

The loans contain certain financial covenants. A future 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.

During the period ended 30 September 2020, there has been non-compliance of certain covenants on outstanding facility with National Commercial Bank. However, as per terms of the agreement, there was no impact on these condensed consolidated interim financial statements including classification of the liability as at period end.

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9. LOANS & BORROWINGS (CONTINUED)

9.2 Short term borrowings

		30 September	31 March
		2020	2020
	Note	(Unaudited)	(Audited)
Short-term Murabaha facilities	9.2.1	--	27,045,795
Short-term financing	9.2.2	114,114,245	149,998,571
Short term financing (Jordan)	9.2.3	18,636,422	23,367,205
		<u>132,750,667</u>	<u>200,411,571</u>

9.2.1 Short-term Murabaha facilities

The Group has short-term Murabaha facilities with local and foreign commercial banks amounting to SR 100 million (31 March 2020: SR 100 million). The facilities are secured by promissory notes by the Group and utilized for working capital management.

9.2.2 Other short-term financing

The Group entered into an arrangement with an unrelated counterparty whereby the Group sold certain inventory items and repurchased the same with a settlement term of 1 year. As the Group continued to retain control over these inventory items the arrangement does not qualify as sale and purchase transaction. Accordingly, this arrangement is not reflected as sale or purchase but as short-term financing. The differential between the sale and repurchase price is being amortized over the period of the arrangement. The arrangement is secured by irrevocable standby letters of credit.

9.2.3 Short term Financing –Retail Group Jordan

Retail Group Jordan has short-term financing facilities with a financial institution amounting to SAR 18.6 million at annual interest rates ranging from 8%-8.75%.

10. (LOSS) / EARNINGS PER SHARE

Basic and diluted (loss) / earnings per share

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

	3 months	3 months	6 months	6 months
	period ended	period ended	period ended	period ended
	30 September	30 September	30 September	30 September
	2020	2019	2020	2019
Weighted average number of ordinary shares for the purpose basic and diluted (loss) / earnings per share	210,000,000	210,000,000	210,000,000	210,000,000
(Loss) / profit attributable to ordinary shareholders	(98,790,275)	(27,217,269)	(624,222,503)	196,831,064
Basic and diluted (loss) / earnings per ordinary share	(0.47)	(0.13)	(2.97)	0.94

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11. OPERATING SEGMENTS

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.

In addition to geographical segments, the Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different marketing strategies. For each of the strategic business units, the Group's Chief Executive Officer (Chief Operating Decision Maker) reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

Fashion Retail – primarily include sales of apparels, footwears & accessories through retail outlets

Indoor Entertainment – represents kids play center in the United States of America

Food & Beverage – represents cafes and restaurants operated in Kingdom of Saudi Arabia

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

	<i>Domestic</i>	<i>International</i>	<i>Inter-segment elimination</i>	<i>Total</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
<u>As at 30 September 2020 (Unaudited)</u>				
Non-current assets	7,267,038	746,653	(1,647,763)	6,365,928
Current assets	3,665,883	459,351	(1,439,009)	2,686,225
Total liabilities	7,293,534	2,364,983	(1,514,022)	8,144,495
<u>As at 31 March 2020 (Audited)</u>				
Non-current assets	7,675,777	847,145	(1,560,641)	6,962,281
Current assets	3,978,020	477,438	(1,399,669)	3,055,789
Total liabilities	7,576,691	2,385,377	(1,473,692)	8,488,376
<u>For six month period ended 30 September 2020 (Unaudited)</u>				
Sales	1,516,963	233,588	--	1,750,551
Depreciation and amortization	(125,065)	(28,960)	--	(154,025)
Finance charges	(174,378)	(17,539)	--	(191,917)
Net (loss)	(566,007)	(67,781)	--	(633,788)
<u>For six month period ended 30 September 2019 (Unaudited)</u>				
Sales	2,480,467	496,243	(9,726)	2,966,984
Depreciation and amortization	(100,197)	(34,216)	--	(134,413)
Finance charges	(201,898)	(32,180)	--	(234,078)
Net income / (loss)	223,460	(52,282)	27,040	198,218

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11. OPERATING SEGMENTS (CONTINUED)

