

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

Interim condensed consolidated financial statements
(unaudited)

For the three and six-month periods ended 30 June 2023
together with the

Independent Auditor's Review Report

Fawaz Abdulaziz Al Hokair & Company
(a Saudi Joint Stock Company)
Interim Condensed Consolidated Financial Statements
For the three and six month periods ended 30 June 2023

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

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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Fawaz Abdulaziz Al Hokair & Company (the "Company") and its subsidiaries (collectively referred as the "Group"), a Saudi Joint Stock Company as of 30 June 2023 and the related condensed consolidated statement of profit or loss and comprehensive income for the three-month and six-month periods then ended, and the condensed consolidated statements of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard No 34 "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

Emphasis of matters

Outstanding receivable from a shareholder

We draw attention to note (16) of the accompanying interim condensed consolidated financial statements, which states that as at 30 June 2023, the Group has an outstanding receivable balance of SR 272.3 million from a shareholder. Our conclusion is not modified in respect of this matter.

Comparative information

We draw attention to note (19) of the accompanying interim condensed consolidated financial statements, which indicates that the comparative information presented as at 31 December 2022, and for the three-month and six-month periods ended 30 June 2022 has been restated. Our conclusion is not modified in respect of this matter.

For Dr. Mohamed Al-Amri & Co.



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



Riyadh, on: 29 Muharram 1445 (H)
Corresponding to: 16 August 2023 (G)

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

Condensed consolidated statement of financial position

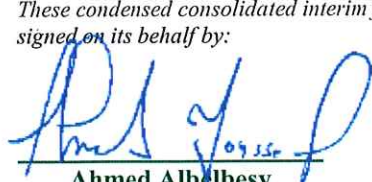
As at 30 June 2023

(All amounts in Saudi Riyals unless otherwise stated)

	Notes	30-Jun 2023	31-Dec 2022 <i>Restated</i>	31-Mar 2022 <i>Restated</i>
Assets				
Property and equipment	6	1,420,470,776	1,324,328,435	1,358,326,395
Right-of-use assets	19.2	2,194,253,725	2,347,145,129	2,397,403,965
Goodwill and intangible assets		1,127,578,984	1,120,845,679	1,083,033,024
Investment property		1,326,000	1,387,200	1,509,600
Investment in equity accounted investments	7	68,980,645	62,139,303	62,024,793
Other investments	8	291,339,846	314,247,541	299,690,686
Derivative asset		39,329,772	35,127,274	29,616,914
Non-current assets		5,143,279,748	5,205,220,561	5,231,605,377
Inventories	9	954,332,840	1,000,279,166	1,395,081,129
Advances, deposits and other receivables		608,168,770	718,198,081	474,615,226
Prepayments		64,256,091	35,446,157	63,637,597
Cash and cash equivalents		260,417,696	193,825,276	197,887,745
Current assets		1,887,175,397	1,947,748,680	2,131,221,697
Total assets		7,030,455,145	7,152,969,241	7,362,827,074
Equity				
Share capital		1,147,664,480	1,147,664,480	2,100,000,000
Statutory reserve		-	-	-
Foreign currency translation reserve		(554,495,956)	(524,088,331)	(519,515,816)
Fair value reserve		42,076,481	42,076,481	12,949,544
Accumulated losses	19	(115,250,187)	(227,584,785)	(1,282,187,183)
Equity attributable to the shareholders of the Company		519,994,818	438,067,845	311,246,545
Non-controlling interest		(91,137,300)	(92,125,951)	(107,079,020)
Total equity		428,857,518	345,941,894	204,167,525
Liabilities				
Loans and borrowings – noncurrent portion	10	128,725,115	115,000,000	-
Lease liabilities – noncurrent portion	19.2	1,816,067,982	1,902,942,779	1,989,348,104
Employee benefits		108,421,520	95,948,028	102,988,787
Non-Current liabilities		2,053,214,617	2,113,890,807	2,092,336,891
Loans and borrowings – current portion	10	2,777,070,078	2,817,367,738	2,877,891,969
Lease liabilities – current portion	19.2	461,850,514	499,010,160	472,752,600
Trade and other payables		1,189,709,764	1,256,515,069	1,575,188,768
Bank overdraft		48,161,964	49,758,105	50,119,035
Zakat and tax liabilities		71,590,690	70,485,468	90,370,286
Current liabilities		4,548,383,010	4,693,136,540	5,066,322,658
Total liabilities		6,601,597,627	6,807,027,347	7,158,659,549
Total equity and liabilities		7,030,455,145	7,152,969,241	7,362,827,074

The attached notes from 1 to 20 are an integral part of these interim condensed consolidated financial statements.

