

# **Fawaz Abdulaziz Al Hokair & Company**

(A Saudi Joint Stock Company)

Consolidated financial statements

For the nine months period ended 31 December 2022

together with the

**Independent Auditor's Report**

**Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock company)**  
**Consolidated financial statements**

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For the nine months period ended 31 December 2022

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# **Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock company)**

## **Consolidated financial statements**

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For the nine months period ended 31 December 2022

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of

Fawaz Abdulaziz Al Hokair & Company (A Saudi Joint Stock Company)

Riyadh, Kingdom of Saudi Arabia

### Report on the Audit of the Consolidated Financial Statements

#### Qualified Opinion

We have audited the consolidated financial statements of Fawaz Abdulaziz Al Hokair & Company (the "Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the nine months period ended 31 December 2022 and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the nine months period ended 31 December 2022 in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

#### Basis for Qualified Opinion

The consolidated statement of financial position as of 31 December 2022 includes right of use assets amounting to SR 3,111 million and lease liabilities amounting to SR 3,375 million (SR 3,276 million and SR 3,478 million respectively as of 31 March 2022). In addition, depreciation of right of use assets of SR 398 million and finance cost of lease liabilities of SR 116 million was charged to the consolidated statement of profit or loss for the nine months period ended 31 December 2022 (SR 564 million and SR 159 million respectively for the year ended 31 March 2022). We were unable to obtain sufficient appropriate audit evidence supporting these amounts as of and for the nine months period ended 31 December 2022 and the year ended 31 March 2022 due to the unavailability of sufficient information required. As explained in note (28. E), the management is conducting a thorough review of the right of use assets and lease liabilities to furnish us with the necessary audit evidence supporting the amounts to assess any potential impact on the consolidated financial statement as of and for the nine months period ended 31 December 2022 and the year ended 31 March 2022. Consequently, we were unable to determine whether any adjustments to these amounts were necessary for the nine months period ended 31 December 2022 and for the prior years.

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

#### Key Audit Matters

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

**Independent auditor's report to the Shareholders of  
Fawaz Abdulaziz Al Hokair & Company (A Saudi Joint Stock Company) (continued)**

<b>Key audit matters</b>	
<b>Inventories</b>	
<b>Key audit matter</b>	<b>How the Key audit matter was addressed in our audit</b>
<p>As at 31 December 2022, the Group's net inventories balance was SR 1.0 billion (31 March 2022: SR 1.4 billion) and provision amounted to SR 348.4 million (31 March 2022: SR 352.2 million). Inventories represent 51.3% of current assets of the Group.</p> <p>Inventories are stated at the lower of cost and net realizable value and an allowance is made by the Group, where necessary, for obsolete and slow-moving inventories. Management determines the level of obsolescence of inventories by considering current and anticipated demand, customer preferences and age of inventories as well as seasonal trends. Significant judgement and estimates are used for the assessment of the provisions against cost in respect of slow-moving and obsolete inventories to arrive at valuation based on lower of cost and net realizable value.</p> <p>We consider this as a key audit matter due to the significant judgments and key assumptions applied by the management in determining the allowance for slow-moving inventories and the level of inventories write down required based on net realizable value assessment.</p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> <li>Assessing the appropriateness of the Group's accounting policies for recognition and measurement of inventories in line with the requirements of relevant accounting standards;</li> <li>Assessing the design and implementation, and testing the operating effectiveness of the key controls relating to Group's processes over establishing and monitoring the inventory provision;</li> <li>Evaluating the inventory provision by considering management's view of current inventory items and their ageing profile;</li> <li>Using our IT specialist to test the accuracy of the inventories' ageing report used by management in its determination of inventory provision;</li> <li>Testing the net realizable value of inventories by examining the sales subsequent to year-end for a sample of stores and comparing this net realizable value with the carrying value of inventories to check appropriateness of the associated provision;</li> <li>Obtaining inventory count results from management to evaluate the inventory provision based on actual shrinkage identified during the count. Further, to assess the process of inventory counts, we attended inventory counts at a sample of stores along with management where we assessed the design and operating effectiveness of key controls over physical inventory and also performed sample test counts to check accuracy of count results; and</li> <li>Evaluating the adequacy of the disclosures in the Group's consolidated financial statements, in accordance with the requirements of the relevant financial reporting standards.</li> </ul>
Refer to note (6.G) of the consolidated financial statements for the accounting policy and note (12) for the related disclosures.	

**Independent auditor's report to the Shareholders of  
Fawaz Abdulaziz Al Hokair & Company (A Saudi Joint Stock Company) (continued)**

<b>Key audit matters (continued)</b>	
<b>Goodwill impairment</b>	
<b>Key audit matter</b>	<b>How the Key audit matter was addressed in our audit</b>
<p>As at 31 December 2022, the Group's goodwill balance was SR 926 million (31 March 2022: SR 936 billion)</p> <p>The impairment assessment for goodwill is considered as a key audit matter due to the significant judgements involved by management. The main assumption relates to the future cash flows of the underlying businesses as well as the discount rates applied to derive the associated net present value.</p> <p>Goodwill is tested annually for possible impairment.</p>	<p>We have obtained all impairment tests provided by management and performed following tests:</p> <ul style="list-style-type: none"> <li>• We ensured that the recoverable amount calculations are based on the latest business plans. Management follows a clearly documented process for estimating future cash flows covers the years 2023 to 2027.</li> <li>• We have assessed the reasonableness of the business plan by comparing the implicit growth rates to the market and analyst forecasts.</li> <li>• We have further compared the current period actual results with the forecast figures included in the prior year impairment tests.</li> <li>• We assessed the extent to which management has reflected the result from the comparison of budgeted versus actual numbers in its current assessment and adjusted the actual revenue growth rates and operating margins in this period's model.</li> <li>• We have compared the model inputs, such as the weighted average cost of capital, the long-term growth rate and other assumptions with observable market data.</li> <li>• We reperformed through sensitivity analysis on the key assumptions to ascertain the extent of change in those assumptions that would be required for the goodwill to be impaired.</li> </ul>
Refer to note (6.F) of the consolidated financial statements for the accounting policy, and note (8) for the related disclosure.	

**Other matters**

The consolidated financial statements of the Group as at and for the year ended 31 March 2022, excluding the retrospective adjustments described in Note 36 to the consolidated financial statements, were audited by another auditor who expressed an unmodified opinion on those financial statements on 6 July 2022.

As part of our audit of the consolidated financial statements as at and for the period ended 31 December 2022, we also audited the retrospective adjustments described in Note 36 to the consolidated financial statements that were applied to restate the comparative information.

We were not engaged to audit, review, or apply any procedures to the comparative information, other than with respect to the retrospective adjustments described in Note 36 to the consolidated financial statements. Accordingly, we do not express an opinion or any other form of assurance on comparative information. However, in our opinion, the retrospective adjustments described in Note 36 to the consolidated financial statements are appropriate and have been properly applied.



## **Independent Auditor's Report to the Shareholders of**

### **Fawaz Abdulaziz Al Hokair & Company (A Saudi Joint Stock Company) (continued)**

#### **Other information**

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

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

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

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

#### **Responsibilities of management and Those Charged With Governance ("TCWG") for the Consolidated Financial Statements**

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

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

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

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

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

**Independent auditor's report to the Shareholders of**

**Fawaz Abdulaziz Al Hokair & Company (A Saudi Joint Stock Company) (continued)**

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



**Independent auditor's report to the Shareholders of  
Fawaz Abdulaziz Al Hokair & Company (A Saudi Joint Stock Company) (continued)**

**Report on Other Legal and Regulatory Requirements**

The Companies Law requires that the auditor includes in the audit report what might come to his attention with respect to non-compliance of the terms of the Companies Law or the terms of the Company's Bylaws. During the course of our current audit of the consolidated financial statements, we have noted the following non-compliance of the Companies Law, having no material impact on the consolidated financial statements:

- As at 31 December 2022, the Group has an outstanding receivable balance of SR 422.78 million from a shareholder, which is a non-compliance of Companies Law in the Kingdom of Saudi Arabia.

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



Gihad Al-Amri  
Certified Public Accountant  
Registration No. 362



Riyadh, on: 18 Ramadan 1444 (H)  
Corresponding to: 9 April 2023 (G)

# Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)

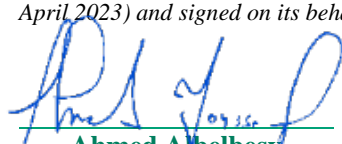
## Consolidated statement of financial position

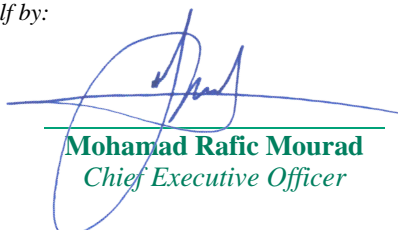
As at 31 December 2022

	Notes	31 December 2022	31 Mar 2022 Restated	31 Mar 2021 Restated
<b>Assets</b>				
Property and equipment	7	1,324,328,435	1,358,326,395	1,327,471,618
Right-of-use assets	28A	3,110,825,775	3,275,783,678	3,401,916,309
Goodwill and intangible assets	8A	1,120,845,679	1,083,033,024	1,111,255,263
Investment property	9	1,387,200	1,509,600	1,632,000
Investment in equity accounted investments	10	62,139,303	62,024,793	2,699,577
Other investments	11	314,247,541	299,690,686	300,292,122
Derivative asset	29	35,127,274	29,616,914	-
<b>Non-current assets</b>		<b>5,968,901,207</b>	<b>6,109,985,090</b>	<b>6,145,266,889</b>
Inventories	12,36	1,000,279,166	1,395,081,129	847,047,926
Advances, deposits and other receivables	13	718,198,081	474,615,226	470,570,204
Prepayments	14	35,446,157	63,637,597	47,855,658
Receivable from disposal of subsidiaries	16	--	-	75,000,000
Cash and cash equivalents	15	193,825,276	197,887,745	467,591,552
<b>Current assets</b>		<b>1,947,748,680</b>	<b>2,131,221,697</b>	<b>1,908,065,340</b>
<b>Total assets</b>		<b>7,916,649,887</b>	<b>8,241,206,787</b>	<b>8,053,332,229</b>
<b>Equity</b>				
Share capital	21A	1,147,664,480	2,100,000,000	2,100,000,000
Statutory reserve	21B	--	-	-
Foreign currency translation reserve		(524,088,331)	(519,515,816)	(510,642,899)
Fair value reserve		42,076,481	12,949,544	-
Accumulated losses		(292,184,580)	(1,340,996,552)	(1,396,503,491)
<b>Equity attributable to the shareholders of the Company</b>		<b>373,468,050</b>	<b>252,437,176</b>	<b>192,853,610</b>
<b>Non-controlling interest</b>	27	<b>(92,125,951)</b>	<b>(107,079,020)</b>	<b>(99,970,100)</b>
<b>Total equity</b>		<b>281,342,099</b>	<b>145,358,156</b>	<b>92,883,510</b>
<b>Liabilities</b>				
Loans and borrowings	17	115,000,000	-	2,304,450,432
Lease liabilities	28B	2,734,453,943	2,845,746,744	2,837,596,213
Employee benefits	19A	95,948,028	102,988,787	110,468,288
<b>Non-Current liabilities</b>		<b>2,945,401,971</b>	<b>2,948,735,531</b>	<b>5,252,514,933</b>
Loans and borrowings	17	2,817,367,738	2,877,891,969	819,584,379
Lease liabilities – current portion	28B	640,873,664	632,273,878	802,856,040
Trade and other payables	18	1,111,420,842	1,496,457,932	1,016,348,835
Bank overdraft	15	49,758,105	50,119,035	-
Zakat and tax liabilities	20B&C	70,485,468	90,370,286	69,144,532
<b>Current liabilities</b>		<b>4,689,905,817</b>	<b>5,147,113,100</b>	<b>2,707,933,786</b>
<b>Total liabilities</b>		<b>7,635,307,788</b>	<b>8,095,848,631</b>	<b>7,960,448,719</b>
<b>Total equity and liabilities</b>		<b>7,916,649,887</b>	<b>8,241,206,787</b>	<b>8,053,332,229</b>

The attached notes from 1 to 37 are an integral part of these consolidated financial statements.

These consolidated financial statements were authorized for issue by the Board of Directors on 18 Ramadan 1444H (9 April 2023) and signed on its behalf by:

  
**Ahmed Albelbesy**  
 Chief Financial Officer

  
**Mohamad Rafic Mourad**  
 Chief Executive Officer

  
**Fawaz Abdulaziz Al Hokair**  
 Chairman

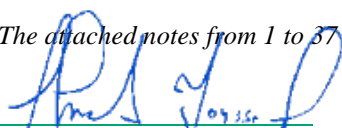
All amounts are presented in Saudi Riyals unless otherwise stated.

