

ALHOKAIR  
Fashion Retail



الحكير  
أزياء التجزئة

# Annual Report

FY 2021





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# ALHOKAIR IN FY 2021

Fawaz Abdulaziz Alhokair & Co was founded in 1990 by Fawaz, Salman and Abdulmajeed Alhokair. The company has since become the leading franchise retailer in the KSA and the only listed business of its type in the Middle East.

Since the opening of its first store in 1991, Alhokair has grown considerably and now trades in over 1,700 stores across 100 shopping malls in 12 countries, with a retail platform operating on a total GLA of more than 450,000m².

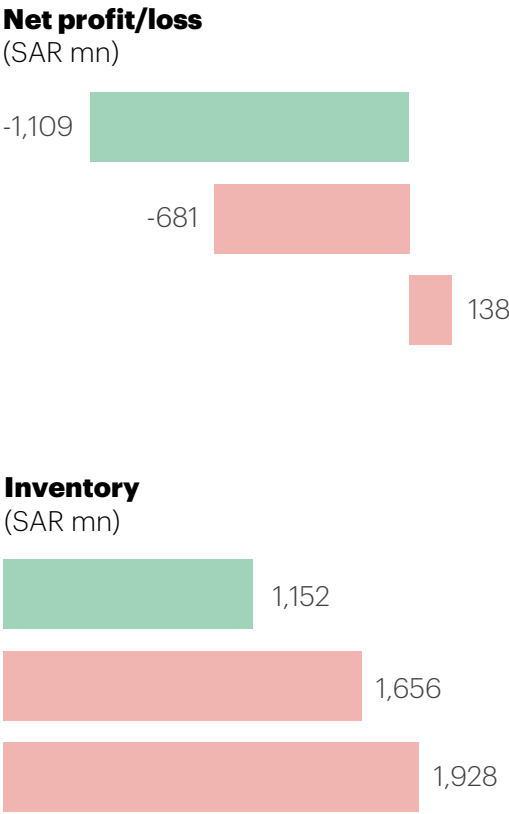
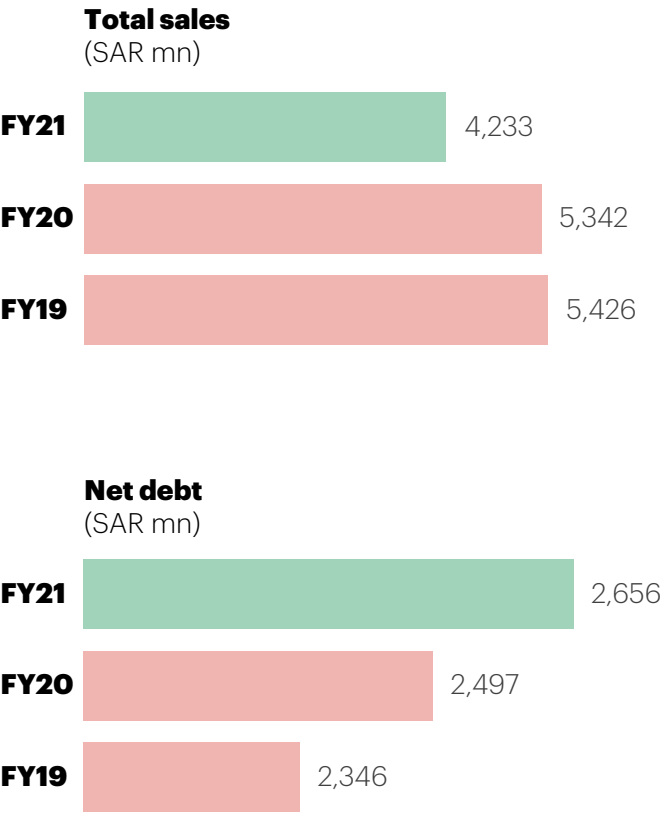
All of this is managed by a workforce numbering more than 11,000. Alhokair currently represents over 89 brands across retail and F&B. In retail, we operate a wide and diversified portfolio in fashion - spanning from womenswear, menswear, kids and baby, shoes and accessories - beauty and cosmetics, multimedia, sports, variety stores.

In F&B, we operate a variety of international and homegrown brands in coffee shops, QSRs, and casual dining.