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


Ahmed Albelbesy
 Chief Financial Officer


Gunther Helm
 Chief Executive Officer


Fawaz Abdulaziz Al Hokair
 Chairman

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

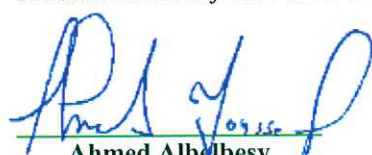
Condensed consolidated statement of profit or loss

For the three and six-month periods ended 30 June 2023

(All amounts in Saudi Riyals unless otherwise stated)

	Notes	Three-month ended 30 June 2023 (Unaudited)	Three-month ended 30 June 2022 (Unaudited) <i>Restated</i>	Six-month ended 30 June 2023 (Unaudited)	Six-month ended 30 June 2022 (Unaudited) <i>Restated</i>
Revenue	13	1,613,415,841	1,705,644,061	3,033,968,815	3,092,369,832
Cost of revenue	14	(1,284,252,713)	(1,434,573,776)	(2,547,877,656)	(2,670,973,416)
Gross profit		329,163,128	271,070,285	486,091,159	421,396,416
Other operating income	15.b	118,203,688	43,095,381	178,381,668	93,394,625
Selling and distribution expenses		(51,880,126)	(44,094,554)	(104,367,248)	(71,355,761)
General and administrative expenses		(78,849,783)	(85,362,737)	(166,990,256)	(142,163,910)
Depreciation on property and equipment	6	(39,136,120)	(38,006,464)	(78,358,321)	(73,253,003)
Depreciation on investment properties		(30,600)	-	(61,200)	(122,400)
Amortization on intangible assets		(3,731,946)	(2,970,373)	(7,340,673)	(5,581,689)
Impairment loss on goodwill		-	-	-	(70,533,770)
Other operating expense	15.a	(7,239)	(8,051,381)	(7,212,865)	(13,572,626)
Operating profit		273,731,002	135,680,157	300,142,264	138,207,882
Finance income		6,320,035	-	4,202,498	29,616,914
Finance costs over loans and borrowings		(65,513,394)	(29,567,811)	(114,760,191)	(63,490,875)
Finance costs over lease liabilities		(28,491,759)	(27,223,783)	(52,845,335)	(61,541,709)
Net finance costs		(87,685,118)	(56,791,594)	(163,403,028)	(95,415,670)
Change in fair value of other investment		-	-	-	(2,429,344)
Share of loss of equity-accounted investees		(4,431,062)	1,005,938	(6,045,809)	(10,703,984)
Profit before zakat and income tax		181,614,822	79,894,501	130,693,427	29,658,884
Zakat and Income tax expense		(12,380,594)	(18,033,602)	(16,843,871)	(31,368,312)
Profit / (loss) for the period		169,234,228	61,860,899	113,849,556	(1,709,428)
Profit / (loss) for the period is attributable to:					
Shareholders of the Company		167,181,903	61,777,911	112,334,597	2,037,032
Non-controlling interests		2,052,325	82,988	1,514,959	(3,746,460)
		169,234,228	61,860,899	113,849,556	(1,709,428)
Profit per share					
Basic and diluted profit per share	11	1.46	0.54	0.98	0.02

The attached notes from 1 to 20 are an integral part of these interim condensed consolidated financial statements.


Ahmed Albelbesy
 Chief Financial Officer


Gunther Helm
 Chief Executive Officer


Fawaz Abdulaziz Al Hokair
 Chairman

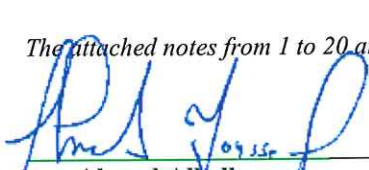
Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company)**Condensed consolidated statement of comprehensive income**

For the three and six-month periods ended 30 June 2023

(All amounts in Saudi Riyals unless otherwise stated)

	Three-month ended 30 June 2023 (Unaudited)	Three-month ended 30 June 2022 (Unaudited) <i>Restated</i>	Six-month ended 30 June 2023 (Unaudited)	Six-month ended 30 June 2022 (Unaudited) <i>Restated</i>
Profit / (loss) for the period	169,234,228	61,860,899	113,849,556	(1,709,428)
Items that will not be reclassified to profit or loss:				
Re-measurements of defined benefit liability	-	-	-	10,546,914
Equity investments at FVOCI – net change in fair value	-	-	-	13,213,820
	-	-	-	23,760,734
Items that are or may be reclassified subsequently to profit or loss:				
Foreign operations – foreign currency translation differences	(13,707,352)	7,737,801	(30,933,933)	(17,493,830)
	(13,707,352)	7,737,801	(30,933,933)	(17,493,830)
Other comprehensive income for the period, net of tax	(13,707,352)	7,737,801	(30,933,933)	6,266,904
Total comprehensive income for the period	155,526,876	69,598,700	82,915,623	4,557,476
Total comprehensive income for the period attributable to:				
- Shareholders of the Company	153,482,520	69,457,475	81,926,972	8,921,377
- Non-controlling interests	2,044,356	141,225	988,651	(4,363,901)
	155,526,876	69,598,700	82,915,623	4,557,476

The attached notes from 1 to 20 are an integral part of these interim condensed consolidated financial statements.