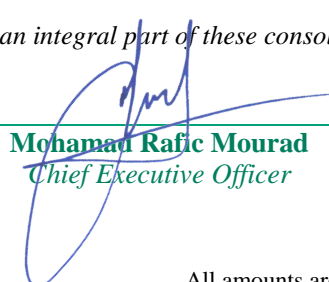
# Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)

## Consolidated statement of profit or loss

	Notes	For the nine months period ended 31 December 2022 (Audited)	For the nine months period ended 31 December 2021 (Unaudited)	For the nine months period ended 31 December 2022 (Audited)	For the twelve months period ended 31 March 2022 (Audited)
Revenue	23	4,543,167,414	4,528,369,161	4,543,167,414	5,915,094,932
Cost of revenue	24A	(3,833,574,363)	(3,718,895,570)	(3,833,574,363)	(4,924,299,108)
<b>Gross profit</b>		<b>709,593,051</b>	<b>809,473,591</b>	<b>709,593,051</b>	<b>990,795,824</b>
Other operating income	24E	71,368,064	110,416,702	71,368,064	160,715,946
Selling and distribution expenses	24B	(139,991,224)	(142,476,392)	(139,991,224)	(169,737,599)
General and administrative expenses	24C	(186,205,126)	(263,809,323)	(186,205,126)	(320,610,496)
Depreciation on property and equipment	7A	(116,048,181)	(131,959,369)	(116,048,181)	(167,205,908)
Depreciation on investment properties	9	(122,400)	-	(122,400)	(122,400)
Amortization on intangible assets	8	(10,189,752)	(9,356,776)	(10,189,752)	(11,968,092)
Impairment loss on goodwill	8	-	-	-	(70,533,770)
Other operating expense	24D	(6,703,631)	(31,958,818)	(6,703,631)	(37,480,063)
<b>Operating profit</b>		<b>321,700,801</b>	<b>340,329,615</b>	<b>321,700,801</b>	<b>373,853,442</b>
Finance income on derivative asset		5,510,360	-	5,510,360	29,616,914
Finance costs over loans and borrowings	24F	(102,946,479)	(87,708,801)	(102,946,479)	(121,631,865)
Finance costs over lease liabilities	28B	(116,246,302)	(112,484,047)	(116,246,302)	(158,842,830)
<b>Net finance costs</b>		<b>(213,682,421)</b>	<b>(200,192,848)</b>	<b>(213,682,421)</b>	<b>(250,857,781)</b>
Gain on disposal of subsidiary	37	13,372,472	-	13,372,472	-
Change in fair value of other investment	11	3,694,908	-	3,694,908	(2,429,344)
Share of loss of equity-accounted investees	10	(9,704,239)	(4,077,649)	(9,704,239)	(15,787,571)
<b>Profit before zakat and income tax</b>		<b>115,381,521</b>	<b>136,059,118</b>	<b>115,381,521</b>	<b>104,778,746</b>
Zakat and income tax expense	20A	(20,736,957)	(53,414,084)	(20,736,957)	(66,748,794)
<b>Profit for the period / year</b>		<b>94,644,564</b>	<b>82,645,034</b>	<b>94,644,564</b>	<b>38,029,952</b>
<b>Profit / (loss) for the period / year is attributable to:</b>					
Shareholders of the Company		93,630,032	85,477,270	93,630,032	44,691,636
Non-controlling interests	27	1,014,532	(2,832,236)	1,014,532	(6,661,684)
		<b>94,644,564</b>	<b>82,645,034</b>	<b>94,644,564</b>	<b>38,029,952</b>
<b>Earnings per share</b>			<i>Restated</i>		
Basic and diluted earnings per share	25	0.82	0.74	0.82	0.39

The attached notes from 1 to 37 are an integral part of these consolidated financial statements.

  
**Ahmed Albelbesy**  
 Chief Financial Officer

  
**Mohamad Rafic Mourad**  
 Chief Executive Officer


  
**Fawaz Abdulaziz Al Hokair**  
 Chairman

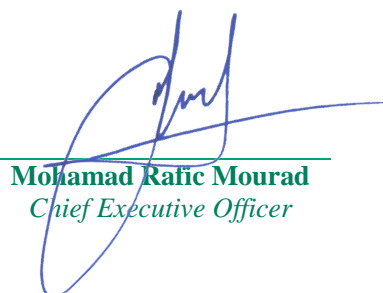
All amounts are presented in Saudi Riyals unless otherwise stated.

**Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)**  
**Consolidated statement of comprehensive income**

		For the nine months period ended 31 December 2022	For the nine months period ended 31 December 2021	For the nine months period ended 31 December 2022	For the twelve months period ended 31 March 2022
	<i>Notes</i>	(Audited)	(Unaudited)	(Audited)	(Audited)
<b>Profit for the period / year</b>		<b>94,644,564</b>	82,645,034	<b>94,644,564</b>	38,029,952
<b>Items that will not be reclassified to profit or loss:</b>					
Re-measurements of defined benefit liability	<i>19A</i>	<b>2,846,420</b>	-	<b>2,846,420</b>	10,546,914
Equity investments at FVOCI – net change in fair value	<i>11</i>	<b>29,126,937</b>	-	<b>29,126,937</b>	13,213,820
		<b>31,973,357</b>	-	<b>31,973,357</b>	23,760,734
<b>Items that are or may be reclassified subsequently to profit or loss:</b>					
Foreign operations – foreign currency translation differences		<b>(5,045,303)</b>	15,915,591	<b>(5,045,303)</b>	(9,316,040)
		<b>(5,045,303)</b>	15,915,591	<b>(5,045,303)</b>	(9,316,040)
<b>Other comprehensive income for the year, net of tax</b>		<b>26,928,054</b>	15,915,591	<b>26,928,054</b>	14,444,694
<b>Total comprehensive income for the period / year</b>		<b>121,572,618</b>	98,560,625	<b>121,572,618</b>	52,474,646
<b>Total comprehensive income/ (loss) for the period / year attributable to:</b>					
- Shareholders of the Company		<b>121,030,874</b>	101,164,419	<b>121,030,874</b>	59,583,566
- Non-controlling interests		<b>541,744</b>	(2,603,794)	<b>541,744</b>	(7,108,920)
		<b>121,572,618</b>	98,560,625	<b>121,572,618</b>	52,474,646

The attached notes from 1 to 37 are an integral part of these consolidated financial statements.

  
**Ahmed Albelbesy**  
 Chief Financial Officer

  
**Mohamad Rafic Mourad**  
 Chief Executive Officer

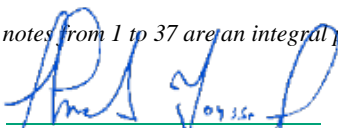
  
**Fawaz Abdulaziz Al Hokair**  
 Chairman

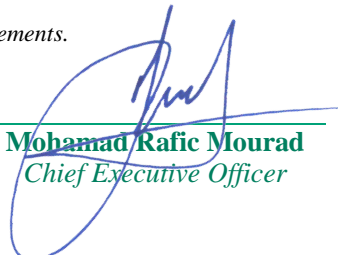
All amounts are presented in Saudi Riyals unless otherwise stated.

**Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)**  
**Consolidated statement of changes in equity**

	<i>Notes</i>	Share capital	Foreign currency translation reserve	Fair value reserve	Accumulated losses	Total shareholders' equity	Non-Controlling interest	Total equity
<b>Balance at 1 April 2021</b>		2,100,000,000	(510,642,899)	-	(1,037,812,790)	551,544,311	(99,970,100)	451,574,211
Restatement		-	-	-	(358,690,701)	(358,690,701)	-	(358,690,701)
<b>Balance at 1 April 2021 (restated)</b>		2,100,000,000	(510,642,899)	-	(1,396,503,491)	192,853,610	(99,970,100)	92,883,510
<b>Total comprehensive (loss) / income for the year</b>								
Profit/(loss) for the year		-	-	-	44,691,636	44,691,636	(6,661,684)	38,029,952
Other comprehensive (loss) / income		-	(8,872,917)	12,949,544	10,815,303	14,891,930	(447,236)	14,444,694
<b>Total comprehensive (loss) / income for the year</b>		-	(8,872,917)	12,949,544	55,506,939	59,583,566	(7,108,920)	52,474,646
<b>Balance at 31 March 2022 (restated)</b>		2,100,000,000	(519,515,816)	12,949,544	(1,340,996,552)	252,437,176	(107,079,020)	145,358,156
<b>Balance at 1 April 2022 (restated)</b>		2,100,000,000	(519,515,816)	12,949,544	(1,340,996,552)	252,437,176	(107,079,020)	145,358,156
<b>Total comprehensive income/(loss) for the year</b>								
Profit for the period		-	-	-	93,630,032	93,630,032	1,014,532	94,644,564
Other comprehensive (loss) / income		-	(4,572,515)	29,126,937	2,846,420	27,400,842	(472,788)	26,928,054
<b>Total comprehensive income for the period</b>		-	(4,572,515)	29,126,937	96,476,452	121,030,874	541,744	121,572,618
Disposal of subsidiary		-	-	-	-	-	16,001,295	16,001,295
Dividend paid		-	-	-	-	-	(1,589,970)	(1,589,970)
Capital Reduction	<i>1</i>	(952,335,520)	-	-	952,335,520	-	-	-
<b>Balance at 31 December 2022</b>		1,147,664,480	(524,088,331)	42,076,481	(292,184,580)	373,468,050	(92,125,951)	281,342,099

The attached notes from 1 to 37 are an integral part of these consolidated financial statements.

  
**Ahmed Albelbesy**  
 Chief Financial Officer

  
**Mohamad Rafic Mourad**  
 Chief Executive Officer

  
**Fawaz Abdulaziz Al Hokair**  
 Chairman

All amounts are presented in Saudi Riyals unless otherwise stated.

**Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)**  
**Consolidated statement of cash flows**

		For the nine months period ended 31 December 2022	For the twelve months period ended 31 March 2022
	<i>Notes</i>		
<b>Cash flows from operating activities:</b>			
Profit for the period / year		<b>94,644,564</b>	38,029,952
<i>Adjustments for:</i>			
- Depreciation on property and equipment	7	<b>116,048,181</b>	167,205,908
- Depreciation on investment properties	9	<b>122,400</b>	122,400
- Amortization on intangible assets	8	<b>10,189,752</b>	11,968,092
- Depreciation on right-of-use assets	28A&C	<b>397,745,658</b>	563,629,591
- Provision for employees' benefits		<b>19,025,359</b>	25,160,104
- Finance income	29	<b>(5,510,360)</b>	(29,616,914)
- Provision for inventory shrinkage and slow-moving inventory	12	<b>13,061,727</b>	33,903,027
- Gain on lease termination	24E	<b>(9,060,827)</b>	(35,646,721)
- Zakat and income tax expense		<b>20,968,821</b>	66,748,794
- Finance cost over loans and borrowings	24F	<b>102,946,479</b>	121,631,865
- Finance cost over lease liabilities	28B&C	<b>116,246,302</b>	158,842,830
- Share of loss from equity accounted investments	10	<b>9,704,239</b>	15,787,571
- Loss on disposal of property and equipment and intangibles		<b>1,791,023</b>	17,132,216
- Store closure losses	24D	<b>4,912,608</b>	37,135,173
- Impairment loss on goodwill	8A	-	70,533,770
- Change in fair value of other investments	11	<b>(3,694,908)</b>	2,429,344
- Directly written off inventory		<b>8,670,599</b>	27,250,576
- Rental concession for leases	24E	<b>(23,441,775)</b>	(49,124,068)
- Write off of property and equipment and intangibles		<b>18,748,962</b>	-
- Gain on disposal of subsidiary	37	<b>(13,372,472)</b>	-
		<b>879,746,332</b>	1,243,123,510
<i>Changes in:</i>			
- Inventories		<b>375,102,664</b>	(609,186,806)
- Advances, deposits and other receivables		<b>(119,369,677)</b>	70,954,978
- Prepayments, rentals and insurance		<b>24,778,846</b>	(15,781,939)
- Trade and other payables		<b>(351,041,232)</b>	490,954,826
<b>Cash generated from operating activities</b>		<b>809,216,933</b>	1,180,064,569
Zakat and income tax paid	20B	<b>(11,680,099)</b>	(45,523,040)
Employee benefits paid	19A	<b>(17,022,596)</b>	(22,092,691)
<b>Net cash from operating activities</b>		<b>780,514,238</b>	1,112,448,838
<b>Cash flows from investing activities:</b>			
Purchase of property and equipment	7A	<b>(276,737,557)</b>	(248,457,022)
Purchase of investment in equity accounted investments	10	<b>(9,818,749)</b>	(75,112,787)
Additions of cash margin		<b>(4,190,499)</b>	--
Purchase of intangible assets	8	<b>(63,376,190)</b>	(58,150,675)
Proceeds on disposal of subsidiary		<b>16,988,412</b>	--
<b>Net cash used in investing activities</b>		<b>(337,134,583)</b>	(381,720,484)

All amounts are presented in Saudi Riyals unless otherwise stated.



**Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)**  
**Consolidated statement of cash flows (continued)**

For the nine months period ended 31 December 2022

	Notes	For the nine months period ended 31 December 2022	For the twelve months period ended 31 March 2022
<b>Cash flows from financing activities:</b>			
Repayments of loans and borrowings		(113,536,405)	(248,497,701)
Additions in loans and borrowings		168,012,174	-
Payments of finance costs over loans and borrowings		(102,946,479)	(130,122,735)
Dividends paid to NCI		(1,589,970)	-
Disposal of NCI share in subsidiary		16,001,295	
Repayments of lease liabilities		(335,180,912)	(500,220,972)
Payments of finance costs over lease liabilities	28B	(116,246,302)	(158,842,830)
<b>Net cash used in financing activities</b>		<b>(485,486,599)</b>	<b>(1,037,684,238)</b>
Net decrease in cash and cash equivalents		(42,106,944)	(306,955,884)
Foreign currency exchange translation differences		38,405,405	(12,866,958)
Cash and cash equivalents at the beginning of year		147,768,710	467,591,552
<b>Cash and cash equivalents at end of period / year</b>	15	<b>144,067,171</b>	<b>147,768,710</b>

The attached notes from 1 to 37 are an integral part of these consolidated financial statements.

  
**Ahmed Albelbesy**  
 Chief Financial Officer

  
**Mohamad Rafic Mourad**  
 Chief Executive Officer

  
**Fawaz Abdulaziz Al Hokair**  
 Chairman

All amounts are presented in Saudi Riyals unless otherwise stated.

# **Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)**

## **Notes to the consolidated financial statements**

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For the nine months period ended 31 December 2022

### **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 clothes 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.

# Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)

## Notes to the consolidated financial statements

For the nine months period ended 31 December 2022

### 1. Reporting entity (continued)

Following is the list of subsidiaries included in these consolidated financial statements as at 31 December 2022 and 31 March 2022:

No	Subsidiaries	Country of incorporation	Business Activity	Ownership interest held by the Group as at:	
				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
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

All amounts are presented in Saudi Riyals unless otherwise stated.

# Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)

## Notes to the consolidated financial statements

For the nine months period ended 31 December 2022

### 1. Reporting entity (continued)

No	Subsidiaries	Country of incorporation	Business Activity	Ownership interest held by the Group as at:	
				31 December 2022	31 March 2022
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.

All amounts are presented in Saudi Riyals unless otherwise stated.

# **Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)**

## **Notes to the consolidated financial statements**

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For the nine months period ended 31 December 2022

## **2. Basis of accounting**

### **i. Statement of compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants (“SOCPA”) (hereinafter refer to as “IFRS as endorsed in KSA”).

## **3. Basis of measurement**

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

- Equity investment at fair value through other comprehensive income (“FVOCI”) and investment at fair value through profit or loss (“FVTPL”) is measured 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 December 2022, 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 17. This loan classification has resulted in current liabilities exceeding the Company’s current assets by SR 2,742 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 yearend 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 nine months ended 31 December 2022, the group has recognized positive gross profits of SR 710 million (2021: SR 809 million), positive operating profit of SR 322 million (2021: SR 374 million), and cash inflows from operating activities of SR 780 million (2021: SR 1,112 million) and accordingly, these consolidated financial statements were prepared on a going concern basis.