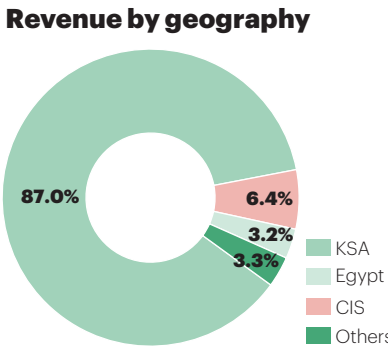
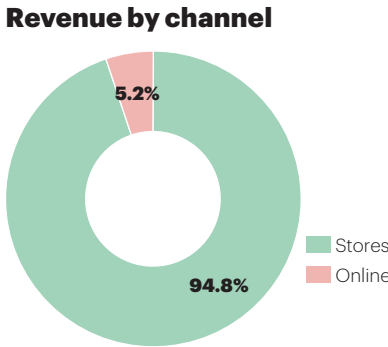
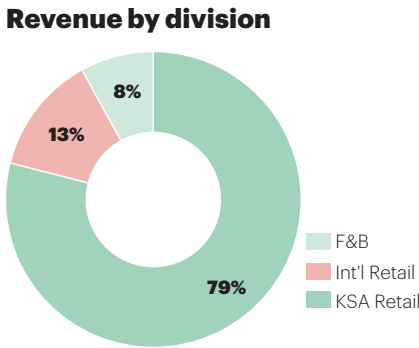
As at 31 March 2021, Alhokair's paid up share capital amounted to SAR 2.1 billion, consisting of 210 million fully paid and issued shares of SAR 10.00 each.



## Highlights



## Revenue Segmentation



# ALHOKAIR GEOGRAPHY

Alhokair is the leading retail franchisor in Saudi Arabia, and the first choice for brands seeking exposure to the Kingdom’s rapidly developing consumer economy. In addition, the Company operates its retail franchise model in

11 international markets, with further regional penetration provided by the recent acquisition of the Vogacloset ecommerce platform, onto which Alhokair has successfully migrated several of its top brands.