Ahmed Alhelbesy
Chief Financial Officer


Gunther Helm
Chief Executive Officer


Fawaz Abdulaziz Al Hokair
Chairman

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

Condensed consolidated statement of changes in equity

For the six-month period ended 30 June 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	Share capital	Foreign currency translation reserve	Fair value reserve	Accumulated losses	Total shareholders' equity	Non-Controlling interest	Total equity
Balance at 1 January 2022 (Restated)	19	2,100,000,000	(494,955,750)	-	(1,233,261,607)	371,782,643	(102,573,894)	269,208,749
Total comprehensive income/(loss) for the period								
Profit/(loss) for the period		--	--	--	2,037,032	2,037,032	(3,746,460)	(1,709,428)
Other comprehensive income		--	(16,880,502)	12,949,544	10,815,303	6,884,345	(617,441)	6,266,904
Total comprehensive income for the period		-	(16,880,502)	12,949,544	12,852,335	8,921,377	(4,363,901)	4,557,476
Capital reduction		(952,335,520)			952,335,520			-
Balance at 30 June 2022 (restated)		1,147,664,480	(511,836,252)	12,949,544	(268,073,752)	380,704,020	(106,937,795)	273,766,225
Balance at 31 Dec 2022		1,147,664,480	(524,088,331)	42,076,481	(292,184,580)	373,468,050	(92,125,951)	281,342,099
Restatement	19.2				64,599,795	64,599,795	-	64,599,795
Balance at 31 Dec 2022 (restated)		1,147,664,480	(524,088,331)	42,076,481	(227,584,785)	438,067,845	(92,125,951)	345,941,894
Total comprehensive income for the period		--	--	--	112,334,598	112,334,598	1,514,959	113,849,556
Profit for the period		--	--	--	-	(30,407,625)	(526,307)	(30,933,932)
Other comprehensive income		--	(30,407,625)	-	-	-	988,651	82,915,624
Total comprehensive income for the period		--	(30,407,625)	-	112,334,598	81,926,973	988,651	82,915,624
Balance at 30 June 2023		1,147,664,480	(554,495,956)	42,076,481	(115,250,187)	519,994,818	(91,137,300)	428,857,518

The attached notes from 1 to 20 are an integral part of these interim condensed consolidated financial statements.


Ahmed Albelbesy
Chief Financial Officer


Gunther Helm
Chief Executive Officer


Fawaz Abdulaziz Al Hokair
Chairman

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

For the six-month period ended 30 June 2023

(All amounts in Saudi Riyals unless otherwise Stated)

	For the six-month period ended 30 June 2023 (Unaudited)	For the six-month period ended 30 June 2022 (Unaudited)
Cash flows from operating activities:		
Profit for the period	113,849,556	(1,709,428)
<i>Adjustments for:</i>		
- Depreciation on property and equipment	78,358,321	73,253,001
- Depreciation on investment properties	61,200	122,400
- Amortization on intangible assets	7,340,673	5,581,691
- Depreciation on right-of-use assets	212,918,854	243,626,980
- Provision for employees' benefits	25,075,276	19,367,543
- Finance income	(4,202,498)	(29,616,914)
- Provision for inventory shrinkage and slow-moving inventory	30,425,741	2,398,902
- Gain on lease termination	(570,548)	16,233,280
- Zakat and income tax expense	16,843,871	31,368,312
- Finance cost over loans and borrowings	114,760,191	63,490,875
- Finance cost over lease liabilities	52,845,335	61,541,709
- Share of loss from associates and joint ventures	6,045,809	10,703,984
- Loss on disposal of property and equipment and intangibles	3,295,668	17,080,468
- Store closure losses	3,917,197	13,279,484
- Losses from disposals of intangible assets	4,820,367	--
- Impairment loss on goodwill	--	70,533,770
- Fair value loss on other investments	--	2,429,344
- Rental concession for leases	(5,018,507)	(16,343,740)
	660,766,506	583,341,661
<i>Changes in:</i>		
- Inventories	15,520,585	(245,533,942)
- Advances, deposits and other receivables	107,850,291	255,121,090
- Prepayments, rentals and insurance	(28,809,934)	(24,454,757)
- Trade and other payables	(66,805,305)	65,033,151
Cash generated from operating activities	688,522,143	633,507,203
Zakat and income tax paid	(15,738,649)	(10,271,599)
Employee benefits paid	(12,601,784)	(17,189,204)
Net cash from operating activities	660,181,710	606,046,400
Cash flows from investing activities:		
Purchase of property and equipment	(181,713,527)	(128,895,973)
Purchase of intangible assets	(18,894,346)	(39,905,016)
Acquisition equity accounted investments	(12,887,150)	--
Proceeds from other investments	4,190,498	5,720,758
Net cash used in investing activities	(209,304,525)	(163,080,231)

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

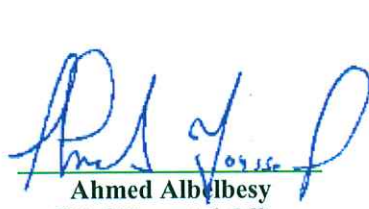
For the six-month period ended 30 June 2023
 (All amounts in Saudi Riyals unless otherwise stated)

	For the six-month period ended 30 June 2023 (Unaudited)	For the six-month period ended 30 June 2022 (Unaudited)
Cash flows from financing activities:		
Proceeds from loans and borrowings	13,725,115	--
Repayments of loans and borrowings	(40,297,660)	(67,072,866)
Payments of finance costs over loans and borrowings	(114,760,191)	(71,981,742)
Repayments of lease liabilities	(198,013,391)	(262,014,643)
Payments of finance costs over lease liabilities	(52,845,335)	(84,828,578)
Net cash used in financing activities	(392,191,462)	(485,897,829)
Net decrease in cash and cash equivalents	58,685,723	(42,931,660)
Foreign currency exchange translation differences	9,502,838	(28,589,297)
Cash and cash equivalents at the beginning of period	144,067,171	219,023,931
Cash and cash equivalents at end of period	212,255,732	147,502,974

Cash and cash equivalent comprise of:

	For the six-month period ended 30 June 2023 (Unaudited)	For the six-month period ended 30 June 2022 (Unaudited)
Cash and cash equivalents	260,417,696	193,825,276
Bank overdraft	(48,161,964)	(49,758,105)
Total cash and cash equivalent	212,255,732	147,502,974

The attached notes from 1 to 20 are an integral part of these interim condensed consolidated financial statements.