## **4. Functional and presentation currency**

These consolidated financial statements are presented in Saudi Riyal (“SR”) which is the functional currency of the Company.

## **5. Use of judgements and estimates**

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses and assets and liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

### **A. Judgements**

The following judgements have the most significant effect on the amounts recognized in the consolidated financial statements:

#### *Determination of control over an investee*

Management's judgement in assessing control over consolidated subsidiaries:

Subsidiaries are all investees over which the Group has control. The Group's management considers that the Group controls an entity when the Group is exposed to or has rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of those returns through its power to direct the relevant activities of the investees.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has equal or less than a majority of the voting or similar rights of an investee, the Group considers all other relevant facts and circumstances in assessing whether it has power over an investee, including any contractual and other such arrangements which may affect the activities which impact investees' return.

The determination about whether the Group has power thus depends on such relevant activities, the way decisions about the relevant activities are made and the rights the Group has in relation to the investees.

In certain cases where the Group owns 50% or less of voting rights, it may still be the single largest shareholder with presence on the governing body giving it power to direct relevant activities of the investees, whereby the other shareholders individually do not hold sufficient voting rights and power to overrule the Group's directions. There is no prior instance of other shareholders collaborating to exercise their votes collectively or to out-vote the Group.

The management has considered the integration of all such investees (where the Group has equal or less than a majority of the voting rights) within the Group structure and located in cities in KSA, the ability of the Group to impact variable returns of the investees through the provision of various key services to such investees, the relationship of the Group with other entities which may impact returns of investees, appointment of certain key management personnel and various other such factors.

Based on above considerations, management of the Group believes:

- there is a pattern of past and existing practice of the Group's involvement in the relevant activities of these investees resulting in an impact on their returns and also indicating a more than passive interest of the Group in such investees; and
- the Group has created an environment in which the set-up and function of these investees and their interrelationship with the Group leads towards a judgement of 'control'.

Hence, the Group has consolidated those investees, which meet the above criteria as part of the Group's consolidated financial statements.

Judgement was required, particularly where the Group owns shareholding and voting rights of generally 20% and above but where the management does not believe that it has 'control' or 'joint control' over such investee.



# **Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)**

## **Notes to the consolidated financial statements**

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For the nine months period ended 31 December 2022

### **5. Use of judgements and estimates (continued)**

#### **A. Judgements (continued)**

In case of such investee, the Group's management has concluded it has 'significant influence' in line with the requirements of IFRSs as endorsed in KSA. Significant influence is defined as the power to participate in the financial and operating policy decisions of the investee but is not 'control' or 'joint control'. IFRSs as endorsed in KSA provides various indicators of 'significant influence', including representation in the Board of Directors and participation in policymaking process.

By virtue of the Group's shareholding rights in the investee's general meetings, as well as the Group's representation on Board of Directors of such investee and the Group's involvement in operating and financial policies and decision making, management believes it has 'significant influence' over such investee ("associate").

The Group is accounting for such investment in an associate and joint venture under the equity method of accounting.

#### *Determination of the reasonable certainty of exercising options of lease term extension*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

#### *Determination of the incremental borrowing rate of lease liabilities*

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when the need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity specific estimates.

#### **B. Assumptions and estimation uncertainties**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material differences in the carrying amounts of assets and liabilities within the next financial period, are presented below. The Group used these assumptions and estimates on the basis available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

#### *Impairment test of non-financial assets*

Impairment exists when the carrying value of an asset or Cash Generating Unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing off the asset. The value in use calculation is based on a Discounted Cash Flow ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future net cash-inflows and the growth rate used for extrapolation purposes.

# **Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)**

## **Notes to the consolidated financial statements**

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For the nine months period ended 31 December 2022

### **5. Use of judgements and estimates (continued)**

#### **B. Assumptions and estimation uncertainties (continued)**

##### Impairment test of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and unexpected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

##### Provision for slow moving inventory and shrinkage

Inventories are held at the lower of cost and net realizable value. When inventories become old or obsolete or subject to technological/market changes, an estimate is made of their net realizable value. Factors considered in determination of mark downs include current and anticipated demand, customer preferences and age of inventories as well as seasonal trends. For individually significant amounts this estimation is performed on an individual basis. Items which are not individually significant, but which are old or obsolete, are assessed collectively and a mark down provision applied accordingly to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

##### Economic useful lives and residual values of property and equipment & intangible assets

The Group's management determines the estimated useful lives of its property and equipment and intangible assets for calculating depreciation and amortization, respectively. These estimates are determined after considering the expected usage of the asset or physical wear and tear. Residual values are based on experience and observable data where available.

##### Long-term assumptions for employee benefits

Employees' end-of-service benefits represent obligations that will be settled in the future and require assumptions to project obligations. Management is required to make further assumptions regarding variables such as discount rates, rate of salary increase, mortality rates, employment turnover and future healthcare costs. Periodically, management of the Group consults with external actuaries regarding these assumptions. Changes in key assumptions can have a significant impact on the projected benefit obligations and/or periodic employee defined benefit costs incurred.

### **6. Summary of significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

#### **A. Basis of consolidation**

##### **i. Subsidiaries**

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company investments, transactions, balances and unrealized gains or losses on transactions between Group companies are eliminated. The accounting policies of the subsidiaries are consistent with those adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of financial position, statement of profit or loss, statement of comprehensive income and statement of changes in equity, respectively.

# **Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)**

## **Notes to the consolidated financial statements**

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For the nine months period ended 31 December 2022

### **6. Summary of significant accounting policies (continued)**

#### **A. Basis of consolidation (continued)**

##### **i. Subsidiaries (continued)**

The acquisition method of accounting is used to account for the acquisition of subsidiaries. The consideration transferred for the acquisition of subsidiary comprises the:

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

When the Group loses control over a subsidiary, it recognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

##### **ii. Interests in equity-accounted investees**

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control whereby the Group has rights to the net assets of the arrangement rather than rights to its assets and obligations for its liabilities.

Interest in associates and joint ventures is accounted for using the equity method. They are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures is recognized as a reduction in the carrying amount of the investment.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of investment in associates and joint venture is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized under profit and loss in the consolidated statement of profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount.

## **6. Summary of significant accounting policies (continued)**

### **B. Foreign currencies**

#### **i. Transactions and balances**

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss and presented within finance costs.

#### **ii. Foreign operations**

The assets and liabilities of foreign operations (none of which has the currency of a hyperinflationary economy) are translated at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Saudi Riyals at exchange rates at the average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).

Foreign currency differences arising on foreign operations are recognized in other comprehensive income and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interest.

# **Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)**

## **Notes to the consolidated financial statements**

For the nine months period ended 31 December 2022

### **6. Summary of significant accounting policies (continued)**

#### **C. Revenue recognition**

The following are the description of accounting policies for principal activities, from which the Group generates its revenue:

##### *Sales in retail outlets*

Sales are recognized when the customer takes possession of the product sold by the Group. Payment of the transaction price is due immediately when the customer purchases the product.

Sales are measured based on the consideration specified in the contract with a customer excluding amounts collected on behalf of third parties, if any. Sales exclude Value Added Tax (VAT) collected. Sales are shown in the consolidated statement of profit or loss net of returns and any discounts given.

The group's return policy grants customers the right of return within three to seven days in normal sales and one day in the case of promotional sale with certain requirements and certain exceptions.

##### *Online sales*

Sales are recognized when the products are delivered to the customers by the shipping agent. Payment of the transaction prices is normally received upon or before placing online orders and recognized as a liability until the recognition of sales.

For all types of sales, historical experience suggests that the amount of returns is totally immaterial and accordingly, no refund liability is recognized at the time of sale. The validity of these conclusions is assessed at each reporting date. If the returns pattern changed, the Group would recognize a refund liability and corresponding asset (right to the returned goods) for products expected to be returned, with revenue and related cost of sales adjusted accordingly.

In all the above types, the stated price is the transaction price, and the Group does not have contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year, and as a result, the Group does not adjust transaction prices for the time value of money.

#### **D. Property and equipment**

Property and equipment are stated at historical cost, net of accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Expenditures on repairs and maintenance are expensed to the statement of profit or loss in the year they are incurred.

Depreciation is calculated from the date the item of property and equipment is available for its intended use. It is calculated on a straight-line basis over the useful life of the asset as follows:

<b>Class of asset</b>	<b>Number of years</b>
Buildings	40 years
Leasehold improvements	15 years
Furniture, fixtures and office equipment	15 years
Motor vehicles	6 years

The assets' residual values, useful lives and methods of depreciation are reviewed on an annual basis, and adjusted prospectively if appropriate, at each consolidated statement of financial position date.

Land and assets under construction, which are not ready for its intended use, are not depreciated.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognized.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (please refer **Note 6K**).

All amounts are presented in Saudi Riyals unless otherwise stated.

# **Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)**

## **Notes to the consolidated financial statements**

For the nine months period ended 31 December 2022

### **6. Summary of significant accounting policies (continued)**

#### **E. Investment properties**

Investment properties are those properties, either owned by the Group or where the Group is a lessee under a finance lease, that are held either to earn rental income or for capital appreciation, or both. In addition, properties held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases.

Investment properties are measured at cost, including related transaction costs. After initial recognition at cost, investment properties are depreciated in line with owner-occupied buildings.

#### **F. Intangible assets**

##### **i. Goodwill**

Goodwill represents the difference between the cost of businesses acquired and the Group's share in the net fair value of the recognized identifiable assets, liabilities and contingent liabilities at the date of acquisition. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

##### **ii. Other intangible assets**

Other intangible assets represent acquired software and related licenses, key money, deferred charges (i.e. trademarks / brand). Intangible assets are measured at cost upon initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any.

Amortization is calculated over the cost of the asset, or other amount substituted for cost, less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated years of amortization of the principal classes of other intangible assets is as follows:

<b>Class of asset</b>	<b>Number of years</b>
Software	25 years
Key money	15 years
Deferred charges	15 years

Gains or losses arising from derecognizing an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of profit or loss when the asset is derecognized.

#### **G. Inventories**

Inventories, including goods available for sale and goods in transit are stated at the lower of cost and net realizable value.

Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to complete a sale. Provision is made, where necessary, for obsolete, slow moving and defective stocks.



# **Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)**

## **Notes to the consolidated financial statements**

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For the nine months period ended 31 December 2022

### **6. Summary of significant accounting policies (continued)**

#### **H. Cash and cash equivalents**

Cash and cash equivalents include cash on hand, bank balances, short-term deposits, demand deposits and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### **I. Financial instruments**

##### **i. Recognition and initial measurement**

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument

A trade receivable without a significant financing component is initially measured at the transaction price. A financial asset or financial liability (unless it is a trade receivable without a significant financing component) is initially measured at fair value. For financial instruments not classified at FVTPL, transaction costs that are directly attributable to its acquisition or issue are adjusted.

##### **ii. Classification and subsequent measurement**

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

##### ***Financial assets: Business model assessment***

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

All amounts are presented in Saudi Riyals unless otherwise stated.

# Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)

## Notes to the consolidated financial statements

For the nine months period ended 31 December 2022

### 6. Summary of significant accounting policies (continued)

#### I. Financial instruments (continued)

##### ii. Classification and subsequent measurement (continued)

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

##### *Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

##### *Financial assets: Subsequent measurement and gains and losses*

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
<b>Financial assets at Amortized cost</b>	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
<b>Equity investments At FVOCI</b>	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

##### *Financial liabilities: Classification, subsequent measurement and gains and losses*

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

# **Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)**

## **Notes to the consolidated financial statements**

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For the nine months period ended 31 December 2022

### **6. Summary of significant accounting policies (continued)**

#### **I. Financial instruments (continued)**

##### **iii. Derecognition**

###### Financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized on its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In such cases, the transferred assets are not derecognized.

###### Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

##### **iv. Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

#### **J. Impairment of financial instruments**

The Group recognizes loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortized cost.

The Group measures loss allowances for trade receivables and other financial assets that are measured at an amount equal to lifetime ECLs that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

###### Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset. When estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

## **6. Summary of significant accounting policies (continued)**

### **J. Impairment of financial instruments (continued)**

#### Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 360 days past due;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

#### Presentation of allowance for ECL in the consolidated statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

#### Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

### **K. Impairment of non-financial asset**

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

# **Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)**

## **Notes to the consolidated financial statements**

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For the nine months period ended 31 December 2022

### **6. Summary of significant accounting policies (continued)**

#### **L. Finance income and finance cost**

Finance income includes interest income which is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in consolidated statement of profit or loss on the date that the Group's right to receive payment is established. Fair value gain on interest rate swaps is recognized when the interest rate swaps are revalued.

Finance costs comprise financial charges on borrowings including sukuks that are recognized in consolidated statement of profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in consolidated statement of profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis within finance cost.

#### **M. Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

# **Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)**

## **Notes to the consolidated financial statements**

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For the nine months period ended 31 December 2022

### **6. Summary of significant accounting policies (continued)**

#### **N. Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting year. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to liability. The increase in the provision due to the passage of time is recognized as interest expense.

#### **O. Employee benefits and post-employment benefits**

##### **i. Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits and accumulating leave and air fare that are expected to be settled wholly within twelve months, after the end of the year in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting year and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

##### **ii. Post-employment obligation**

The Group operates single post-employment benefit scheme of defined benefit plans driven by the labor laws of the countries in which the Group entities operate.

The post-employment benefits plans are not funded. Valuation of the obligations under those plans are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognized immediately in the consolidated statement of profit or loss while unwinding of the liability at discount rates used are recorded as financial cost. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the year in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the consolidated statement of financial position.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in the consolidated statement of profit or loss as past service costs.

#### **P. Zakat and income tax**

##### **i. Zakat**

Zakat is provided in accordance with the Regulations of the Zakat, Tax and Customs Authority (ZATCA) in the Kingdom of Saudi Arabia on an accrual basis. The zakat expense is charged to the consolidated statement of profit or loss. Differences, if any, resulting from the final assessments are adjusted in the year of their finalization.



# **Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)**

## **Notes to the consolidated financial statements**

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For the nine months period ended 31 December 2022

### **6. Summary of significant accounting policies (continued)**

#### **P. Zakat and income tax (continued)**

##### **ii. Income tax**

For subsidiaries incorporated and operating outside the Kingdom of Saudi Arabia, provision for tax is computed in accordance with the tax regulations of their respective countries, when it is material. The Group considers both of the current and deferred income tax of those subsidiaries as immaterial.