Our Team  
**11,000+**  
Associates

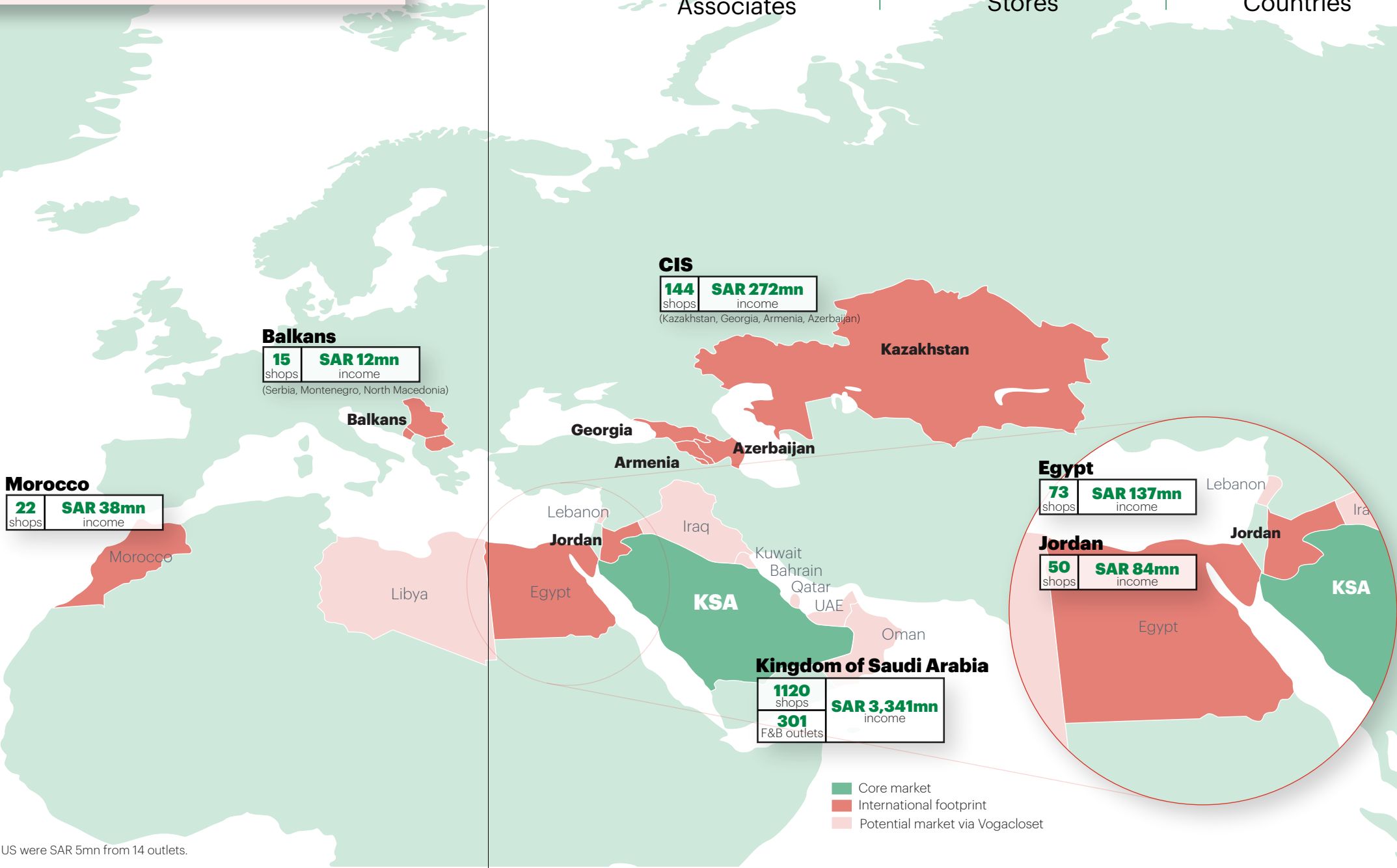
Our Network  
**1,700+**  
Stores

Across  
**12**  
Countries

**89**  
Brands

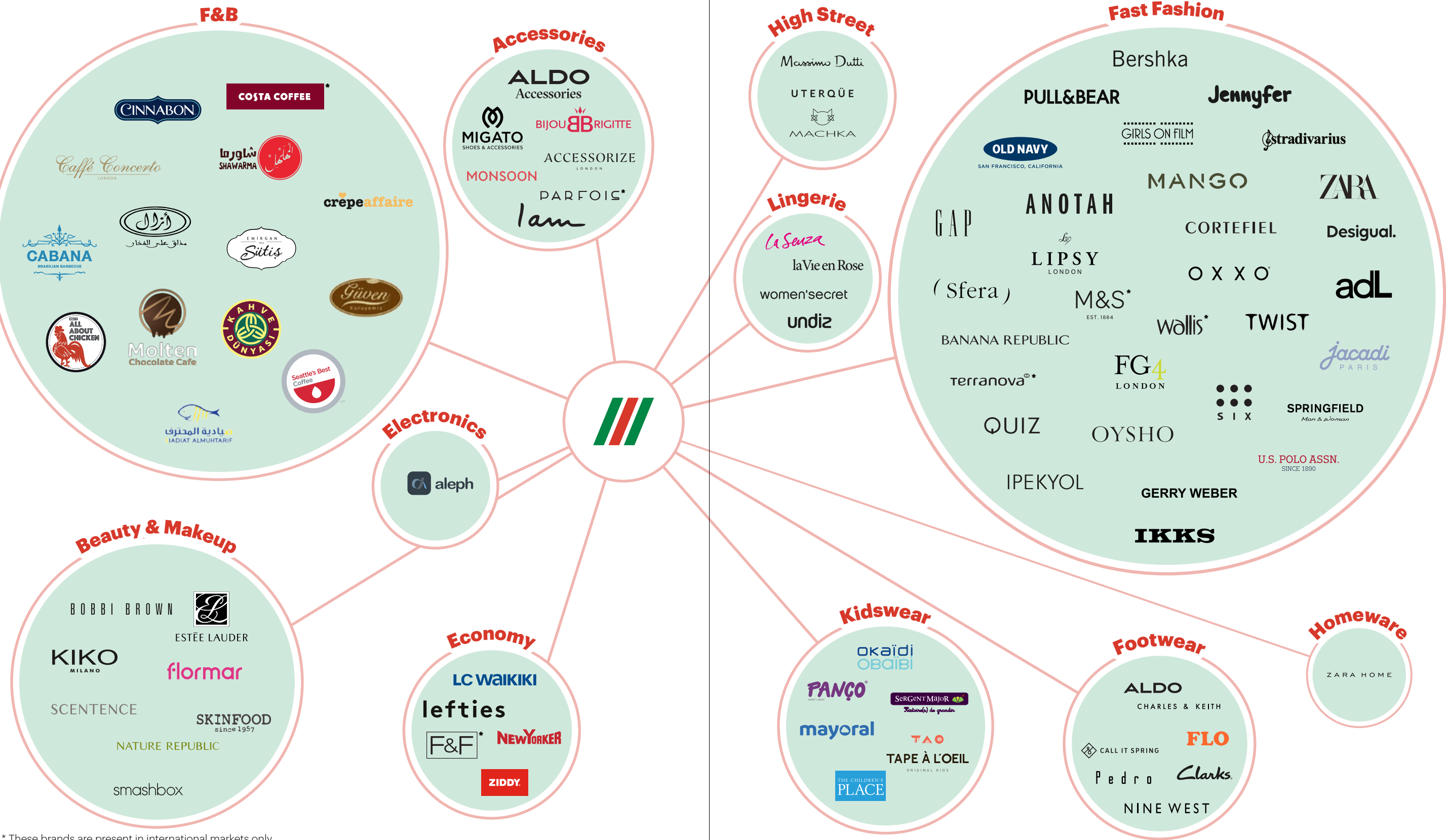
**450.000**  
sqm  
GLA

**SAR 4.2bn**  
Sales



\* Our US operations are not represented in the above map. FY21 sales from US were SAR 5mn from 14 outlets.

# ALHOKAIR BRAND PORTFOLIO



\* These brands are present in international markets only





# 02

## MANAGEMENT REVIEW





# CHAIRMAN'S STATEMENT

**Dear Shareholders of Fawaz Abdulaziz Al Hokair Co.,**

**May peace and God's mercy and blessing be upon you.**

**We are pleased to present our Board of Directors' Report for the year ended March 2021.**

**On behalf of the Board of Directors, it is my pleasure to introduce Alhokair's 2020 Annual Report. This was a year that tested our fortitude as a cornerstone of the food and beverage sector in the Kingdom of Saudi Arabia. It has been a year full of challenges, market headwinds and economic volatility, but every employee played their part to ensure the safe delivery of our products to our loyal consumers.**

**It has been a year full of challenges, market headwinds and economic volatility, but every employee played their part to ensure the safe delivery of our products to our loyal consumers.**

## Our operating environment

This was a year in which the Company faced unprecedented challenges, with the Saudi economy under significant pressure with the dual headwinds of the Covid-19 pandemic and sustained low oil prices. The wisdom of our government, led by the Custodian of the Two Holy Mosques His Highness King Salman Bin Abdulaziz Al Saud, and His Highness the Crown Prince Mohammed bin Salman bin Abdulaziz Al Saud, was instrumental in shoring up the national economy and providing essential support to the private sector. I am pleased to report that the commitment, agility and hard work of our management and staff proved equal to the task before us. With the Kingdom-wide vaccination program now well underway, we remain cautiously optimistic on a return to normal economic activity during 2021, and for our increasingly competitive economy to rebound strongly in 2022.