Ahmed Albelbesy
 Chief Financial Officer


Gunther Helm
 Chief Executive Officer


Fawaz Abdulaziz Al Hokair
 Chairman

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

Notes to the condensed consolidated interim financial statements

For the six-month period ended 30 June 2023

(All amounts in Saudi Riyals unless otherwise stated)

1. REPORTING ENTITY

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

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

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

The shareholders of the parent company in their extra-ordinary general meeting held at 29 June 2022 have approved the reduction in the share capital by SAR 952 million through cancellation of 95,233,552 shares of SAR 10 each to absorb the accumulated losses. Accordingly, the Group amended its Articles of Association and Commercial Registration Certificate.

On 20 December 2022 (G) (corresponding to 5 Jumada al-Alkhirah 1444 (H)), the Company announced the approval of the Shareholders during the 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 condensed consolidated interim financial statements

For the six-month period ended 30 June 2023

(All amounts in Saudi Riyals unless otherwise stated)

2. GROUP STRUCTURE

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

No	Subsidiaries	Country of incorporation	Business Activity	Ownership interest held by the Group as at:	
				30 June 2023	31 December 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	Pro Retail Georgia LLC	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

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

Notes to the condensed consolidated interim financial statements

For the six-month period ended 30 June 2023

(All amounts in Saudi Riyals unless otherwise stated)

2. GROUP STRUCTURE (CONTINUED)

No	Subsidiaries	Country of incorporation	Business Activity	Ownership interest held by the Group as at:	
				30 June 2023	31 Dec 2022
35	ZR Fashion Retail CJSC	Armenia	Retail	100	100
36	Global Apparel CJSC	Armenia	Retail	100	100
37	BR Fashion Retail CJSC	Armenia	Retail	100	100
38	Master Retail CJSC	Armenia	Retail	100	100
39	Best Retail CJSC	Armenia	Retail	100	100
40	Retail Group CJSC	Armenia	Retail	100	100
41	Pro Retail CJSC	Armenia	Retail	100	100
42	Factory Prices CJSC	Armenia	Retail	100	100
43	Retail Group Jordan Co. LDT	Hashemite Kingdom of Jordan	Retail	100	100
44	Nesk Trading Projects LLC	Hashemite Kingdom of Jordan	Retail	100	100
45	Models Own Holding Limited	United Kingdom	Retail	51	51
46	Models Own Limited	United Kingdom	Retail	51	51
47	Models Own International Ltd.	United Kingdom	Retail	51	51
48	Retail Group Azerbaijan LLC	Azerbaijan	Retail	85	85
49	Fashion Retail Azerbaijan LLC	Azerbaijan	Retail	85	85
50	Spanish Retail Azerbaijan LLC	Azerbaijan	Retail	85	85
51	Global Apparel Azerbaijan LLC	Azerbaijan	Retail	85	85
52	Mega Store Azerbaijan LLC	Azerbaijan	Retail	85	85
53	Master Retail Azerbaijan LLC	Azerbaijan	Retail	85	85
54	Pro Retail Azerbaijan LLC	Azerbaijan	Retail	85	85
55	Retail Group Holding LLC	Azerbaijan	Retail	85	85
56	Best Retail Azerbaijan LLC	Azerbaijan	Retail	85	85
57	Fashion Group CA	Uzbekistan	Retail	80	-
58	Fashion Retail Store	Uzbekistan	Retail	80	-
59	Master Retail Store	Uzbekistan	Retail	80	-
60	Retail Boutique	Uzbekistan	Retail	80	-
61	Retail Group Global	Uzbekistan	Retail	80	-
62	Retail Group Store	Uzbekistan	Retail	80	-
63	Retail Store Pro	Uzbekistan	Retail	80	-
64	Spanish Store	Uzbekistan	Retail	80	-

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.

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3. BASIS OF ACCOUNTING

3.1 Statement of compliance

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

The condensed consolidated interim financial statements were approved by the Board of Directors for issuance on 20 Muharram 1445H (corresponding to 7 August 2023G).

3.2 Preparation of financial statements

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

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

As at 30 June 2023, the Group was in breach of certain financial covenants in relation to its long-term and short-term borrowings. Accordingly, the Company did not have an unconditional right to defer the settlement of the loan for at least 12 months after the reporting date. As a result, the Group has classified long term borrowings to current liability, refer to note (10). This loan classification has resulted in current liabilities exceeding the Group’s current assets by SR 167 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.