##### **iii. Deferred tax**

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

#### **Q. Dividends**

Provision is made for the amount of any dividends declared being appropriately authorized and no longer at the discretion of the Company, on or before the end of the reporting year but not distributed at the end of the reporting year.

#### **R. Earnings per share**

Basic earnings per share is calculated by dividing net income attributable to the owners of the Company by the weighted average number of ordinary shares outstanding during the financial year as all the Company's shares are ordinary shares.

Diluted earnings per share is calculated by adjusting the basic earnings per share for the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

#### **S. Statutory reserve**

In accordance with the Regulations for Companies in Kingdom of Saudi Arabia, the Company is required to recognize a reserve comprising 10% of its net profit for the year until such reserve equals 30% of its share capital. As per the by-laws the company will cease the contribution when such reserve will reach 50% of its Share Capital.

# **Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)**

## **Notes to the consolidated financial statements**

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For the nine months period ended 31 December 2022

### **6. Summary of significant accounting policies (continued)**

#### **T. Leases**

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

##### As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses the incremental borrowing rate as the discount rate.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of the costs of dismantling and removing the underlying asset and restoring the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The Group determines its incremental borrowing rate by obtaining rates from various external financing sources and makes certain adjustments to reflect the terms of the leases and type of the assets leased.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group's changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

##### Short-term leases and leases of low-value assets

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

##### COVID-19-related rent concessions

The Group has applied COVID-19-Related Rent Concessions – Amendment to IFRS 16. The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Group applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. The practical expedient applies only to rent concessions for which any reduction in lease payments affects payments originally due on or before 30 June 2022. For rent concessions in leases to which the Group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Group assesses whether there is a lease modification.

**Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)**  
**Notes to the consolidated financial statements**

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For the nine months period ended 31 December 2022

**6. Summary of significant accounting policies (continued)**

**U. Segment reporting**

An operating segment is a component of the Company:

- That engages in business activities from which it may earn revenues and incur expenses;
- Results of its operations are continuously analysed by the Chief Operating Decision Maker (CODM) in order to make decisions related to resource allocation and performance assessment; and
- For which discrete financial information is available.

A geographical segment is a Group of assets, operations or entities engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments.

# Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)

## Notes to the consolidated financial statements

For the nine months period ended 31 December 2022

### 7. Property and equipment

See accounting policies in [Notes 6D](#) and [6K](#).

#### A. Reconciliation of carrying amount

	<i>Notes</i>	Land	Buildings and leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Under construction	Total
<b>Cost:</b>							
Balance at 1 April 2021		14,920,930	2,703,031,041	718,339,861	18,021,599	246,327,486	3,700,640,917
Additions		-	116,834,496	66,945,819	595,263	64,081,444	248,457,022
Transfer		-	46,485,666	10,098,977	-	(56,584,643)	-
Write off		-	(140,156,788)	(27,143,875)	(45,800)	(2,309,650)	(169,656,113)
<b>Balance at 31 March 2022</b>		<b>14,920,930</b>	<b>2,726,194,415</b>	<b>768,240,782</b>	<b>18,571,062</b>	<b>251,514,637</b>	<b>3,779,441,826</b>
Additions		-	170,946,801	56,199,819	105,932	49,485,005	276,737,557
Transfer		-	38,394,142	4,617,595	79,798	(43,090,154)	1,381
Write off		-	(64,483,178)	(16,708,483)	(951,851)	-	(82,143,512)
Reclassification to related party balance		-	-	-	-	(153,154,854)	(153,154,854)
Disposal of subsidiary		-	(35,372,313)	(14,192,974)	(1,592,988)	-	(51,158,275)
<b>Balance at 31 December 2022</b>		<b>14,920,930</b>	<b>2,835,679,867</b>	<b>798,156,739</b>	<b>16,211,953</b>	<b>104,754,634</b>	<b>3,769,724,123</b>
<b>Accumulated depreciation and impairment losses:</b>							
Balance at 1 April 2021		-	1,842,677,131	516,091,366	14,400,802	-	2,373,169,299
Charge for the year		-	122,272,657	44,131,646	801,605	-	167,205,908
Write off		-	(94,382,290)	(24,831,686)	(45,800)	-	(119,259,776)
<b>Balance at 31 March 2022</b>		<b>-</b>	<b>1,870,567,498</b>	<b>535,391,326</b>	<b>15,156,607</b>	<b>-</b>	<b>2,421,115,431</b>
Charge for the period		-	82,930,175	32,472,236	645,770	-	116,048,181
Transfer		-	122,402	1,171,097	79,799	-	1,373,298
Write off		-	(54,542,587)	(14,561,031)	(951,781)	-	(70,055,399)
Disposal of subsidiary		-	(14,961,867)	(6,848,602)	(1,275,354)	-	(23,085,823)
<b>Balance at 31 December 2022</b>		<b>-</b>	<b>1,884,115,621</b>	<b>547,625,026</b>	<b>13,655,041</b>	<b>-</b>	<b>2,445,395,688</b>
<b>Carrying amounts:</b>							
At 31 March 2021		14,920,930	860,353,910	202,248,495	3,620,797	246,327,486	1,327,471,618
<b>At 31 March 2022</b>		<b>14,920,930</b>	<b>855,626,917</b>	<b>232,849,456</b>	<b>3,414,455</b>	<b>251,514,637</b>	<b>1,358,326,395</b>
<b>Balance at 31 December 2022</b>		<b>14,920,930</b>	<b>951,564,246</b>	<b>250,531,713</b>	<b>2,556,912</b>	<b>104,754,634</b>	<b>1,324,328,435</b>

\* It includes store closure losses amounting to SR 4.9 million (31 March 2022: 37 million) charged to profit or loss during the year (note 24D).

All amounts are presented in Saudi Riyals unless otherwise stated.

# **Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)**

## **Notes to the consolidated financial statements**

For the nine months period ended 31 December 2022

### **7. Property and equipment (continued)**

See accounting policies in **Notes 6D and 6K**.

#### **B. Change in estimates**

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 management was intended to sell after 33 years, 8-15 years and 4-10 years respectively. The buildings, furniture and fixtures, leasehold improvements, tools and equipment, motor vehicles and computers and electronics are expected to remain in use for 40 years, 15 years, 15 years, 15 years, 6 years and 10 years respectively. Consequently, the expected life of the assets increased. The effect of these changes on actual and expected depreciation expense, included in 'depreciation on property and equipment', was as follows:

SAR in million	31 March 2022	31 March 2023	31 March 2024	31 March 2025	31 March 2026	Later
(Decrease) / increase in depreciation	(53.6)	(22.1)	(20.7)	(16.4)	(15.1)	127.8

# Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)

## Notes to the consolidated financial statements

For the nine months period ended 31 December 2022

### 8. Goodwill and intangible assets

See accounting policies in [Notes 6F and 6K](#).

#### A. Reconciliation of carrying amount

	Goodwill	Software	Key money	Deferred charges	Total
<b>Cost</b>					
<b>Balance at 1 April 2021</b>	1,012,387,298	117,362,821	151,179,342	13,414,353	1,294,343,814
Additions	--	43,233,781	8,126,106	6,790,788	58,150,675
Disposals / Write-off	--	(3,809,091)	(1,261,890)	(79,289)	(5,150,270)
<b>Balance at 31 March 2022</b>	1,012,387,298	156,787,511	158,043,558	20,125,852	1,347,344,219
Additions	--	22,176,559	30,027,381	11,172,250	63,376,190
Disposals / Write-off	--	(287,620)	(6,809,419)	-	(7,097,039)
<b>Balance at 31 December 2022</b>	1,012,387,298	178,676,450	181,261,520	31,298,102	1,403,623,370
<b>Accumulated amortization and impairment</b>					
<b>Balance at 1 April 2021</b>	5,817,109	59,101,826	112,332,520	5,837,096	183,088,551
Charge for the year	--	7,100,294	3,358,273	1,509,525	11,968,092
Impairment charge for the year	70,533,770	--	--	--	70,533,770
Disposals / Write-off	--	(68,245)	(1,188,894)	(22,079)	(1,279,218)
<b>Balance at 31 March 2022</b>	76,350,879	66,133,875	114,501,899	7,324,542	264,311,195
Charge for the period	-	5,654,702	3,121,309	1,413,741	10,189,752
Impairment charge for the period	9,800,000	-	-	-	9,800,000
Disposals / Write-off	-	(295,136)	(1,228,172)	52	(1,523,256)
<b>Balance at 31 December 2022</b>	86,150,879	71,493,441	116,395,036	8,738,335	282,777,691
<b>Carrying amount</b>					
At 1 April 2021	1,006,570,189	58,260,995	38,846,822	7,577,257	1,111,255,263
<b>At 31 March 2022</b>	936,036,419	90,653,636	43,541,659	12,801,310	1,083,033,024
<b>At 31 December 2022</b>	926,236,419	107,183,009	64,866,484	22,559,767	1,120,845,679

#### B. Goodwill

	Note	Year	31 December 2022	31 March 2022	31 March 2021
Nesk Trading Projects Co including Mango brand	(i)	2012 & 2014	666,771,622	666,771,622	737,305,392
Innovative Union Company (including Azal Restaurants and Food Gate Company)	(ii)	2020	198,027,033	207,827,033	207,827,033
Wahba Trading Company Ltd	(iii)	2009	61,437,764	61,437,764	61,437,764
<b>Carrying amount</b>			926,236,419	936,036,419	1,006,570,189

All amounts are presented in Saudi Riyals unless otherwise stated.



**8. Goodwill and intangible assets (continued)****B. Goodwill (continued)**

- i. Nesk Trading Projects Company operates fashion retail stores all over the Kingdom with franchise rights of a number of international fashion brands including Stradivarius, Mango, Okaidi, Women' Secret, Gerry Weber and Ikks.

The Group acquired Nesk Trading Projects Company, for cash in an aggregate amount of SR 730 million having net acquisition cost of SR 661.2 million after deducting net cash acquired amounting to SR 68.8 million.

The Group acquired the business of fashion retail and franchise rights of the international fashion brand Mango" in the Kingdom of Saudi Arabia for a consideration of SR 378 million.

- ii. The Group acquired Innovative Union Company with its subsidiaries Azal Restaurants Company and Food Gate Company) from a related party. At the date of acquisition, the carrying value of net assets acquired was SR 132.2 million and the cost of acquisition was SR 340 million accordingly, a goodwill amounting to SR 207.8 million arose at the acquisition of this subsidiary.

Innovative Union Company operates food and beverage stores all over the Kingdom with franchise rights of a number of food brands including Cinnabon, Mama roti and Molten chocolates.

On 1<sup>st</sup> of October 2022, the Group disposed off Azal Restaurant and First Pizza Company resulting in the disposal of goodwill of 9.8 million (refer to note 37).

- iii. The Group acquired Wahba Trading Company Limited at a fair value of SR 118.6 million and the cost of acquisition was SR 180 million accordingly, a goodwill amounting to SR 61.4 million arose at the acquisition of this subsidiary.

**C. Impairment test**

Goodwill is tested annually for impairment by management. Recoverable amounts were determined on the basis of value-in-use calculation. This calculation uses cash flow projections for five years based on financial budgets approved by management. Cash flows beyond the budgets are extrapolated using the estimated growth rate for each of the Companies.

In management's opinion, the growth rate assumptions do not exceed the long-term average growth rates for fashion retail and food and beverage business in which the companies operate. Key assumptions for the value-in-use calculation are set out below;

	<b>Wahba Trading Company Limited</b>	<b>Nesk Projects Trading Company</b>	<b>Food Gate Company</b>	<b>Innovative Union Company</b>
Discount rate	13.45%	12.45%	12.16%	12.8%
Budgeted gross margins	41%	41%	76%	79%
Average annual growth rate for sale	2%	2%	3%	3%
Terminal growth rate	2%	2%	2%	2%

The discount rates used are pre-zakat and reflect weighted average cost of capital adjusted for leverage and Company specific risks. Management has determined the budgeted gross margins based on past performance and its expectations for the market development.

During the prior year ended 31 March 2022, the estimated recoverable amounts of Nesk Trading Projects Company and other cash generating units were based on their values in use, determined by discounting the future cash flows to be generated from the continuing use of the cash generating units. The carrying amount of the Nesk Projects Trading Company was determined to be higher than its recoverable amount of SR 947 million assuming a pre-tax discount rate of 11.3% and average annual growth rate of 4% that resulted in a goodwill impairment loss of SR 71 million during prior year ended 31 March 2022.

# Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)

## Notes to the consolidated financial statements

For the nine months period ended 31 December 2022

### D. Sensitivity to changes in assumptions

With regard to the assessment of value-in-use for the subsidiaries, any adverse changes in a key assumption would result in an impairment loss. The key assumptions, where reasonably possible changes could result in impairment, are the annual growth rates, terminal growth rates and the discount rates used.

## 9. Investment property

See accounting policies in [Notes 6E and 6K](#).

### Reconciliation of carrying amount

	Residential apartment
<b>Cost</b>	
Balance at 1 April 2021	3,516,928
<b>Balance at 31 March 2022</b>	<b>3,516,928</b>
Balance at 31 December 2022	<b>3,516,928</b>
<b>Accumulated depreciation and impairment</b>	
Balance at 1 April 2021	1,884,928
Charge for the year	122,400
<b>Balance at 31 March 2022</b>	<b>2,007,328</b>
Charge for the period	122,400
<b>Balance as at 31 December 2022</b>	<b>2,129,728</b>
<b>Carrying amount</b>	
At 1 April 2021	1,632,000
<b>At 31 March 2022</b>	<b>1,509,600</b>
<b>At 31 December 2022</b>	<b>1,387,200</b>

- (i) Investment property represents an apartment located at unit no. 301, The Pad, Business Bay, Dubai, United Arab Emirates. The fair valuation for the apartment has been performed by an external valuer appointed by the management who assessed the fair value of the investment property at SR 1.9 million (31 March 2022: SR 1.74 million).

# Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)

## Notes to the consolidated financial statements

For the nine months period ended 31 December 2022

### 10. Investment in equity accounted investments

See accounting policies in [Notes 6A](#) and [6K](#).