Retail was among the industries most affected by the pandemic. Lockdowns, social distancing and movement restrictions negatively impacted physical retail and F&B sales, and a rapid shift towards ecommerce has made it essential for businesses such as Alhokair to shift quickly to an omnichannel model. As you will learn in this report, we have been successful in doing so, with a number of milestones passed. The long-term outlook for the sector remains promising, with positive signs that retail in the Kingdom will benefit from a post-pandemic uptick in inbound and domestic tourism. Meanwhile, government sponsored mega-, and giga-projects will offer stimulus for the sector more generally, as new residential and business hubs emerge.

## Performance highlights

Highlights in FY21 have included the ongoing evolution of our brand portfolio, as we diversify away from traditional brick and mortar fashion retail to new categories that we believe will serve the changing needs of our consumers – both in terms of the products offered and the channels through which they are sold. As a Group, we now boast more than 90 international and local brands, with an evolving mix that will drive growth in higher

margin segments and will add a stronger 'lifestyle' characteristic to our portfolio. In this respect, two achievements stand out. Firstly, our franchise agreement with European sports and leisure giant Decathlon, with whom we have since opened our first store, with several more in the pipeline. This is a strategic partnership, as Alhokair looks to address the increasingly active lifestyles of Saudi consumers. Secondly, our acquisition of a minority stake in Vogacloset, MENA's leading online fashion portal, with whom we are now integrating our respective brand portfolios, and on which we have a platform to grow an industry-leading online/offline proposition. A number of fresh and exciting offerings, in partnership with Vogacloset, are already under development.

## Sustainability

The Saudi Government's efforts to deepen Saudization in retail present an exciting opportunity for Alhokair to contribute to the growth of the sector, as well as the development of the Saudi workforce, and to help shape its evolution. Over the year, we made great strides forward in our efforts to create more opportunities for Saudi professionals, having achieved a Nitaqat status of Platinum, and we look forward to rolling our new initiatives in the year ahead. Meanwhile, Vision 2030 seeks to empower women to join the workforce, another important area of focus for the Company.