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 six-month periods ended 30 June 2023, the group has recognized positive gross profits of SR 487 million (2022: SR 421.4 million), positive operating profit of SR 300.142 million (2022: SR 138.207 million), and cash inflows from operating activities of SR 660.76 million (2022: SR 659 million) and accordingly, these consolidated interim financial statements were prepared on a going concern basis.

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Use of judgements and estimates

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

New standards, interpretations and amendments adopted by the Group

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

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

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

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

Impact of accounting standards to be applied in future periods

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

6. PROPERTY AND EQUIPMENT

During the six-month period ended 30 June 2023, the Group added property and equipment with a cost of SR 182.2 million (six-month period ended 30 June 2022: SR 128.89 million). Also, during the six-month period ended 30 June 2023, the depreciation charge for six-month period ended 30 June 2023 amounted to SR 78.35 million (six-month period ended 30 June 2022: SR 73.25 million) and the Group incurred a loss on write off property and equipment amounting to SR 3.30 million (six-month period ended 30 June 2022: SR 17.07 million).

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6. PROPERTY AND EQUIPMENT (continued)

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

7. INVESTMENT IN EQUITY ACCOUNTED INVESTMENTS

	<i>FG 4 Limited</i>	<i>FAS LAB (i)</i>	<i>Total</i>
Balance as at 1 April 2022 (Audited)	1,956,408	60,068,385	62,024,793
Addition	--	9,818,749	9,818,749
Share of loss for the year	(1,956,408)	(7,747,831)	(9,704,239)
Balance as at 31 December 2022 (Audited)	--	62,139,303	62,139,303
Addition	--	12,887,151	12,887,151
Share of loss for the period	--	(6,045,809)	(6,045,809)
Balance as at 30 June 2023 (Unaudited)	--	68,980,645	68,980,645

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

8. OTHER INVESTMENTS

	Equity securities at FVTPL (i)	Equity securities at FVOCI (ii)	Pledged term deposit (iii)	Total
Balance at 1 April 2022 (Audited)	213,430,656	86,260,030	-	299,690,686
Additions	-	-	4,190,498	4,190,498
Change in fair value	3,694,908	29,126,937	-	32,821,845
Exchange difference	-	(22,455,488)	-	(22,455,488)
Balance at 31 December 2022 (Audited)	217,125,564	92,931,479	4,190,498	314,247,541
un-pledging term deposit	-	-	(4,190,498)	(4,190,498)
Exchange difference	-	(18,717,197)	-	(18,717,197)
Balance at 30 June 2023 (Unaudited)	217,125,564	74,214,282	-	291,339,846

- 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. Subsequently, the Group announced receiving a notice for termination – refer to note (20).
- ii. On 31 March 2021, the Group has acquired 8.9% shares in Egyptian Centers for Real Estate Development in consideration for the settlement of a receivable from Egyptian Centers. The Group has designated the investment at FVOCI at initial recognition.

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

- iii. The Group has term deposits in National Bank of Fujairah as a guarantee for supplier payment which was unpledged during the period.

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9. INVENTORIES

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Finished goods		
- Available for sale	1,270,546,634	1,310,279,291
- Goods in transit	32,925,182	14,149,304
Consumables and supplies	24,842,630	24,262,829
Gross inventories	1,328,314,446	1,348,691,424
Provision for inventory	(373,981,606)	(348,412,258)
Net inventories	954,332,840	1,000,279,166

10. LOANS AND BORROWINGS

		30 June 2023 (Unaudited)	31 December 2022 (Audited)
	<i>Notes</i>		
Islamic facility with banks (Murabaha)	(i)	2,696,227,062	2,774,310,862
Banking facilities of GCC subsidiaries	(ii)	59,568,131	8,056,876
Islamic facility with banks (Murabaha) - New	(iii)	150,000,000	150,000,000
		2,905,795,193	2,932,367,738
Short term facilities		3,340,631	8,056,876
Current portion of long-term borrowings		2,773,729,447	2,809,310,862
Loans and Borrowings - Current portion		2,777,070,078	2,817,367,738
Loans and Borrowings – Non-current portion		128,725,115	115,000,000
		2,905,795,193	2,932,367,738

- i. The Group signed a long-term Murabaha financing agreement with a National Commercial Bank as the Murabaha Investment Agent and Murabaha Participants, amounting to facilities of SAR 2,400 million and USD 166,000 on 1 March 2020. As per the terms of the agreement, the term of the Murabaha facility is for a period of seven years. The Murabaha facility is secured by promissory notes issued by the Company. The facility is repayable in six half yearly installments commencing after 12 months from the date of signing the agreement. As at 30 June 2023, 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 30 June 2023, there has been non-compliance of certain covenants on the outstanding facility.

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

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10. LOANS AND BORROWINGS (continued)

- ii. The borrowings under GCC subsidiaries are secured by corporate guarantee given by the Parent Company. The facilities are for short-term periods using prevailing market terms.
- iii. During 2022, the Group signed a Murabaha term financing agreement with a Riyadh Bank amounting to SR 150 million. As per the terms of the agreement, the term of the Murabaha facility is for a period of three years including 6 months grace period. The facility is repayable in 36 monthly installments commencing after 6 months from the date of signing the agreement. The agreement was signed in November 2022.