	<i><u>Fashion retail SR '000</u></i>	<i><u>Indoor entertainment SR '000</u></i>	<i><u>Food & Beverages SR '000</u></i>	<i><u>Total SR '000</u></i>
<u>As at 30 September 2020</u>				
<u>(Unaudited)</u>				
Non-current assets	5,715,742	217,533	432,653	6,365,928
Current assets	2,604,177	3,131	78,917	2,686,225
Total liabilities	7,514,039	192,316	438,140	8,144,495
<u>As at 31 March 2020 (Audited)</u>				
Non-current assets	6,270,339	230,685	461,257	6,962,281
Current assets	2,959,633	7,318	88,838	3,055,789
Total liabilities	7,887,775	170,761	429,840	8,488,376
<u>For six month period ended 30 September 2020 (Unaudited)</u>				
Sales	1,624,708	820	125,023	1,750,551
Depreciation and amortization	(127,445)	(8,698)	(17,882)	(154,025)
Finance charges	(181,407)	(2,280)	(8,230)	(191,917)
Net income	(559,193)	(36,546)	(38,049)	(633,788)
<u>For six month period ended 30 September 2019 (Unaudited)</u>				
Sales	2,931,697	35,287	--	2,966,984
Depreciation and amortization	(100,197)	(34,216)	--	(134,413)
Finance charges	(229,358)	(4,720)	--	(234,078)
Net income	216,982	(18,764)	--	198,218

12. REVENUE

The Group generates revenue primarily from the sale of goods. Revenue is recognised when a customer obtains controls of the goods at a point in time i.e. on delivery and acknowledgement of goods.

For six-month period ended 30 September 2020 (Unaudited)

	<u>Kingdom of Saudi Arabia</u>	<u>CIS countries</u>	<u>USA and others</u>	<u>Total</u>
Fashion Retail				
Apparels	1,182,584,128	102,356,454	86,362,895	1,371,303,477
Footwear & Accessories	120,149,688	9,853,826	30,362,624	160,366,138
Others	89,206,328	3,368,850	462,979	93,038,157
	1,391,940,144	115,579,130	117,188,498	1,624,707,772
Food & Beverages	125,022,500	--	--	125,022,500
Indoor entertainment	--	--	820,488	820,488
Total	1,516,962,644	115,579,130	118,008,986	1,750,550,760

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12. REVENUE

For six-month period ended 30 September 2019 (Unaudited)

	<u>Kingdom of Saudi Arabia</u>	<u>CIS countries</u>	<u>USA and others</u>	<u>Total</u>
Fashion Retail				
Apparels	2,145,538,429	250,315,898	114,416,297	2,510,270,624
Footwear & Accessories	229,430,489	13,782,410	58,465,723	301,678,622
Others	105,498,387	5,431,075	8,817,797	119,747,259
	2,480,467,305	269,529,383	181,699,817	2,931,696,505
Indoor entertainment	--	--	35,287,000	35,287,000
Total	2,480,467,305	269,529,383	216,986,817	2,966,983,505

13. COST OF REVENUE

	For six-month period ended	
	30 September 2020 (Unaudited)	30 September 2019 (Unaudited)
Cost of goods	1,316,516,741	1,585,526,623
Depreciation on right-of-use asset	301,246,388	311,197,562
Employees' salaries and benefits	256,205,838	306,760,050
Utilities and maintenance	24,782,935	36,762,133
Rent expense	12,308,052	732,085
Travelling	481,178	1,559,827
Others	29,871,403	33,651,889
	1,941,412,535	2,276,190,169

14. OTHER OPERATING EXPENSES AND INCOME

	For six-month period ended	
a) Expense	30 September 2020 (Unaudited)	30 September 2019 (Unaudited)
Store closure losses	37,082,964	8,833,785
Loss on disposal/write-off of property and equipment	1,686,717	--
Foreign exchange loss	2,582,228	--
	41,351,909	8,833,785
b) Income	For six-month period ended	
	30 September 2020 (Unaudited)	30 September 2019 (Unaudited)
Rental concession for leases (i)	174,358,276	--
Gain on lease termination/ modification	10,907,834	--
Rental credit notes	--	53,690,604
Foreign exchange gain, net	--	5,510,007
Others	12,840,605	3,827,229
	198,106,715	63,027,840

- i) Represents rental concession received for leases by the Group during the period due to COVID-19 and has been accounted for under practical expedient as issued through COVID-19 related concession amendment.

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15. RELATED PARTY TRANSACTIONS

Related parties comprise of 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.

15.1 Key management personnel compensation

The remuneration of directors and other key management personnel are as follows:

	30 September 2020 (Unaudited)	30 September 2019 (Unaudited)
Salaries and short-term benefits	2,628,150	6,672,486
Post-employment benefits	836,906	2,635,835
Board of Directors and board committees remuneration and compensation	2,468,000	--
Total key management compensation	5,933,056	9,308,321

15.2 Related party transactions

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

	Nature of transaction with related party	Relationship	30 September 2020 (Unaudited)	30 September 2019 (Unaudited)
Arabian Centers Company	Rentals / Lease liability paid	Affiliate	93,986,739	148,231,660
Saudi FAS Holding Company	Expenses paid on behalf of Company	Shareholder	343,580	81,517,659
	Transfer of balance due from disposal of subsidiary		75,000,000	--
Egyptian Centers for Real Estate Development	Rentals / Lease liability paid	Affiliate	2,470,180	2,186,481
Al Farida Trading Agencies	Services and payments	Equity accounted investee	3,291,557	881,474
Hajen Company Limited	Printing and advertisement	Affiliate	755,951	3,222,013
Others	Revenue	Affiliate	--	203,903

All outstanding balances with these related parties are to be settled in cash within agreed credit period from the date of transaction. No expense has been recognized in the current or prior period for bad or doubtful debts in respect of amounts owed by related parties.