In the context of the pandemic, Alhokair went to considerable lengths to ensure the health and safety of staff, from providing an extensive range of personal protective equipment (PPE), to new operating models and shift protocols for back-office functions and customer facing locations, thereby also ensuring the safety of our customers. With the pandemic still at large, we continue to take an extra-accommodating view on sick leave, to ensure the health of our employees and to minimize the risk of outbreak.

## Governance

Among our strategic priorities for the year was to actively address concerns around corporate governance, an issue that we take seriously and in which we are progressing our journey towards achieving higher standards. In August 2020, we refreshed the Board with a healthy balance of skill and experience, including the election of four independent non-executive directors. Meanwhile, we have in the last 18 months established a highly experienced and capable executive management

team, appointing a new CFO, CEO for F&B and CHRO in 2020-2021. An Executive Committee has been established to promote sound corporate governance practices; to provide oversight on management's execution of Board initiatives; to align on strategy implementation; and to ensure timely decision-making. The positive impact of the Executive Committee has been tangible and immediate, and we look forward to reporting on further progress.

## With thanks

It remains for me to thank my fellow Board members for their wise counsel to management; our loyal customers for the trust they continue to place in our brand portfolio, store network and online channels; our management and staff for their remarkable dedication to the current and future success of our business; and our shareholders, for their continued support for our strategy and growth story. We look forward to sharing that story with you.

**Fawaz Abdulaziz Alhokair**  
Chairman of the Board







# CEO'S MESSAGE

Dear Shareholders,

**The fiscal year 2021 presented one of the toughest socio-economic environments in living memory but provided us with opportunities to assess how best to evolve as a company, embrace change and become more agile and resilient as we face the future with renewed confidence. The disruptions brought about by the pandemic have sharpened our focus on growing and diversifying Alhokair's offer into a lifestyle experience, by building an omnichannel footprint in domestic and international markets. This was evidenced by our continuing optimization program, the onboarding of a range of world leading brands and our decisive move into ecommerce through the acquisition of a stake in UK-based Vogacloset.**



## Resilient performance

As the Covid-19 pandemic took hold in 2020, retail outlets in the Kingdom closed in mid-March before entering a cycle of re-openings and closures for the remainder of the year. With the operating environment in almost all our geographies severely disrupted by the pandemic, we took steps to ensure business continuity across all operating segments by driving efficiencies internally, adopting new inventory management solutions and accelerating our ecommerce capacity; and to rebalance costs. Fortunately, the Saudi retail market opened up faster than most, and we were grateful for the Government's decision to allow stores to partially open during Ramadan, an important shopping season, as well as for various private sector support mechanisms including the SANED program.

Although a difficult period, with consolidated revenue decreasing 20.8% year-on-year to SAR 4.2 billion, resulting in a net loss of SAR 1,109 million, financial performance began to improve in the second half of the year. This improving performance stemmed from gradual recovery in consumer sentiment despite ongoing weak numbers from the Western Region on the back of limited religious tourism. Revenues from F&B and international operations declined due to the impact grew by 408% as consumers turned to internet shopping.

## The Saudi retail opportunity

The Saudi retail and F&B sectors enjoy strong fundamentals underpinned by favorable demographics, an evolving lifestyle and low ecommerce penetration rates. The Kingdom has a relatively young population with an appetite for discretionary spending. Likewise, strong growth in the F&B sector is set to continue post-pandemic, supported by growing tourism and increased spending on entertainment by Saudi nationals.

Structural changes aligned with Vision 2030 and its targets for the private sector are providing fresh opportunities that will support sector growth. We are also pleased to see fresh Saudization initiatives for the retail sector. These efforts will create new

and exciting opportunities for local talent, driving exposure to new sectors and upskilling a powerful section of the local workforce.

## Retail is here to stay

We believe that brick and mortar retail is here to stay. In our market it is cultural, making our store network an entertainment and family destination, as much as a place to purchase goods. As such, we are positioning Alhokair to maintain its leadership in lifestyle retail in its core market of Saudi Arabia, and its position as the first choice for strategic partners in the Kingdom, in MENA and further afield.

In many ways, the pandemic prompted an acceleration of our key strategic aims, rather than a shift in direction. We were already looking at optimizing our brand portfolio and store network, and the conditions created by the pandemic helped us to prioritize which markets and franchises we should focus on for growth, and which we would be better disposing of. We are doubling down on our efforts to diversify our brand mix, focusing on higher margin segments, and have made great progress as demonstrated by the many agreements finalized during the year, including in F&B and athleisure. We are also pursuing increased digitization, strengthening our ecommerce offer by expanding our online monobrand platform and multibrand capabilities.