11. EARNINGS PER SHARE

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

	Three-month ended 30 June 2023 (Unaudited)	Three-month ended 30 June 2022 (Unaudited) <i>Restated</i>	Six-month ended 30 June 2023 (Unaudited)	Six-month ended 30 June 2022 (Unaudited) <i>Restated</i>
Weighted average number of ordinary shares	114,766,448	114,766,448	114,766,448	114,766,448
Profit attributable to ordinary shareholders	167,181,903	61,777,911	112,334,597	2,037,032
Basic and diluted earnings per share	1.46	0.54	0.98	0.02

12. OPERATING SEGMENTS

A. Basis for segmentation

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

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

Reportable segments

The following table describes the operations of each reportable segment:

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

Geographical information

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

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12. OPERATING SEGMENTS (continued)

B. Information about reportable segments and geographical information

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

	Reportable segments					Geographical segments			
	Fashion retail	Indoor entertainment	Food and Beverages	Inter-segment elimination	Total	Domestic	International	Inter-segment elimination	Total
	Amount in SR '000					Amount in SR '000			
30 June 2023									
Profit or loss									
Revenue	2,805,292	39,262	189,415	-	3,033,969	2,496,282	537,687	-	3,033,969
Depreciation and amortization	(66,422)	(7,957)	(11,381)	-	(85,760)	(71,406)	(14,354)	-	(85,760)
Finance costs	(163,726)	(878)	(3,002)	-	(167,606)	(152,934)	(14,672)	-	(167,606)
Profit / (loss) for the period	117,391	(175)	(3,366)	-	113,850	76,458	37,392	-	113,850
	-	-	-	-	-	-	-	-	-
Statement of financial position									
Non-current assets	7,534,715	85,176	304,984	(2,781,595)	5,143,280	7,331,973	592,903	(2,781,596)	5,143,280
Current assets	1,909,205	(2,975)	(19,054)	-	1,887,176	1,955,683	(68,507)	-	1,887,176
Total liabilities	(6,268,664)	(70,601)	(262,333)	-	(6,601,598)	(6,013,664)	(587,934)	-	(6,601,598)
30 June 2022									
Profit or loss – restated									
Revenue	2,815,513	31,667	245,190	-	3,092,370	2,604,668	487,702	-	3,092,370
Depreciation and amortization	(55,941)	(7,862)	(15,032)	-	(78,835)	(65,023)	(13,812)	-	(78,835)
Finance costs	(114,329)	(1,303)	(9,401)	-	(125,033)	(108,122)	(16,911)	-	(125,033)
Profit / (loss) for the period	58,388	(8,077)	(52,020)	-	(1,709)	(57,125)	55,416	-	(1,709)
31 Dec 2022									
Statement of financial position – restated									
Non-current assets	7,508,428	92,554	315,557	(2,711,319)	5,205,220	7,262,977	653,562	(2,711,319)	5,205,220
Current assets	1,928,371	(5,933)	25,311	-	1,947,749	2,065,082	(117,333)	-	1,947,749
Total liabilities	(6,423,478)	(70,573)	(312,977)	-	(6,807,028)	(6,206,070)	(600,958)	-	(6,807,028)

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13. REVENUE

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

	Six-month period ended 30 June 2023 (Unaudited)		
	Kingdom of Saudi Arabia	International Countries	Total
Apparels	1,776,686,610	432,831,941	2,209,518,551
Footwear & accessories	107,751,584	30,277,517	138,029,101
Others	421,770,546	35,973,786	457,744,332
Fashion retail	2,306,208,740	499,083,244	2,805,291,984
Food & beverages	189,414,756	-	189,414,756
Indoor entertainment	-	39,262,075	39,262,075
Total revenue	2,495,623,496	538,345,319	3,033,968,815

	Six-month period ended 30 June 2022 (Unaudited)		
	Kingdom of Saudi Arabia	International Countries	Total
Apparels	1,816,751,680	365,454,476	2,182,206,156
Footwear & accessories	131,838,538	43,875,726	175,714,264
Others	410,888,454	46,703,779	457,592,233
Fashion retail	2,359,478,672	456,033,981	2,815,512,653
Food & beverages	245,190,052	-	245,190,052
Indoor entertainment	-	31,667,127	31,667,127
Total revenue	2,604,668,724	487,701,108	3,092,369,832

14. COST OF REVENUE

	Six-month period ended 30 June 2023 (Unaudited)	Six-month period ended 30 June 2022 (Unaudited) Restated
Cost of goods sold	1,832,182,492	1,841,904,336
Employees' salaries and benefits	330,568,431	363,457,483
Depreciation on right-of-use assets	235,685,134	319,721,678
Utilities and maintenance	36,886,374	59,894,478
Rent expense	51,632,943	32,231,478
Travelling	3,263,802	3,086,405
Others	57,658,480	50,677,558
	2,547,877,656	2,670,973,416

15. OTHER OPERATING EXPENSES & INCOME

a) Other operating expenses

	Note	Six-month period ended 30 June 2023 (Unaudited)	Six-month period ended 30 June 2022 (Unaudited)
Loss on write-off of property and equipment	i	3,295,668	293,142
Store closure losses		3,917,197	13,279,484
		7,212,865	13,572,626

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

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15. OTHER OPERATING EXPENSES & INCOME (continued)

b) Other operating income

	<i>Notes</i>	Six-month period ended 30 June 2023 (Unaudited)	Six-month period ended 30 June 2022 (Unaudited)
Foreign exchange gain		7,883,997	43,787,847
Rental concession for leases		5,018,507	15,741,147
Gain on lease termination and modification		570,548	6,886,637
Income from owners of new malls*	16	129,498,000	-
Others		35,410,616	26,978,994
		178,381,668	93,394,625

* Income from owners of new malls represents actual cash received during the period, from owners of new malls, as part of an international brand attraction scheme. Income received from Arabian Centers Company “a related party” represents amounts to SR 115,548,000 from the total income from owners of new malls – refer to note (16). The Company assumes no long-term performance obligations against such contributions.