	FG 4 Limited	FAS LAB (i)	Total
Balance at 1 April 2021	2,699,577	--	2,699,577
Addition	--	75,112,787	75,112,787
Share of loss	(743,169)	(15,044,402)	(15,787,571)
<b>Balance at 31 March 2022</b>	<b>1,956,408</b>	<b>60,068,385</b>	<b>62,024,793</b>
Addition	--	9,818,749	9,818,749
Share of loss	(1,956,408)	(7,747,831)	(9,704,239)
<b>Balance at 31 December 2022</b>	<b>--</b>	<b>62,139,303</b>	<b>62,139,303</b>

Financial year	31 December 2022	31 December 2022	Total
Assets	3,989,793	294,161,910	298,151,703
Liabilities (including NCI)	6,317,501	169,883,303	176,200,804
<b>Net Assets</b>	<b>(2,327,708)</b>	<b>124,278,607</b>	<b>121,950,899</b>
Percentage ownership interest	50%	50%	
<b>Group's share of net assets</b>	<b>(1,163,854)</b>	<b>62,139,303</b>	<b>60,975,449</b>
<b>Adjustment</b>	<b>--</b>	<b>--</b>	
<b>Carrying amount</b>	<b>(1,163,854)</b>	<b>62,139,303</b>	<b>60,975,449</b>

Revenue	8,791,545	279,026,659	287,818,204
Profit from continuing operations	(4,731,307)	(16,252,571)	(20,983,878)
Other comprehensive income	--	(1,002,913)	(1,002,913)
Total comprehensive income	(4,731,307)	(17,255,484)	(21,986,791)
<b>Group's share of total comprehensive income</b>	<b>(2,365,653)</b>	<b>(8,627,742)</b>	<b>(10,993,395)</b>

- (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.

### 11. Other investments

See accounting policies in [Notes 6I](#) and [6J](#).

	Equity securities at FVTPL (i)	Equity securities at FVOCI (ii)	Pledged term deposit (iii)	Total
Balance at 1 April 2021	215,860,000	84,432,122	-	300,292,122
Exchange difference	-	(11,385,912)	-	(11,385,912)
Change in fair value	(2,429,344)	13,213,820	-	10,784,476
<b>Balance at 31 March 2022</b>	<b>213,430,656</b>	<b>86,260,030</b>	<b>-</b>	<b>299,690,686</b>
Balance at 1 April 2022	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)
<b>Balance at 31 December 2022</b>	<b>217,125,564</b>	<b>92,931,479</b>	<b>4,190,498</b>	<b>314,247,541</b>

All amounts are presented in Saudi Riyals unless otherwise stated.

## 11. Other investments (continued)

- 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. During the year ended 31 March 2021, the Group had acquired 8.9% shares in Egyptian Centers for Real Estate Development (ECRED) in consideration for the settlement of a receivable from Egyptian Centers. The Group has designated the investment at FVOCI at initial recognition. At 31 December 2022, investment in ECRED has been valued at SR 92.9 million (31 March 2022: 86.3 million) using multiple valuation techniques whereas the fair value gain and exchange difference for the year have been recognized in the other comprehensive income.
- iii. During the period ended 31 December 2022, the Group has term deposits in National Bank of Fujairah as a guarantee for supplier payment.

## 12. Inventories

See accounting policy in [Note 6G](#).

	<b>Note</b>	<b>31 December 2022</b>	31 March 2022 (Restated)	31 March 2021 (Restated)
Finished goods				
- Available for sale		<b>1,310,279,291</b>	1,472,930,634	1,155,674,884
- Goods in transit		<b>14,149,304</b>	252,428,646	111,644,820
Consumables and supplies		<b>24,262,829</b>	21,949,565	29,141,193
<b>Gross inventories</b>		<b>1,348,691,424</b>	1,747,308,845	1,296,460,897
Provision for inventory	<i>(i)</i>	<b>(348,412,258)</b>	(352,227,716)	(449,412,971)
<b>Net inventories</b>		<b>1,000,279,166</b>	1,395,081,129	847,047,926

- i. Movement in provision for inventory is as follows:

	<b>31 December 2022</b>	31 March 2022 (Restated)	31 March 2021 (Restated)
Opening balance	<b>352,227,716</b>	449,412,971	343,337,019
Charge for the period / year	<b>13,061,727</b>	33,903,027	329,325,613
Provision written-off during the year	<b>(16,877,185)</b>	(131,088,282)	(223,249,661)
<b>Closing balance</b>	<b>348,412,258</b>	352,227,716	449,412,971
<b>Inventories directly written off to profit or loss</b>	<b>8,670,599</b>	27,250,576	369,567,774

Refer to note 36 for the details of the restatement.

# Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)

## Notes to the consolidated financial statements

For the nine months period ended 31 December 2022

### 13. Advances, deposits and other receivables

See accounting policies in [Notes 6I and 6J](#).

	Note	31 December 2022	31 March 2022	31 March 2021
Receivables due from related parties	32B	451,661,789	280,420,302	192,364,016
Other receivables				
- Advances, deposits and other receivables excluding related party receivables		85,467,175	48,432,164	117,556,115
- Margin on letters of credit and guarantee		43,982,120	49,627,590	89,194,778
- Security deposits		34,354,540	31,644,492	34,664,512
- Receivable from credit card and wholesale		30,709,960	21,415,915	13,462,051
- Employee receivables		15,727,904	14,429,345	12,780,612
- Receivable from human resources development fund		20,571,525	-	-
- Custom refund receivable		14,008,185	11,713,181	7,571,057
- Margin compensation receivable		-	133,069	133
- Others		21,714,883	16,799,168	2,976,930
		266,536,292	194,194,924	278,206,188
<b>Total advances, deposits and other receivables</b>		<b>718,198,081</b>	<b>474,615,226</b>	<b>470,570,204</b>

### 14. Prepayments

See accounting policies in [Notes 6I and 6J](#).

	31 December 2022	31 March 2022	31 March 2021
Prepaid insurance	5,631,880	24,531,961	21,249,972
Others	29,814,277	39,105,636	26,605,686
	35,446,157	63,637,597	47,855,658

### 15. Cash and cash equivalents

See accounting policy in [Note 6H](#).

	Note	31 December 2022	31 March 2022	31 March 2021
Bank balances	(i)	142,078,902	172,616,287	451,840,180
Cash in hand		51,746,374	25,271,458	15,751,372
<b>Cash and cash equivalents in consolidated statement of financial position</b>		<b>193,825,276</b>	<b>197,887,745</b>	<b>467,591,552</b>
Bank overdraft		(49,758,105)	(50,119,035)	-
<b>Cash and cash equivalents in consolidated statement of cash flows</b>		<b>144,067,171</b>	<b>147,768,710</b>	<b>467,591,552</b>

- i. Bank balances includes SR nil million (31 March 2022: SR 6 million and 31 March 2021: 205 million) which represent placement deposits with financial institution. The deposits are for short term period and carries average profit rate of (31 March 2022: 1.5% and 31 March 2021: 0.9%).

# Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)

## Notes to the consolidated financial statements

For the nine months period ended 31 December 2022

### 16. Receivable from disposal of subsidiaries

See accounting policies in [Notes 6A, 6I, and 6J](#).

The Group has disposed certain entities and operations during prior year. Amounts disclosed in the consolidated statement of financial position as receivable from disposal of subsidiaries are as follows:

	<i>Note</i>	31 December 2022	31 March 2022	31 March 2021
<b>Global Levia and its subsidiaries</b>	<b>(i)</b>			
- Non-current portion		--	--	--
- Current portion		--	--	75,000,000
		--	--	75,000,000

- i. Pursuant to the decision of the Board of Directors in their meeting held on 29 June 2016, the Group had disposed off Global Levia and its subsidiaries ("the Disposed Entities") for a total consideration of SR 375 million receivable in 5 annual equal installments starting from 29 June 2017 onwards. Management rights had been transferred by the Group and accordingly, the Group had 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 payment, accordingly no gain or loss is recognized 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.

During the 31 March 2022, final installment of SR 75 million (31 March 2021: SR 75 million) has been transferred as receivable from Saudi FAS Holding Company (Company jointly owned by the Chairman who had secured the consideration on his personal guarantee) based on mutual agreement.

### 17. Loans and borrowings

See accounting policies in [Note 6I](#).

	<i>Notes</i>	31 December 2022	31 March 2022	31 March 2021
Islamic facility with banks (Murabaha)	(i)	2,774,310,862	2,865,986,750	2,985,507,515
Short term Islamic banking facilities		-	-	3,541,520
Financing against inventory		-	-	116,693,493
Banking facilities of GCC subsidiaries	(ii)	8,056,876	11,905,219	18,292,283
Islamic facility with banks (Murabaha) - new	(iii)	150,000,000	-	-
		2,932,367,738	2,877,891,969	3,124,034,811
Short term borrowings		8,056,876	11,905,219	138,527,296
Current portion of long-term borrowings		2,809,310,862	2,865,986,750	681,057,083
<b>Loans and borrowings - current liabilities</b>		<b>2,817,367,738</b>	<b>2,877,891,969</b>	<b>819,584,379</b>
<b>Loans and borrowings – non-current liabilities</b>		<b>115,000,000</b>	<b>-</b>	<b>2,304,450,432</b>
		<b>2,932,367,738</b>	<b>2,877,891,969</b>	<b>3,124,034,811</b>

Information about the Group's exposure to interest rate, foreign currency and liquidity risks is included in [Note 26](#).



## **17. Loans and borrowings (continued)**

### **A. Terms and repayment**

- 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 December 2022, 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 existing breach of financial covenants and clean down conditions 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 as at 31 March 2021 the long-term loan balance of SR 2,253 million has been reclassified to be part of the current liabilities on the consolidated statement of financial position. The Company requested the lenders to waive the breach of loans covenants more than once during the year 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.

- 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.

# Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)

## Notes to the consolidated financial statements

For the nine months period ended 31 December 2022

### 18. Trade and other payables

See accounting policy in [Note 6I](#).

	Note	31 December 2022	31 March 2022	31 March 2021
<b>Trade payables</b>				
Trade payables to suppliers		515,844,777	722,839,180	532,764,384
		515,844,777	722,839,180	532,764,384
<b>Other payables</b>				
Contractors and others		193,060,702	196,496,463	135,077,107
Due to related parties	32B	157,325,694	284,744,413	136,539,166
Employees' salaries and benefits		47,682,030	75,949,859	82,733,253
Royalty		--	39,810,649	14,900,071
Credit cards		--	-	2,894,579
Margin compensation		2,811,605	-	-
VAT payable		89,208,760	51,502,447	21,183,359
		490,088,791	648,503,831	393,327,535
<b>Accrued expenses</b>				
Finance cost - accruals		44,406,148	5,712,840	16,558,569
Government duties		14,696,834	25,999,842	17,583,469
Consignment margin		-	41,329,218	5,269,432
Other accruals and other liabilities		46,384,292	52,073,021	50,845,446
		105,487,274	125,114,921	90,256,916
<b>Trade and other payables</b>		<b>1,111,420,842</b>	<b>1,496,457,932</b>	<b>1,016,348,835</b>

### 19. Employee benefits

See accounting policy in [Note 6O](#).

The Group operates unfunded defined benefit plans for its permanent employees as required by the Saudi Arabia Labor Law and in accordance with the local statutory requirements of the foreign subsidiaries. The payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment.

#### A. Movement in employee benefits liability

	31 December 2022	31 March 2022	31 March 2021
<b>Opening balance</b>	<b>102,988,787</b>	<b>110,468,288</b>	<b>101,618,395</b>
<b>Included in profit or loss</b>			
Current service cost	13,223,430	21,888,069	20,241,565
Interest cost	2,703,378	3,272,035	4,105,276
	15,926,808	25,160,104	24,346,841
<b>Included in OCI</b>			
Actuarial (gain) loss arising from			
– financial assumptions	4,880,661	(10,546,914)	12,122,041
– other assumptions and experience adjustments	(7,727,081)	--	--
	(2,846,420)	(10,546,914)	12,122,041
<b>Other</b>			
Disposal of subsidiary	(3,098,551)	-	-
Benefits paid	(17,022,596)	(22,092,691)	(27,618,989)
<b>Closing balance</b>	<b>95,948,028</b>	<b>102,988,787</b>	<b>110,468,288</b>

All amounts are presented in Saudi Riyals unless otherwise stated.

# Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)

## Notes to the consolidated financial statements

For the nine months period ended 31 December 2022

### 19. Employee benefits (continued)

#### B. Significant actuarial assumptions

The significant actuarial assumptions used were as follows:

	31 December 2022	31 March 2022	31 March 2021
<b>Economic assumptions</b>			
Gross discount rate	4.40%	3.30%	2.8%
Price inflation	2.0%	2.0%	2.0%
Salary growth rate	3.00%	3.00%	3.00%
<b>Demographics assumptions</b>			
Number of employees	8416	9,903	7,525
Average age of employees (years)	31.5	30.8	31.0
Average years of past service	3.6	3.01	3.5

#### C. Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions made in the calculation is as follows:

	31 December 2022		31 March 2022		31 March 2021	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
Salary inflation (1% movement)	10,459,736	(8,811,846)	11,648,161	(9,800,466)	9,654,000	(11,640,000)
Discount rate (1% movement)	(8,627,818)	10,415,521	(9,677,344)	11,720,611	(11,790,000)	9,586,000

### 20. Zakat and tax liabilities

See accounting policy in [Note 6P](#).

#### A. Amounts recognized in profit or loss and financial position

##### Recognized in profit or loss

	Note	31 December 2022	31 March 2022	31 March 2021
Current year zakat charge	20B	10,761,824	57,290,895	41,493,430
Current year income tax charge	20C	9,975,133	9,457,899	4,590,275
		20,736,957	66,748,794	46,083,705

##### Recognized in financial position

	Note	31 December 2022	31 March 2022	31 March 2021
Zakat	20B	62,722,287	88,970,542	67,451,301
Income tax	20C	7,763,181	1,399,744	1,693,231
		70,485,468	90,370,286	69,144,532

All amounts are presented in Saudi Riyals unless otherwise stated.

# Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)

## Notes to the consolidated financial statements

For the nine months period ended 31 December 2022

### 20. Zakat and tax liabilities (continued)

#### B. Zakat

i. Movement in zakat liability is as follows:

	<i>Note</i>	31 December 2022	31 March 2022 (Restated)	31 March 2021 (Restated)
Opening balance		88,970,542	67,451,301	4,595,451
Zakat charge				
- Current year		18,826,948	34,895,798	17,392,802
- Prior years		(8,065,124)	22,395,097	24,100,628
Net charge during the year		10,761,824	57,290,895	41,493,430
Adjustment		(28,941,676)	-	-
Payments (a)		(8,068,403)	(35,771,654)	(31,933,836)
<b>Closing balance</b>		<b>62,722,287</b>	<b>88,970,542</b>	<b>14,155,045</b>
<b>Restated</b>		<b>-</b>	<b>-</b>	<b>53,296,256</b>
<b>Closing balance</b>		<b>62,722,287</b>	<b>88,970,542</b>	<b>67,451,301</b>

a. Includes SR nil (31 March 2022: nil and 31 March 2021: 24 million) settled through utilization of VAT receivable.

ii. Computation of zakat charge is as follows:

	<i>Note</i>	31 December 2022	31 March 2022	31 March 2021
Shareholders' equity and other payables		6,753,858,394	6,978,970,323	3,233,453,645
Adjusted net income		146,066,527	210,323,240	(832,668,198)
Deductions and other adjustments		(5,968,901,209)	(5,829,189,299)	(1,705,073,386)
Zakat base		931,023,712	1,360,104,264	695,712,061
<b>Zakat at 2.5% (higher of adjusted net income or Zakat base)</b>		<b>18,826,948</b>	<b>34,895,798</b>	<b>17,392,802</b>

iii. Status of zakat assessments is as follows:

The Company has filed its zakat returns with ZATCA for all years up to and including the year ended 31 March 2022. The zakat returns from year 31 March 2015 to 31 March 2021 are under review of ZATCA. The Company finalized zakat assessment for the year 31 March 2008 to 2014 in prior year according to decision received by appeal committee which resulted in amount payable of SR 36.2 million.

#### C. Income tax

i. Movement in income tax is as follows:

	<i>Note</i>	31 December 2022	31 March 2022	31 March 2021
Opening balance		1,399,744	1,693,231	6,206,703
Current year income and deferred tax charge	(a)	9,975,133	9,457,899	4,590,275
Payments		(3,611,696)	(9,751,386)	(9,103,747)
<b>Closing balance</b>		<b>7,763,181</b>	<b>1,399,744</b>	<b>1,693,231</b>

All amounts are presented in Saudi Riyals unless otherwise stated.

# Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)

## Notes to the consolidated financial statements

For the nine months period ended 31 December 2022

## 20. Zakat and tax liabilities (continued)

a. Includes deferred tax (reversal) / charge of SR 2.14 million (31 March 2022: SR Nil million)

i. Status of income tax assessments is as follows:

The income tax returns for subsidiaries in Egypt, Azerbaijan, Morocco, Georgia and Balkan Countries have been filed for all years until 31 December 2022 and for Jordan subsidiaries have been filed for all the years until 31 March 2022. For Kazakhstan and Armenia, the income tax returns have been filed up to 31 December 2021.

The income tax returns for above subsidiaries are under review by the relevant tax authorities. As at 31 December 2022, there are no pending adverse assessments relating to income tax in any of the subsidiaries. The Group has accrued income tax liabilities and there are no significant penalties under local jurisdictions due to delay in filing of tax returns for above subsidiaries.

## 21. Share capital and Reserves

### A. Share Capital

The Company's share capital as at 31 December 2022, 31 March 2022 and 31 March 2021 is as below:

31 December 2022				31 March 2022 and 31 March 2021		
	No. of shares	Par value	Total	No. of shares	Par value	Total
Ordinary share capital	114,766,448	10	1,147,664,480	210,000,000	10	2,100,000,000

### B. Statutory reserve

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. As at 31 December 2022, the Group has accumulated losses of SAR 292.2 million and therefore no amount from profits has been allocated to statutory reserve.

## 22. Operating segments

See accounting policy in [Note 6U](#).

### 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 segments:

Reportable segments	Operations
Fashion retail	Primarily include sales of apparels, footwears & accessories through retail outlets
Indoor entertainment	Kids play centers
Food & beverage	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.

# Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)

## Notes to the consolidated financial statements

For the nine months period ended 31 December 2022

### 22. 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			
31 December 2022									
Profit or loss									
Revenue	4,144,063	47,316	351,788	-	4,543,167	3,661,151	882,016	-	4,543,167
Depreciation and amortization	(93,962)	(12,129)	(20,147)	-	(126,238)	(104,846)	(21,392)	-	(126,238)
Finance charges	(208,161)	(1,732)	(9,300)	-	(219,193)	(193,273)	(25,920)	-	(219,193)
Net profit / (loss)	83,036	(9,915)	21,524	-	94,645	12,659	81,986	-	94,645
Statement of financial position									
Non-current assets	5,560,790	92,554	315,557	-	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)
31 March 2022									
Profit or loss									
Revenue	5,365,467	51,834	497,794	--	5,915,095	4,916,641	998,454	--	5,915,095
Depreciation and amortization	(130,418)	(16,792)	(31,964)	--	(179,174)	(146,121)	(33,053)	--	(179,174)
Finance charges	(260,607)	(2,986)	(16,882)	--	(280,475)	(251,671)	(28,804)	--	(280,475)
Net profit / (loss)	85,255	(15,799)	(31,426)	--	38,030	(51,074)	89,104	--	38,030
Statement of financial position									
Non-current assets	5,548,469	117,284	444,232	--	6,109,985	610,9341	2,936	(2,292)	6,109,985
Current assets	2,043,531	25,321	62,370	--	2,131,222	2,130,880	342	--	2,131,222
Total liabilities	(7,456,423)	(125,808)	(513,618)	--	(8,095,849)	(8,094,756)	(1,093)	--	(8,095,849)

All amounts are presented in Saudi Riyals unless otherwise stated.



## Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)

### Notes to the consolidated financial statements

For the nine months period ended 31 December 2022

## 22. Operating segments (continued)

### B. Information about reportable segments and geographical information (continued)

	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				
<b>31 March 2021</b>									
<b>Profit or loss</b>									
Sales	3,886,805	5,230	340,478	-	4,232,513	3,681,645	556,817	(5,949)	4,232,513
Depreciation and amortization	(242,893)	(17,863)	(37,586)	-	(298,342)	(243,982)	(54,360)	-	(298,342)
Finance charges	(333,673)	(4,196)	(17,087)	-	(354,956)	(314,284)	(40,672)	-	(354,956)
<b>Net loss</b>	<b>(989,383)</b>	<b>(51,543)</b>	<b>(67,701)</b>	<b>-</b>	<b>(1,108,627)</b>	<b>(907,469)</b>	<b>(189,325)</b>	<b>(11,833)</b>	<b>(1,108,627)</b>
<b>Statement of financial position</b>									
Non-current assets	5,585,904	151,827	407,536	-	6,145,267	7,890,787	669,422	(2,414,942)	6,145,267
Current assets	2,223,881	2,083	(12,504)	-	2,213,460	2,224,259	(133,359)	122,560	2,213,460
Total liabilities	(7,426,166)	(121,313)	(359,673)	-	(7,907,152)	(7,209,746)	(650,176)	(47,230)	(7,907,152)

All amounts are presented in Saudi Riyals unless otherwise stated.

# Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)

## Notes to the consolidated financial statements

For the nine months period ended 31 December 2022

### 23. Revenue

See accounting policy in [Note 6C](#).

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:

	Nine months period ended 31 December 2022 (Audited)		
	Kingdom of Saudi Arabia	International Countries	Total
Apparels	2,482,434,449	705,665,580	3,188,100,029
Footwear & accessories	161,244,573	54,600,702	215,845,275
Others	665,683,742	74,434,255	740,117,997
Fashion retail	3,309,362,764	834,700,537	4,144,063,301
Food & beverages	351,788,370	-	351,788,370
Indoor entertainment	-	47,315,743	47,315,743
<b>Total revenue</b>	<b>3,661,151,134</b>	<b>882,016,280</b>	<b>4,543,167,414</b>

	Nine months period ended 31 December 2022 (Unaudited)		
	Kingdom of Saudi Arabia	International Countries	Total
Apparels	2,604,471,526	576,910,258	3,181,381,784
Footwear & accessories	207,900,338	71,458,343	279,358,681
Others	569,891,710	94,085,405	663,977,115
Fashion retail	3,382,263,574	742,454,006	4,124,717,580
Food & beverages	368,239,148	-	368,239,148
Indoor entertainment	-	35,412,433	35,412,433
<b>Total revenue</b>	<b>3,750,502,722</b>	<b>777,866,439</b>	<b>4,528,369,161</b>

	Twelve months period ended 31 March 2022 (Audited)		
	Kingdom of Saudi Arabia	International Countries	Total
Apparels	3,394,395,120	740,633,007	4,135,028,127
Footwear & accessories	266,491,783	93,660,595	360,152,378
Others	757,959,804	112,326,123	870,285,927
Fashion retail	4,418,846,707	946,619,725	5,365,466,432
Food & beverages	497,794,232	--	497,794,232
Indoor entertainment	--	51,834,268	51,834,268
<b>Total revenue</b>	<b>4,916,640,939</b>	<b>998,453,993</b>	<b>5,915,094,932</b>

All amounts are presented in Saudi Riyals unless otherwise stated.

# Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)

## Notes to the consolidated financial statements

For the nine months period ended 31 December 2022

### 24. Income and expenses

#### A. Cost of revenue

		For the nine months period ended 31 December 2022 (Audited)	For the nine months period ended 31 December 2021 (Unaudited)	For the nine months period ended 31 December 2022 (Audited)	For the twelve months period ended 31 March 2022 (Audited)
	Note				
Cost of goods	(i)	2,674,755,578	2,601,546,631	2,674,755,578	3,423,478,645
Depreciation on right-of-use asset	28C	397,745,658	422,195,733	397,745,658	563,629,591
Employees' salaries and benefits		541,016,522	521,014,313	541,016,522	692,244,495
Utilities and maintenance		78,798,296	68,323,780	78,798,296	99,509,644
Rent expense	28C	57,025,540	33,182,155	57,025,540	46,903,976
Travelling		5,984,835	5,056,208	5,984,835	6,436,502
Others		78,247,934	67,576,750	78,247,934	92,096,255
		3,833,574,363	3,718,895,570	3,833,574,363	4,924,299,108

- i. Cost of goods include a charge for inventory provision of SAR 13.1 million (31 March 2022: SAR 33.9 million and 31 December 2021: SR 62.1 million). Further, it also includes a charge of SR 8.7 million (31 March 2022: SR 27.3 million and 31 December 2021: SR 20.5 million) relating to write-down of inventories to net realizable value which were recognized directly as an expense and not routed through the inventory provision account.

#### B. Selling and distribution expenses

		For the nine months period ended 31 December 2022 (Audited)	For the nine months period ended 31 December 2021 (Unaudited)	For the nine months period ended 31 December 2022 (Audited)	For the twelve months period ended 31 March 2022 (Audited)
	Note				
Employees' salaries and benefits		56,784,819	64,511,058	56,784,819	74,046,403
Bank charges		14,872,416	10,686,115	14,872,416	11,815,993
Advertising and promotions		47,397,495	41,172,611	47,397,495	54,180,267
Utilities and maintenance		3,254,057	4,258,450	3,254,057	3,469,033
Travel		5,164,312	4,083,835	5,164,312	4,886,210
Rent expense	28C	3,866,131	3,594,890	3,866,131	184,530
Freight and distribution charges		891,076	1,184,806	891,076	4,911,675
Others		7,760,918	12,984,627	7,760,918	16,243,488
		139,991,224	142,476,392	139,991,224	169,737,599

All amounts are presented in Saudi Riyals unless otherwise stated.

# Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)

## Notes to the consolidated financial statements

For the nine months period ended 31 December 2022

### C. General and administrative expenses

	<b>Note</b>	<b>For the nine months period ended 31 December 2022 (Audited)</b>	<b>For the nine months period ended 31 December 2021 (Unaudited)</b>	<b>For the nine months period ended 31 December 2022 (Audited)</b>	<b>For the twelve months period ended 31 March 2022 (Audited)</b>
Employees' salaries and benefits		94,236,469	135,422,575	94,236,469	163,623,775
Government fees and related charges		5,821,704	7,558,820	5,821,704	9,909,231
Utilities and maintenance		7,402,596	23,328,470	7,402,596	22,338,919
Travel and communication		16,912,587	15,340,643	16,912,587	19,895,290
Bank charges		3,690,983	7,877,402	3,690,983	10,758,971
Stationery and supplies		6,164,788	5,496,992	6,164,788	6,205,388
Advertising and publishing		8,230,399	5,221,564	8,230,399	2,461,405
Insurance		903,708	1,307,711	903,708	1,615,499
Rent expense	28C	8,498,975	12,241,437	8,498,975	3,638,581
Others		34,342,917	50,013,709	34,342,917	80,163,437
		<b>186,205,126</b>	<b>263,809,323</b>	<b>186,205,126</b>	<b>320,610,496</b>

### D. Other operating expense

	<b>Note</b>	<b>For the nine months period ended 31 December 2022 (Audited)</b>	<b>For the nine months period ended 31 December 2021 (Unaudited)</b>	<b>For the nine months period ended 31 December 2022 (Audited)</b>	<b>For the twelve months period ended 31 March 2022 (Audited)</b>
Store closure losses	(i)	4,912,608	31,808,316	4,912,608	37,135,173
Loss on disposal of property and equipment		1,791,023	150,502	1,791,023	344,890
		<b>6,703,631</b>	<b>31,958,818</b>	<b>6,703,631</b>	<b>37,480,063</b>

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

### E. Other operating income

	<b>Note</b>	<b>For the nine months period ended 31 December 2022 (Audited)</b>	<b>For the nine months period ended 31 December 2021 (Unaudited)</b>	<b>For the nine months period ended 31 December 2022 (Audited)</b>	<b>For the twelve months period ended 31 March 2022 (Audited)</b>
Rental concession for leases	28B	23,441,775	40,178,853	23,441,775	49,124,068
Gain on lease termination		9,060,827	29,459,051	9,060,827	35,646,721
Foreign exchange gain		2,361,899	9,728,605	2,361,899	27,312,492
Others		36,503,563	31,050,193	36,503,563	48,632,665
		<b>71,368,064</b>	<b>110,416,702</b>	<b>71,368,064</b>	<b>160,715,946</b>

### F. Finance costs over loans and borrowings

	<b>Note</b>	<b>For the nine months period ended 31 December 2022 (Audited)</b>	<b>For the nine months period ended 31 December 2021 (Unaudited)</b>	<b>For the nine months period ended 31 December 2022 (Audited)</b>	<b>For the twelve months period ended 31 March 2022 (Audited)</b>
Financial charges over loans and borrowings	17(i)	100,687,905	87,708,801	100,687,905	119,277,006
Amortization of upfront fees		2,258,574	--	2,258,574	2,354,859
		<b>102,946,479</b>	<b>87,708,801</b>	<b>102,946,479</b>	<b>121,631,865</b>

All amounts are presented in Saudi Riyals unless otherwise stated.

# Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)

## Notes to the consolidated financial statements

For the nine months period ended 31 December 2022

### 25. Earnings per share

See accounting policy in [Note 6R](#).

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

	<b>For the nine months period ended 31 December 2022 (Audited)</b>	<b>For the nine months period ended 31 December 2021 (Unaudited)</b>	<b>For the nine months period ended 31 December 2022 (Audited)</b>	<b>For the twelve months period ended 31 March 2022 (Audited)</b>
	<i>Note</i>	<i>Restated</i>		
Profit attributable to ordinary shareholders	<b>93,630,032</b>	85,477,270	<b>93,630,032</b>	<b>44,691,636</b>
Weighted average number of ordinary shares	<b>21 114,766,448</b>	<b>114,766,448</b>	<b>114,766,448</b>	<b>114,766,448</b>
<b>Basic and diluted Earnings per share</b>	<b>0.82</b>	<b>0.74</b>	<b>0.82</b>	<b>0.39</b>

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. This resulted in 114,766,448 shares outstanding on 30 Dec 2022. The current period earnings per share is based on 114,766,448 shares and comparative figure has been accordingly restated.

### 26. Financial instruments - fair values and risk management

See accounting policies in [Notes 6B, 6I, 6J, 6L, 6M](#).

#### A. Accounting classification and fair values

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

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

All amounts are presented in Saudi Riyals unless otherwise stated.

# Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)

## Notes to the consolidated financial statements

For the nine months period ended 31 December 2022

### 26. Financial instruments - fair values and risk management (continued)

See accounting policies in [Notes 6B, 6I, 6J, 6L, 6M](#).

#### A. Accounting classification and fair values (continued)

	31 March 2022				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets</b>					
<b>FVTPL</b>					
Al Mubarak real estate income					
Fund –II	213,430,656	--	--	213,430,656	213,430,656
Derivative asset	29,616,914	--	29,616,914	--	29,616,914
<b>FVOCI – equity instruments</b>					
Egyptian Centres for Real Estate Development (ECRED)	86,260,030	--	--	86,260,030	86,260,030

	31 March 2021				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets</b>					
<b>FVTPL</b>					
Al Mubarak real estate income					
Fund –II	215,860,000	--	--	215,860,000	215,860,000
Derivative asset	--	--	--	--	--
<b>FVOCI – equity instruments</b>					
Egyptian Centres for Real Estate Development (ECRED)	84,432,122	--	--	84,432,122	84,432,122

#### 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
<b>Equity securities</b>	<p>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.</p> <p>Significant unobservable inputs include expected cash flows and risk adjusted discount rate. The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> <li>- the expected cash flows were higher (lower); or</li> <li>- the risk-adjusted discount rate were lower (higher).</li> </ul>
<b>Derivative asset</b>	<p>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.</p>

All amounts are presented in Saudi Riyals unless otherwise stated.



# Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)

## Notes to the consolidated financial statements

For the nine months period ended 31 December 2022

## 26. Financial instruments - fair values and risk management (continued)

### C. Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk
- Capital management 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.

#### i. 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:

	<i>Note</i>	31 December 2022	31 March 2022	31 March 2021
Cash at bank	15	142,078,902	172,616,287	451,840,180
Advances, deposits and other receivables		481,397,878	306,562,828	212,715,685
Receivable from disposal of a subsidiary and brands	16	--	--	75,000,000
		623,476,780	479,179,115	739,555,865

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+.
- The Group calculates impairment losses on the basis of its estimate of losses incurred in respect of receivables. The main components of this provision are the expected loss element of specific customers as well as the aggregate loss element that is estimated for a group of similar customers.
- Financial position of related parties is stable. There were no past due or impaired receivables from related parties.

#### ii. 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.

All amounts are presented in Saudi Riyals unless otherwise stated.

# Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)

## Notes to the consolidated financial statements

For the nine months period ended 31 December 2022

### 26. Financial instruments fair values and risk management (continued)

#### C. Financial risk management (continued)

##### ii. Liquidity risk (continued)

The table below summarizes the contractual maturities of financial liabilities at the end of the reporting period. These amounts are grossed up and undiscounted and include estimated interest payments.

Financial Liabilities	Carrying amount	Contractual cash flow		
		Less than 1 year	1 year to 5 years	More than 5 years
31 December 2022				
Loans and borrowings	2,932,367,738	3,191,330,203	119,528,125	--
Lease liabilities	3,375,327,607	606,672,026	1,995,139,306	1,247,593,112
Trade and other payables	1,111,420,842	1,111,420,842	--	--
Bank overdraft	49,758,105	49,758,105		
	7,468,874,292	4,959,181,176	2,114,667,431	1,247,593,112
31 March 2022				
Loans and borrowings	2,877,891,969	3,323,406,184	--	--
Lease liabilities	3,478,020,622	632,273,878	2,208,370,028	1,258,450,251
Trade and other payables	1,496,457,932	1,496,457,932	--	--
Bank overdraft	50,119,035	50,119,035		
	7,902,489,558	5,502,257,029	2,208,370,028	1,258,450,251
31 March 2021				
Loans and borrowings	3,124,034,811	856,777,047	2,256,806,016	455,965,963
Lease liabilities	3,640,452,253	750,590,042	2,987,737,087	1,101,656,228
Trade and other payables	1,016,348,835	1,016,348,835	--	--
	7,780,835,899	2,623,715,924	5,244,543,103	1,557,622,191

##### ii. 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 optimising the return.

##### Currency risk

It is a risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in currency that's not the Group entities' functional currencies which are Euros, U.S. dollars, Great Britain Pound, United Arab Emirate Dirham and Egyptian Pound. Management monitors the fluctuations in currency exchange rates, and the effect of the currency fluctuation has been accounted for in the consolidated financial statements.

At the end of the year, the Group had the following significant net currency exposures in foreign currencies. Presented below are the monetary assets and liabilities, net in foreign currencies:

Foreign currency exposures	31 December 2022	31 March 2022	31 March 2021
EUR	(50,515,697)	(65,790,460)	(22,499,718)
USD	(54,533,287)	(40,016,661)	(33,478,077)
GBP	(951,724)	(1,094,479)	(1,024,965)
UAE Dirham	(1,199,899)	109,056	880,749
SGD	(2,273,880)	--	--

All amounts are presented in Saudi Riyals unless otherwise stated.

# Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)

## Notes to the consolidated financial statements

For the nine months period ended 31 December 2022

### 26. Financial instruments fair values and risk management (continued)

#### C. Financial risk management (continued)

##### iii. Market risk (continued)

##### Currency risk (continued)

The following significant exchange rates have been applied:

	Average rate			Year-end spot rate		
	31 December 2022	31 March 2022	31 March 2021	31 December 2022	31 March 2022	31 March 2022
EUR	<b>4.15</b>	4.43	4.37	<b>4.00</b>	4.29	4.4
USD	<b>3.76</b>	3.76	3.75	<b>3.76</b>	3.76	3.75
GBP	<b>4.82</b>	5.19	4.91	<b>4.52</b>	5.12	5.16
UAE Dirham	<b>1.02</b>	1.03	1.02	<b>1.02</b>	1.02	1.02
EGP	<b>0.18</b>	0.24	0.24	<b>0.15</b>	0.21	0.24

##### *Sensitivity analysis*

The table below shows the non-pegged currencies to which the Group has a significant exposure on its monetary assets and liabilities. The analysis calculates the effect of reasonable possible movement of the currency rate against SR, with all other variables held constant, on the consolidated statement of profit or loss.

##### Currency movement vs. Saudi Riyal (SR)

Foreign currency	Change in currency	31 December 2022		31 March 2022		31 March 2021	
		Strengthening	Weakening	Strengthening	Weakening	Strengthening	Weakening
EUR	+/- 10%	(20,225,000)	20,225,000	(27,439,000)	27,439,000	(9,900,000)	9,900,000
GBP	+/- 10%	(430,000)	430,000	(538,000)	538,000	(529,000)	529,000
UAE Dirham	+/- 10%	(122,525)	122,525	11,118	(11,118)	89,836	(89,836)
CAD	+/- 10%	(5,000)	5,000	--	--	6,000	(6,000)
		(20,782,525)	20,782,525	(27,965,882)	27,965,882	(10,333,164)	10,333,164

As the Saudi Riyal is pegged to US Dollar, the Group is not exposed to significant currency risk arising out of US Dollar.

##### Commission rate risk

It is the exposure to various risks associated with the effect of fluctuations in the prevailing commission rates on the Group's financial position and cash flows. Islamic banking facilities (Murabaha) and Sukuk amounting to SR 2,932 million at 31 March 2022 (31 March 2022: SR 2,878 million and 31 March 2021: SR 3,124 million) bear financing commission charges at the prevailing market rates.

The Group's policy is to manage its financing charges using a mix of fixed and variable commission rate debts.

# **Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)**

## **Notes to the consolidated financial statements**

For the nine months period ended 31 December 2022

### **26. Financial instruments fair values and risk management (continued)**

#### **C. Financial risk management (continued)**

##### *Sensitivity analysis*

The following table demonstrates the sensitivity of the income to reasonable possible changes in the commission rates, with all other variables held constant.

	Currency	Increase / decrease in basis points of commission rates	Effect on income for the period / year
<b>31 December 2022</b>	SR	<b>+30</b>	<b>(6,370,776)</b>
	SR	<b>-30</b>	<b>6,370,776</b>
<b>31 March 2022</b>	SR	+30	(8,670,089)
	SR	-30	8,670,089
<b>31 March 2021</b>	SR	+30	(9,372,104)
	SR	-30	9,372,104

#### **iii. Capital management risk**

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

The Group's objectives when managing capital are;

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

## Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)

### Notes to the consolidated financial statements

For the nine months period ended 31 December 2022

#### 27. Non-controlling interest (NCI)

See accounting policy in [Note 6A](#).

The following table summarizes the information relating to each of the Group's subsidiaries that has material NCI, before any intra group eliminations:

Balance at 31 December 2022	Retail Group Azerbaijan LLC	Retail Group Armenia CJSC	Models Own Holding Limited	Egypt	Food Gate Company*	Azal Restaurants Company*	First Pizza Company*	Other non-material subsidiaries	Total
<b>NCI percentage</b>	15%	4%	49%	2%	30%	35%	49%		
Non-current assets	82,693,784	61,136,214	-	167,576,483	78,817,480	-	-	-	390,223,961
Current assets	44,123,090	41,032,747	(118,266,348)	46,232,012	14,586,474	-	-	-	27,707,975
Non-current liabilities	(69,805,185)	(50,375,365)	-	(67,043,358)	(64,522,159)	-	-	-	(251,746,067)
Current liabilities	(19,192,045)	(14,134,073)	(17,144,230)	(15,308,921)	(23,471,730)	-	-	-	(89,250,999)
<b>Net assets</b>	<b>37,819,644</b>	<b>37,659,523</b>	<b>(135,410,578)</b>	<b>131,456,216</b>	<b>5,410,065</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>76,934,870</b>
<b>Net assets attributable to NCI</b>	<b>(11,242,986)</b>	<b>1,332,280</b>	<b>(66,351,183)</b>	<b>(4,401,884)</b>	<b>(11,462,178)</b>	<b>-</b>	<b>-</b>		<b>(92,125,951)</b>
Revenue	155,559,196	177,094,731	-	52,378,004	129,950,843	28,207,894	17,224,323	-	560,414,991
<b>Profit / (loss)</b>	<b>16,448,724</b>	<b>20,555,059</b>	<b>-</b>	<b>17,100,240</b>	<b>(3,666,891)</b>	<b>(1,151,567)</b>	<b>(2,273,202)</b>	<b>-</b>	<b>47,012,363</b>
<b>Profit / (loss) allocated to NCI</b>	<b>2,467,309</b>	<b>822,202</b>	<b>-</b>	<b>342,005</b>	<b>(1,100,067)</b>	<b>(403,048)</b>	<b>(1,113,869)</b>	<b>-</b>	<b>1,014,532</b>

Balance at 31 March 2022	Retail Group Azerbaijan LLC	Retail Group Armenia CJSC	Models Own Holding Limited	Food Gate Company*	Azal Restaurants Company*	Other non-material subsidiaries	Total
<b>NCI percentage</b>	15%	4%	49%	30%	35%		
Non-current assets	82,279,839	51,996,878		94,161,287	56,678,627	251,886,959	537,003,590
Current assets	43,629,244	12,383,319	(118,266,348)	24,697,765	18,269,231	66,236,836	46,950,047
Non-current liabilities	(68,154,788)	(42,070,226)	--	(78,031,807)	(44,705,204)	(134,930,378)	(367,892,403)
Current liabilities	(13,257,295)	(10,730,919)	(17,144,230)	(75,369,630)	(65,982,342)	(33,172,583)	(215,656,999)
<b>Net assets</b>	<b>44,497,000</b>	<b>11,579,052</b>	<b>(135,410,578)</b>	<b>(34,542,385)</b>	<b>(35,739,688)</b>	<b>150,020,834</b>	<b>404,235</b>
<b>Net assets attributable to NCI</b>	<b>(11,878,837)</b>	<b>289,061</b>	<b>(66,351,183)</b>	<b>(10,362,715)</b>	<b>(12,508,891)</b>	<b>(6,266,455)</b>	<b>(107,079,020)</b>
Revenue	146,391,835	143,770,277	--	(185,063,216)	(56,184,300)	159,134,281	208,048,877
<b>Profit / (loss)</b>	<b>18,436,024</b>	<b>19,828,633</b>	<b>--</b>	<b>(17,044,163)</b>	<b>(9,300,092)</b>	<b>11,328,383</b>	<b>23,248,785</b>
<b>Profit / (loss) allocated to NCI</b>	<b>2,765,404</b>	<b>793,145</b>	<b>--</b>	<b>(5,113,248)</b>	<b>(3,255,032)</b>	<b>(1,851,953)</b>	<b>(6,661,684)</b>

All amounts are presented in Saudi Riyals unless otherwise stated.

## Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)

### Notes to the consolidated financial statements

For the nine months period ended 31 December 2022

#### 27. Non-controlling interest (NCI) (continued)

31 March 2021	Retail Group Azerbaijan LLC	Retail Group Armenia CJSC	Models Own Holding Limited	Food Gate Company*	Azal Restaurants Company*	Other non-material subsidiaries	Total
<b>NCI percentage</b>	15%	4%	49%	30%	35%		
Non-current assets	92,412,469	12,074,354	--	127,481,635	57,897,888	227,252,349	517,118,695
Current assets	35,678,015	44,890,967	301,413	24,889,458	18,408,268	94,468,635	218,636,756
Non-current liabilities	(74,133,086)	(6,640,264)	--	(71,330,836)	(33,734,511)	(127,201,852)	(313,040,549)
Current liabilities	(9,686,502)	(62,998,364)	(135,711,991)	(97,901,714)	(68,814,464)	(42,507,450)	(417,620,485)
<b>Net assets</b>	44,270,896	(12,673,307)	(135,410,578)	(16,861,457)	(26,242,819)	152,011,682	5,094,417
<b>Net assets attributable to NCI</b>	(14,648,313)	(506,934)	(66,351,183)	(5,058,437)	(9,184,986)	(4,220,247)	(99,970,100)
Revenue	45,609,355	84,352,925	--	141,759,630	45,512,821	158,694,056	475,928,787
<b>Profit / (loss)</b>	(18,288,259)	(8,320,962)	--	(36,302,380)	(11,747,234)	(9,543,792)	(84,202,627)
<b>Profit / (loss) allocated to NCI</b>	(2,743,239)	(332,838)	--	(10,890,714)	(4,111,532)	204,860	(17,873,463)

\*These subsidiaries are owned through a wholly owned subsidiary of the Group, Innovative Union Company. However, on 1 October 2022, the Group disposed off its two of the subsidiaries, Azal Restaurants Company and First Pizza Company under food and beverage segment. Refer note 37.

All amounts are presented in Saudi Riyals unless otherwise stated.

# Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)

## Notes to the consolidated financial statements

For the nine months period ended 31 December 2022

### 28. Right-of-use assets and lease liabilities

See accounting policy in [Note 6T](#).

The Group leases stores and warehouses (property leases). The leases typically run for a period of 5 to 10 years, with an option to renew the lease after that date. Information about leases for which the Group is a lessee is presented below.

#### A. Right-of-use assets

	31 December 2022	31 March 2022	31 March 2021
Opening balance	3,275,783,678	3,401,916,309	4,058,005,277
Additions	394,802,691	638,208,799	444,009,164
Adjustment for termination	(161,070,410)	(459,675,007)	(340,405,120)
Adjustment for reassessment	75,662,171	260,805,018	(166,729,289)
Depreciation charge for the period / year	(397,745,658)	(563,629,591)	(592,963,723)
Disposal of subsidiary	(62,364,059)	--	--
Forex loss	(14,242,638)	(1,841,850)	--
<b>Closing balance</b>	<b>3,110,825,775</b>	<b>3,275,783,678</b>	<b>3,401,916,309</b>

#### B. Lease liabilities

Lease liabilities are presented in the consolidated statement of financial position as follows:

	31 December 2022	31 March 2022	31 March 2021
Non-current portion of lease liabilities	2,734,453,943	2,845,746,744	2,837,596,213
Current portion of lease liabilities	640,873,664	632,273,878	802,856,040
<b>Closing balance</b>	<b>3,375,327,607</b>	<b>3,478,020,622</b>	<b>3,640,452,253</b>

	Note	31 December 2022	31 March 2022	31 March 2021
Balance at 1 April		3,478,020,622	3,640,452,253	4,257,952,319
Interest expense		116,246,302	158,842,830	208,962,148
Additions		394,802,691	638,208,799	444,009,164
Adjustment for termination		(166,602,128)	(495,321,728)	(359,442,630)
Adjustment for re-assessment		90,254,717	260,805,018	(160,959,088)
Disposal of subsidiary		(65,171,864)	-	-
Rental concession	24E	(23,441,775)	(49,124,068)	(210,721,557)
Forex (gain) or loss		5,454,061	(16,778,680)	19,735,672
Payment of lease liability				
– principal		(337,988,717)	(500,220,972)	(350,121,627)
– interest		(116,246,302)	(158,842,830)	(208,962,148)
<b>Closing balance</b>		<b>3,375,327,607</b>	<b>3,478,020,622</b>	<b>3,640,452,253</b>

#### C. Amounts recognized in profit or loss

	Note	31 December 2022	31 March 2022	31 March 2021
Depreciation of right-of-use assets	28A	397,745,658	563,629,591	592,963,723
Interest on lease liabilities	28B	116,246,302	158,842,830	208,962,148
Expenses relating to short-term / variable rent leases	24A, B, C	69,390,646	50,727,087	24,099,391

#### D. Rent concessions

The Group negotiated rent concessions with its landlords for the part of its retail store leases as a result of the severe impact of the COVID-19 pandemic during the prior year. The Group applied the practical expedient for COVID-19 related rent concessions consistently to eligible rent concessions relating to its retail store leases. The amount recognized in profit or loss to reflect changes in lease payments arising from rent concessions to which the Group has applied the practical expedient for COVID-19-related rent concessions is SR 24 million (31 March 2022: SR 49 million).

All amounts are presented in Saudi Riyals unless otherwise stated.



# Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)

## Notes to the consolidated financial statements

For the nine months period ended 31 December 2022

### E. Leases contracts database

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 consolidated financial statement as of and for the nine months period ended 31 December 2022 and the year 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.

### 28. Derivative asset

As at 31 December 2022, the Group held Interest Rate Swaps (“IRS”) of a notional value of SR 1.1 billion in order to reduce its exposure to commission rate risks against long term financing. The table below shows the fair values of derivatives financial instruments, recorded as positive fair value. The notional amounts indicate the volume of transactions outstanding at the year end and are neither indicative of the market risk nor the credit risk.

Description of the hedged items	Hedging instrument	Fair Value	31 December 2022	31 March 2022	31 March 2021
Commission payments on floating rate loan	IRS	Positive	35,127,274	29,616,914	--

Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the rate underlying a derivative contract may have a significant impact on the income or equity component of the Group.

The Group hold interest rate swaps to cover the variable interest rate exposures on its loans from financial institutions. The interest rate swap arrangement do not meet the qualifying hedging criteria as per IFRS 9 requirement and have therefore been carried at fair value through profit or loss.

### 30. Commitments

As at the reporting date, the Group is committed to capital expenditures of SR 127.1 million (31 March 2022: SR 187 million) to purchase property and equipment.

### 31. Contingencies

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

Type	Nature	31 December 2022	31 March 2022	31 March 2021
Letter of credits	Purchase of retail trading inventory	454,038,547	413,457,212	468,253,215
Letter of guarantees	Bid bonds, contracts advance payments and performance bonds	575,036,843	516,595,443	476,054,026

### 32. 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.

All amounts are presented in Saudi Riyals unless otherwise stated.

**Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)**  
**Notes to the consolidated financial statements**

For the nine months period ended 31 December 2022

**32. Related parties (continued)**

**A. Key management personnel compensation**

Key management personnel compensation is comprised as follows:

	<b>31 December 2022</b>	31 March 2022	31 March 2021
Salaries and short-term benefits	<b>6,403,958</b>	10,975,639	13,403,697
Post-employment benefits	<b>809,665</b>	1,358,219	1,383,453
Board of Directors and board committees' remuneration and compensation	<b>3,937,750</b>	3,623,750	3,808,000
<b>Total key management compensation</b>	<b>11,151,373</b>	15,957,608	18,595,150

All amounts are presented in Saudi Riyals unless otherwise stated.

# Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)

## Notes to the consolidated financial statements

For the nine months period ended 31 December 2022

### 32. Related parties (continued)

#### B. Other related party transactions

Transactions and balances with related parties, in the normal course of business, are summarized below:

Name of related party	Nature of relationship with related party	Relationship	Transactions			Balances		
			For the nine months period ended 31 December 2022 (Audited)	For the nine months period ended 31 December 2021 (Unaudited)	For the twelve months period ended 31 March 2022 (Audited)	31 December 2022	31 March 2022	31 March 2021
Saudi FAS Holding Company (i) (ii)	Expenses paid on behalf of Company	Shareholder	1,945,727	8,825,524	8,825,524	-	-	
	Transfer of balance due from disposal of subsidiary		--	75,000,000	75,000,000	422,781,661	267,681,080	183,750,983
Egyptian Center for Real Estate Development	Rental	Affiliate	3,844,186	5,290,253	5,984,195			
Al Farida Trading Agencies	Services and payments	Equity accounted investee	6,411,625	2,950,953	3,793,249	12,034,959	10,468,017	6,341,828
	Receipts		9,144,590	-	-		--	
Amwal Al Khaleeja Al Oula	Management services	Equity accounted investee	--	-	-	2,271,205	2,271,205	2,271,205
Food and Entertainment Co. Ltd.	Payments made on behalf of Group	Affiliate	25,095,664	-	-	14,573,964		
<b>Due from related parties</b>						<b>451,661,789</b>	280,420,302	192,364,016
Food and Entertainment Co. Ltd.	Payments made on behalf of Group	Affiliate		-	-		(10,521,700)	(14,131,637)
Arabian Centers Company	Lease payments	Affiliate	331,315,053	285,940,674	424,146,097	(140,393,949)	(235,624,872)	(90,211,773)
Noura Bint Mohammed		Affiliate	--	--	--		(14,703,592)	(14,703,592)
Hajen Company Limited	Printing and advertisement	Affiliate	2,983,050	4,010,837	4,577,100	(896,540)	(350,028)	(820,795)
Wonderful Meals Company	Purchase of goods	Affiliate	34,595,195	-	43,819,015	(16,035,205)	(23,544,221)	(16,671,369)
<b>Due to related parties</b>						<b>(157,325,694)</b>	(284,744,413)	(136,539,166)

All amounts are presented in Saudi Riyals unless otherwise stated.

**32.2 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.

- i) This balance also represents advances against CWIP which was 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 as per the agreement between the concerned parties. Management has the intention to settle this balance in cash or in kind.
- ii) Subsequent to the period end, 3 cheques amounting to SR 150 million and SR 119.63 million were paid by Saudi FAS Holding Company against its receivable balance. Cheque amounting to SR 150 million was received in the bank.

**33. Standards, interpretations, and amendments to existing standards**

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early. The most significant of these are as follows:

**a. New standards, interpretations and amendments not yet effective**

IFRS	Summary	Effective date
IAS 1	Amendment - Disclosure of Accounting Policies	1 January 2023
IAS 8	Amendment - Definition of Accounting Estimates	1 January 2023
IAS 12	Amendment - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IFRS 16	Amendment - Lease Liability in a Sale and Leaseback	1 January 2024
IAS 1	Classification of Liabilities as Current or Non-Current	1 January 2024
IAS 1	Amendment - Non-current Liabilities with Covenants	1 January 2024

**b. New standards, interpretations and amendments effective in the current year**

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022 but they had no material impact on these financial statements.

**Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)**

IAS 37 defines an onerous contract as a contract in which the unavoidable costs (costs that the Company has committed to pursuant to the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

**Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)**

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced during the testing phase of a manufacturing facility after it is being constructed but before start of commercial production). The proceeds from selling such samples, together with the costs of producing them, are now recognised in profit or loss.

**References to Conceptual Framework (Amendments to IFRS 3)**

In May 2020, the IASB issued amendments to IFRS 3, which update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

# Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)

## Notes to the consolidated financial statements

For the nine months period ended 31 December 2022

### 33. Standards, interpretations, and amendments to existing standards (continued)

#### Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 & IAS 41)

- IFRS 1: Subsidiary as a First-time Adopter (FTA)
- IFRS 9: Fees in the '10 per cent' Test for Derecognition of Financial Liabilities
- IAS 41: Taxation in Fair Value Measurements.

### 34. Subsequent events

Subsequent to the period end, the Group identified some of its non-strategic brands and accordingly decided to discontinue them. As of date, the Group is working on the further actions to be taken with respect to this arrangement. Also, certain approvals are yet to be received with respect to the franchises.

### 35. Approval of the consolidated financial statements

These consolidated financial statements were approved by the Board of Directors for issuance on 18 Ramadan 1444H (9 April 2023).

### 36. Restatement

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

#### Consolidated statement of financial position

	As previously reported	Adjustment	As restated
<b>31 March 2022</b>			
Inventories (Note A)	1,700,475,574	(305,394,445)	1,395,081,129
Accumulated losses (Note A & B)	(982,305,851)	(358,690,701)	(1,340,996,552)
Zakat and tax liabilities (Note B)	37,074,030	53,296,256	90,370,286
<b>1 April 2021</b>			
Inventories (Note A)	1,152,442,371	(305,394,445)	847,047,926
Accumulated losses (Note A & B)	(1,037,812,790)	(358,690,701)	(1,396,503,491)
Zakat and tax liabilities (Note B)	15,848,276	53,296,256	69,144,532

#### 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 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 recognised for the period ending 31 March 21 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 21. The error has been corrected by restating SR 53 million each of the affected financial statement line items for the prior periods.

In addition, certain prior year amounts in the consolidated statement of profit or loss and consolidated statement of cash flows have been reclassified to conform to the presentation in the current period.

All amounts are presented in Saudi Riyals unless otherwise stated.

**Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)**  
**Notes to the consolidated financial statements**

For the nine months period ended 31 December 2022

### **37. DISPOSAL OF A SUBSIDIARY**

On 1 October 2022, the Group disposed off its two of the subsidiaries, Azal Restaurants Company and First Pizza Company under food and beverage segment. The results from the operations of disposed off entities have been added line by line in the consolidated Statement of comprehensive income and its related notes until 1 October 2022 i.e., the date of disposal. Details of assets and liabilities disposed off and resulting gain are as follows:

	<b>Date of disposal</b>
<b>Assets</b>	
Right of use asset	62,364,059
Property and equipment	28,072,452
Other intangible assets	284,844
Inventories	2,033,027
Prepayments and other current assets	3,412,596
Cash and cash equivalents	8,011,588
	<b>104,178,566</b>
<b>Liabilities</b>	
Lease liabilities	65,171,864
Accounts payable and accruals	34,222,660
Zakat liabilities	231,864
Employee benefits	3,098,551
	<b>102,724,939</b>
<b>Net assets disposed</b>	<b>1,453,627</b>
Share of non-controlling interest	(373,901)
<b>Group's share of net assets</b>	<b>1,827,528</b>
<b>Goodwill of the subsidiary disposed off</b>	<b>9,800,000</b>
Book value of the subsidiary disposed off	11,627,528
Consideration for disposal	25,000,000
<b>Gain on disposal of subsidiary</b>	<b>13,372,472</b>