Ultimately, our success will rest on our ability to making the right products available at the right places, times, prices, and quantities consistently across channels, in a way that maximizes returns but also satisfies consumer demand.

## In focus: Vogacloset acquisition

In March 2021, we announced that Alhokair, together with Arabian Centres, would acquire a majority stake in the UK-based online fashion retailer Vogacloset. This strategic investment in a sizeable and profitable regional ecommerce player is the most direct route for Alhokair to extend its leadership position in its core Saudi market – from offline to the online space, while safeguarding our competitive advantage. Through Vogacloset's platform, we are introducing a range of brands online that is unmatched in the Saudi retail space, addressing growing customer demand for a genuinely omnichannel experience, and giving our brands extended reach. Vogacloset will also support the development of future opportunities aimed at building Alhokair and Arabian Centres' omnichannel experience, for consumers and

merchants alike. Plans already in the pipeline include the launch of a loyalty program, along with a consumer finance product.

## Driving improvements for a sustainable future

We are ready to build on the power of our business and will continue to seek improvements to governance and strategy with a focus on unlocking value for shareholders and other stakeholders. We believe that retailers who engage fully with the omnichannel opportunity are going to be the winners. The sharp rise in ecommerce penetration in Saudi Arabia is supportive of our transition to providing both online and offline options, integrating omnichannel at brand and multi-brand level in fashion and lifestyle, as well as in F&B. Our aim is to give consumers a richer and more engaging experience whether at home or in the mall. To this end, we are always exploring new brands that have real potential in the Saudi market.

Post FY21-end, Alhokair opened Saudi Arabia's first-ever Decathlon store in Jeddah which is already trading above expectations, with two more stores set to be opened before year end. We were also pleased to announce our agreement with Fnac Darty, a leading French electronic and cultural retailer; and we have further strengthened our electronics offering, rolling out new Aleph (Apple's premium reseller) stores, with the total number of stores expected to reach 12 by end of FY22. We were also pleased to announce franchise agreements with Alo Yoga (athleisure) and Flying Tiger (variety) in the first quarter of FY22 – another important step in our diversification journey.

While we are seeing more positive market conditions materialize, supported by vaccination drives and the loosening of pandemic-related restrictions, it is difficult to gauge how fast our markets will return to normal. Against this backdrop, we will continue to deliver on our operational upgrade strategy by investing in initiatives to build a more agile and financially robust organization. The growth avenues Alhokair is pursuing are aligned with accelerating market trends and will ensure our ability to return to profitability and create sustainable value.

We are confident that Saudi Arabia is embarked on an exciting growth story, and we are positioning Alhokair to participate in it.

**Marwan Moukarzel**  
Chief Executive Officer



# CFO'S REVIEW

## Dear Shareholders,

**Against a backdrop of uncertainty, the past fiscal year saw us address structural issues within our business that will ensure that we have the right foundation, systems and processes to drive our next phase of growth – in line with our vision to be the lifestyle retailer of choice.**

## Financial highlights

Total revenues were SAR 4,233 million for the year ended March 2021, down 20.8% and reflecting store closures linked to our portfolio optimization strategy and the shutdown of most of our stores in the first quarter as part of Covid-19 containment measures, and restrictions on F&B operations which were limited to takeout, pickup and delivery services. Like-for-like (LFL) growth was -29.0%, narrowing substantially in the last two quarters, indicating a gradual recovery in our operations. The reported gross loss was SAR 88 million on the back of subdued top-line performance in the first and second quarter, due to store closures and reduced footfall resulting from Covid-19 containment measures, along with the increase of VAT from 5% to 15%. Alhokair,

along with its partners, absorbed part of the VAT increase, increasing the cost of revenue for certain brands. When adjusting for the impact of one-off inventory provisions of SAR 461 million - including accumulated inventory shrinkage, write-offs, depreciation expenses related to IFRS-16, and additional VAT and Zakat provisions, gross profit would record SAR 394 million, down from SAR 873 million a year ago.

EBITDA recorded a loss of SAR 389 million with an adjusted EBITDA of SAR 111 million. Alhokair booked a net loss of SAR 1,109 million. However, based on adjusted EBITDA and after excluding one-off Zakat provisions, Alhokair's adjusted net loss narrowed to SAR 606 million.

## Segmental review

Our team continuously assesses its brands and store portfolios to drive further efficiencies, increase store yields and bring down costs. At the time of writing, the last twelve months have seen Alhokair onboard several blue-chip brands including Decathlon, Public Desire, and Marie France, which support our focus on diversification towards F&B, technology, sports and lifestyle segments.