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16. RECEIVABLE FROM DISPOSAL OF SUBSIDIARIES

Non-Current Portion:

		30 September 2020	31 March 2020
	<i>Note</i>	(Unaudited)	(Audited)
Receivable in respect of sale of Global Levya and its subsidiaries	<i>16.1</i>	--	75,000,000
		<u> </u>	<u>75,000,000</u>

Current Portion:

		30 September 2020	31 March 2020
	<i>Note</i>	(Unaudited)	(Audited)
Receivable in respect of sale of Global Levya and its subsidiaries	<i>16.1</i>	75,000,000	75,000,000
		<u>75,000,000</u>	<u>75,000,000</u>

- 16.1** During the year ended 31 March 2017, pursuant to the decision of the Board of Directors in their meeting held on 29 June 2016, the Group has disposed of Global Levya and its subsidiaries ("the Disposed Entities") as per the terms of the sale purchase agreement dated 29 June 2016 for a total consideration of SR 375 million receivable in 5 annual equal installments starting from 29 June 2017 onwards. Management rights have been transferred by the Group and accordingly, the Group has lost its power to direct the relevant activities of the Disposed Entities.

The sale was made at the net book value of the Disposed Entities of SR 350 million and included a mark-up of SR 25 million for deferred payments, accordingly no gain or loss is recognised on the sale transaction. The sale consideration is secured by a personal guarantee from the Chairman of the Company who was the Chairman of the board of the company on the date of transaction and has 15% stake in the buying entity.

Installment of SR 75 million which was due on 30 June 2020 guaranteed by the Chairman of the Company, has been agreed to be settled by the Parent Company to the Group and accordingly the amount has been transferred to Saudi FAS Holding Company.

17. FINANCIAL INSTRUMENTS FAIR VALUES AND RISK MANAGEMENT

17.1 Accounting classification and fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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

17.2 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

i) Risk Management Framework

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.

ii) Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other part to incur a financial loss. The Group has no significant concentration of credit risks. The Group's exposure to credit risk on its bank balances, trade receivables and due from related parties is as follows:

	30 September 2020 (Unaudited)	31 March 2020 (Audited)
Cash at bank	569,375,412	679,808,231
Advances, deposits and other receivables	356,096,857	346,380,988
Receivable from disposal of subsidiaries and brands	75,000,000	150,000,000
	<u>1,000,472,269</u>	<u>1,176,189,219</u>

The cash and receivable balances are monitored with the result that Group's exposure to impairment on doubtful debts is not significant. As at 30 September 2020, the Group has recorded a provision of SR 28.5 million (31 March 2020: SR 50.5 million) on other receivables.

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

17.2 Financial risk management

iii) 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. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet the Group's future commitments.

iv) 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. CONTINGENTS AND COMMITMENTS

At 30 September 2020, the Group has outstanding bank letter of credits of SR 572 million (31 March 2020: SR 659 million) issued against certain purchase of retail trading inventory. At 30 September 2020, the Group has outstanding bank guarantees of SR 490 million (31 March 2020: SR 485 million) issued by the local and foreign banks in respect of bid bonds, contracts advance payments and performance bonds.

19. IMPACT OF COVID-19

During March 2020, the World Health Organization ("WHO") declared the Coronavirus ("COVID 19") outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the group operations in all geographies. In response to the spread of COVID-19 and its resulting disruptions to the social and economic activities, management has also taken a series of preventive measures to ensure the health and safety of its employees as well as to ensure the continuity of its operations.

This includes but is not limited to cost-saving initiatives, such as rental concession on leased stores, negotiating delayed payment to brand partners, enrolling in government support initiatives for employees, reducing international travel expenditure and curtailment of capital expenditure.

While the Group has been able to continue to trade through eCommerce portals, sale from retail outlet stores and food franchise stores were closed for the period from 16 March 2020 until 20 June 2020 as instructed by the competent authorities in Kingdom of Saudi Arabia. Given the global political and economic uncertainty resulting from the COVID-19 pandemic, coupled with the fast-paced changes taking place across the retail sector, the Group expects to see significant volatility and business disruption in year 2020 - 21.

The management of the Group continues to monitor the situation and its impact on the Group's operations, cash flows and financial position. Management believes, based on their assessment, that the Group has sufficient liquidity available to continue to meet its financial commitments for the foreseeable future as and when they become due during the next 12 months period.