16. RELATED PARTIES

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

16.1 Key management personnel compensation

Key management personnel compensation is comprised as follows:

	Six-month period ended 30 June 2023 (Unaudited)	Six-month period ended 30 June 2022 (Unaudited)
Salaries and short-term benefits	5,165,138	3,901,748
Post-employment benefits	907,531	924,324
Board of Directors and board committees’ remuneration	420,000	2,757,188
Total key management compensation	6,492,669	7,583,260

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16. RELATED PARTIES (continued)

16.2 Related party transactions (continued)

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

Name of related party	Nature of transaction	Relationship	Transactions		Balances	
			Six-month period ended 30 June 2023 (Unaudited)	Six-month period ended 30 June 2022 (Unaudited)	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Saudi FAS Holding Company	Expenses paid on behalf of Company	Parent Company	-	8,812,813	272,277,481	422,781,661
	Receipts		150,000,000	-		
Egyptian Center for Real Estate Development	Rental	Affiliate	1,586,798	693,942	-	-
Al Farida Trading Agencies	Services / payment made on behalf of Company	Equity accounted investee	5,652,346	2,389,849	14,729,200	12,034,959
	Payments made by the Company		2,958,105			
Amwal Al Khaleeja Al Oula	Management services	Equity accounted investee	-	-	2,271,205	2,271,205
Food and Entertainment Co. Ltd.	Payment made on behalf of Company	Affiliate			14,570,910	14,573,964
Due from related parties			160,197,250	11,896,604	303,848,796	451,661,789
Arabian Centers Company	Lease payments	Affiliate	(265,721,529)	(248,653,469)	(47,977,008)	(140,393,949)
	Income of new malls		115,548,000	--	--	--
Hajen Company Limited	Printing and advertisement	Affiliate	(1,685,036)	(1,258,998)	(1,029,044)	(896,540)
Wonderful Meals Company	Purchase of goods	Affiliate	(15,123,961)	(43,819,015)	(11,856,524)	(16,035,205)
Due to related parties			(166,982,526)	(293,731,482)	(60,862,576)	(157,325,694)

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16. RELATED PARTIES (continued)

16.2 Related party transactions (continued)

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

As at 30 June 2023, the Group has an outstanding receivable balance of SR 272.28 million from Saudi FAS Holding Company (a major shareholder) [31 December 2022: SR 422.78 million].

17. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

A. Accounting classification and fair values

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

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

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

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

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

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

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

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

30 June 2023 (Unaudited)						
	Carrying amount	Fair value				
		Level 1	Level 2	Level 3	Total	
Financial assets						
FVTPL						
Al Mubarak Real Estate Income Fund –II	217,125,564	--	--	217,125,564	217,125,564	
Derivative assets	39,329,772	--	39,329,772	--	39,329,772	
FVOCI – equity instruments						
Egyptian Centers for Real Estate Development	74,214,282	--	--	74,214,282	74,214,282	
31 December 2022 (Audited)						
	Carrying amount	Fair value				
		Level 1	Level 2	Level 3	Total	
Financial assets						
FVTPL						
Al Mubarak Real Estate Income Fund –II	217,125,564	--	--	217,125,564	217,125,564	
Derivative assets	35,127,274	--	35,127,274	--	35,127,274	
FVOCI – equity instruments						
Egyptian Centers for Real Estate Development	92,931,479	--	--	92,931,479	92,931,479	

Financial Liabilities

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

B. Valuation techniques and significant unobservable inputs

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

Type	Valuation technique and significant unobservable inputs
Equity securities	<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"> - the expected cash flows were higher (lower); or - the risk-adjusted discount rate was lower (higher).

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17. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

(continued)

B. Valuation techniques and significant unobservable inputs

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

As at 30 June 2023, the Group held Interest Rate Swaps (“IRS”) of a notional value of SR 1.29 billion in order to reduce its exposure to commission rate risks against long term financing. The Group holds interest rate swaps to cover the variable interest rate exposures on its loans from financial institutions. The interest rate swap arrangement does not meet the qualifying hedging criteria as per IFRS 9 requirement and have therefore been carried at fair value through profit or loss.

C. Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

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

C-1. Credit risk

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

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Cash at bank	169,432,313	142,078,902
Advances, deposits and other receivables	333,424,801	481,397,878
	502,857,114	623,476,780

Credit risk on receivable and bank balances is limited as:

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

C-2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value.