The store fleet rationalization process gathered momentum during the year. In retail, we opened 59 stores and closed 206 for a net drop of 147 in the total number of retail stores. In F&B, we opened 35 stores and closed 29 for a net addition of 6 stores and are looking for acquisition opportunities. During the current year, we target the closure of c.46 stores across segments whilst 60 new retail and 50 F&B stores are set to open respectively in support of the roll out of new brands with capex estimated at SAR 135 million.

Saudi retail revenues were down 27% in LFL terms, adversely impacted by Covid-related closures. Although these were partially lifted during Q1-FY21, second and third waves caused partial closures later in the year. In addition, there was a sharp drop in sales in Madinah and Makkah with a 52% LFL growth decline, owing to Covid-19 related restrictions on religious tourism. We continue to target a return to LFL growth in the low single digits over the near term.



International sales declined in LFL terms, reflecting temporary store closures due to Covid-19. The Company's major international contributors were closed for a prolonged period during the financial year, while Armenian operations were negatively impacted by political tensions.

Online sales LFL growth booked 183% for the year, demonstrating the acceleration and importance of this sales channel across our operating markets, as consumers' ability to move and shop was restricted.

## Capital management

Balance sheet optimization remained a key focus underpinned by aggressive inventory management and working capital optimization to improve liquidity and increase efficiencies. This is being achieved through streamlining three different ERPs into one comprehensive ERP (Oracle V16) for all operating countries in phases, a review of policies and procedures with the help of PwC, as well as logistics and technology by consolidating three warehouses into one. Post ERP implementation, which will be rolled out incrementally over the next year to minimize disruption risks, the Company will explore further enhancements by implementing the latest technology. Inventory levels were brought down by 30% year-on-year and progress towards achieving optimal inventory levels is nearing completion, having already achieved an average inventory turnover target of 16 weeks.

Discussions with related parties to reduce our receivables continued and resulted in an arrangement to be allocated 8.9% of Egyptian Company for Real Estate Development's (ECRED) share capital in consideration for outstanding SAR 84 million receivables. The balance sheet reclassification does not impact Alhokair's operations and is reflected in the consolidated financial statements as an investment, which provides the opportunity for Alhokair to realize future value from its holdings in ECRED, while at the same time materially reducing its related party receivables.

The Company recorded an operating cash flow of SAR 703 million for the year, up by 29%. Total cash and cash equivalents stood at SAR 467.6 million. Our net debt position was SAR 2,656 million. Our funders have been supportive throughout this very disruptive time, especially for our industry. We are grateful for their assistance and flexibility regarding specific short-term pressures which have required adjustments and associated covenant waivers. We continue to actively engage with our funders through the market recovery.

The Company announced the use of its statutory reserve of SAR 205 million to offset accumulated losses which reached 49.4% as at year-end. The Board has mandated the executives to explore the various options available to address the accumulated losses but also to ensure that the financial position of the company adequately reflects the uncertain environment in which we continue to operate, the accumulated losses, our debt profile, and growth ambition.

We are in the process of appointing advisors to undertake a comprehensive review based on the above and the outcome will inform the path forward. We will provide further guidance to the market in due course.

## Strategic priorities

Cautious capital allocation will remain a priority as we continue to drive efficiencies, including through the completion of our revamp of all inventory and supply chain management processes. With a new ERP being gradually implemented, our focus on digitization and customer experience along with a well-diversified portfolio offers a base for real transformation. The implementation of a shared services center will also enhance our day-to-day operations. Going forward we also intend to enhance our supply chain, retail planning and merchandising. By focusing on these priorities, we will enhance stock buying to better meet consumer demand, merchandise products to maximize returns and ultimately reduce terminal stock levels.

With our plan to continue exiting non-core countries, we remain committed to our international growth markets. In the short term, outside of Saudi Arabia, we anticipate the bulk of our international revenue to come from CIS and Egypt whilst the acquisition of Vogacloset provides us with an excellent platform to accelerate the contribution of the online segment to the Company's bottom line and extends our presence to other MENA markets. Even in a region like the Middle East, consumer habits vary enormously from country to country, and the experience and expertise for navigating these places is critical. Our track record in core and non-core markets is solid.

We're confident about the future and we are excited about seizing new opportunities as we emerge from the impact of the pandemic.