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

C-3 Market risk

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

18. COMMITMENTS AND CONTINGENCIES

As at the reporting date, the Group is committed to capital expenditures of SR 115.39 million (31 December 2022: SR 127.1 million) to purchase property and equipment.

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

Type	Nature	30 June 2023	31 December 2022
Letter of credits	Purchase of retail trading inventory	337,264,930	454,038,547
Letter of guarantees	Bid bonds, contracts advance payments and performance bonds	457,788,604	575,036,843

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19. RESTATEMENTS OF PRIOR YEARS

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

1. Accumulated losses as at 1 January 2022

Consolidated statement of financial position

1 January 2022	As previously reported	Adjustments	As restated
Accumulated losses (<i>Notes A, B & C</i>)	(952,335,520)	(280,926,087)	(1,233,261,607)

Note A:

During the financial period ended 31 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 capture due to computational error in a physical stock count results for Inventory in prior period. This error resulted in a material overstatement of inventory recognized for the period ending 31 March 21 and prior financial years. This error has been already corrected, in the consolidated financial statements as of 31 December 2022, by restating (losses of 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 financial period ended 31 December 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. This error has been already corrected, in the consolidated financial statements as of 31 December 2022, by restating losses of SR 53 million each of the affected financial statement line items for the prior periods.

Note C:

During the six-month period ended 30 June 2023, Management completed its review and assessment of its Right of use assets, lease liabilities and their related amortization and finance costs which resulted in restating accumulated losses - as at 1 January 2022 - by a profit of SR 77 million. For more details, please see No. (2) below.

The net of the above restatements are netted to SR 281 million as clarified in table above.

2. Right of use assets and lease liabilities

The lease contracts database review was completed by Management and the 3rd party consultant. The review included assessing the accuracy and completeness of information included in the database and the proper recalculations of IFRS 16 models, 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 revisions the impact was considered on the interim condensed consolidated financial statement as of and for the for the six months period ended 30 June 2023. The comparative information as of 31 December 2022, 31 March 2022, and for the six months period ended 30 June 2022 were restated.

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19. RESTATEMENTS OF PRIOR YEARS (continued)

The following table explains the impact of the restatement on Right of use assets, lease liabilities (current and non-current), right of use amortization, and related finance cost:

31 December 2022	As previously reported	Restatement	As Restated
Assets			
Right-of-use assets	3,110,825,775	(763,680,646)	2,347,145,129
Non-current assets	5,968,901,207	(763,680,646)	5,205,220,561
Total assets	7,916,649,887	(763,680,646)	7,152,969,241
Equity			
Accumulated losses	(292,184,580)	64,599,795	(227,584,785)
Total equity	281,342,099	64,599,795	345,941,894
Liabilities			
Lease liabilities	2,734,453,943	(831,511,164)	1,902,942,779
Non-Current liabilities	2,945,401,971	(831,511,164)	2,113,890,807
Lease liabilities – current portion	640,873,664	(141,863,504)	499,010,160
Trade and other payables	1,111,420,842	145,094,227	1,256,515,069
Current liabilities	4,689,905,817	3,230,723	4,693,136,540
Total liabilities	7,635,307,788	(828,280,441)	6,807,027,347
Total equity and liabilities	7,916,649,887	(763,680,646)	7,152,969,241

31 March 2022	As previously reported	Restatement	As Restated
Assets			
Right-of-use assets	3,275,783,678	(878,379,713)	2,397,403,965
Non-current assets	6,109,985,090	(878,379,713)	5,231,605,377
Total assets	8,241,206,787	(878,379,713)	7,362,827,074
Equity			
Accumulated losses	(1,340,996,552)	58,809,369	(1,282,187,183)
Total equity	145,358,156	58,809,369	204,167,525
Liabilities			
Lease liabilities	2,845,746,744	(856,398,640)	1,989,348,104
Non-Current liabilities	2,948,735,531	(856,398,640)	2,092,336,891
Lease liabilities – current portion	632,273,878	(159,521,278)	472,752,600
Current liabilities	5,147,113,100	(80,790,442)	5,066,322,658
Total liabilities	8,095,848,631	(937,189,083)	7,158,659,548
Total equity and liabilities	8,241,206,787	(878,379,713)	7,362,827,074

For the six-month period ended 30 June 2022	As Previously reported	Restatement	Restated
Cost of revenue	(2,632,926,067)	(38,047,349)	(2,670,973,416)
Gross profit	459,443,765	(38,047,349)	421,396,416
Operating profit	176,255,231	(38,047,349)	138,207,882
Finance costs over lease liabilities	(84,828,578)	23,286,869	(61,541,709)
Net finance costs	(118,702,539)	23,286,869	(95,415,670)
Profit before zakat and income tax	44,419,364	(14,760,480)	29,658,884
Profit for the period	13,051,052	(14,760,480)	(1,709,428)

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20. SUBSEQUENT EVENTS

Subsequent to the period, on 18 July 2023, the Group announced that it received a notice for the termination and liquidation of Al-Mubarak Real Estate Fund 2 (the “Fund”), in which the Company owns 33.33% of the fund's total units. The liquidation process follows the sale of the fund's assets at a value of SR 1,525,000,000.

The carrying value of the investment as at 30 June 2022 of the Group share in the fund is SAR 217 million – refer to note (8).