**Ahmed Belbesy**  
Chief Finance Officer



# COVID-19 IMPACT AND RESPONSE

The Covid-19 pandemic had a significant and negative impact on retail and F&B markets across the world. Country-wide lockdowns, movement restrictions, and a surge in cases as the second and third waves of the pandemic struck directly affected Alhokair's performance. Despite the challenges, the Company achieved strong top-line recovery in the last two quarters – supported by improving consumer sentiment, easing of movement restrictions and a focus on growing the omnichannel offer. Alhokair's response has been to protect the safety of employees and customers, to comply with government directives, shore up the supply chain, improve inventory management, reduce operating costs, and adapt to new dynamics to serve customers and bolster sales.

## Saudi government response

The Kingdom responded swiftly to contain the spread of the virus, support local businesses and residents, and provide the necessary healthcare infrastructure. In response to the first wave of the pandemic, movement restrictions were set in place which included the closure of Saudi Arabia's borders, the closure of retail and F&B outlets and a nationwide curfew during Q1 of the fiscal year. Movement restrictions were lifted in June 2020, however capacity restrictions on commercial activities particularly in the F&B sector remained. In the fourth quarter of FY2021 restrictions to commercial activity were again introduced, with mandatory use of Saudi Arabia's Covid-19 'Tawakkalna' app required to visit commercial establishments and the closure of F&B outlets.

In addition to virus containment measures, the government announced packages to support the private sector, totaling USD 61 billion. These included postponement of government dues, a package to support the banking and SME sector, a wage subsidy of 60% of private sector Saudi employee salaries, and suspension of fines related to expat recruitment. In 2020, the VAT rate was increased from 5% to 15%.

## Operational preparedness and response

Alhokair's recently established transformation program made a material contribution to the Company's ability to combat the challenges of the pandemic. The refreshed strategic direction of the Company was timely and supported the acceleration of various longer-term initiatives.

### Retail

Due to Covid-19 containment rules, the retail sector was significantly affected as stores were temporarily closed. At the height of the crisis, 216 Alhokair stores were closed. In Saudi Arabia, stores were gradually reopened between 26 April and 21 June 2020, in line with lifting of containment measures. In other markets stores began to reopen more slowly, but some closed again as the second wave affected certain countries.

To address these pressures, Alhokair worked with landlords to negotiate rent relief, managed its staff costs by utilizing government relief programs, and reorganized staff to support specific sales channels. Once commercial activity returned, Alhokair ensured all stores complied with government regulations:

- Limits on the number of customers allowed into a store during a given time
- Mandatory use of personal protective equipment (PPE) by store personnel
- Provision of hand sanitizing stations across all stores
- Increased frequency of disinfection and sanitization as well as closure of changing rooms
- Encouragement of contactless payment by credit or debit card
- Accommodating sick-leave and work-from-home policies (where possible) to protect staff and limit the risk of infection



### F&B

The F&B sector was severely affected by movement restrictions, which resulted in the complete closure of 213 outlets at the height of the crisis, representing more than 70% of the total number of stores. During the second and third quarter, F&B operations were restricted to take away, pick-up and delivery services. This had an estimated 75% impact on annual sales.

Alhokair looked at a number of different ways to retain traffic and generate revenues. The key focus was on building off-premises business, on growing the in-house and 3rd party delivery, and on planning to add drive-thru capacity in order to sustain sales.

Since F&B outlets have recommenced operations, Alhokair has ensured compliance with all necessary health and safety requirements and accelerated its capacity to exploring new business models and store ecosystems, like expanding into ghost kitchens, new stores concepts such as drive-thru and street-side locations, and into new points of distribution. The F&B unit also began to construct central kitchens throughout the Kingdom to improve logistical efficiency and reduce costs. This has also enhanced relationships with delivery aggregators to mitigate the impact from any potential downturn in mall footfall.

### Digitalization & Online

During the year, Alhokair accelerated its online growth and digital capabilities, and worked on enhancements to its supply chain, inventory and distribution models to better serve customers online. With the pandemic disrupting normal business operations, it was imperative to expedite our digitalization plans which supported the company to partially offset foregone sales from the closure of our stores. FY-21 online sales surged recording a 183% LFL growth. Alhokair also accelerated the rollout of its ecommerce platform, having secured the rights to over 90% of its brand portfolio and added 9 mono brand sites to reach 12 by end of FY21 whilst expanding its reach through marketplaces like Namshi and Noon/Sivvi. In line with its transformation strategy, an important milestone was the March 2021 acquisition of a minority stake in the Vogacloset ecommerce platform, strengthening Alhokair's online presence, and contributing directly to an omnichannel ecosystem that will play a critical role in making the business model more resilient.

### Head office

For head office operations, and 50% capacity limit was introduced, providing for flexible working hours and working from home options, and vaccines offered onsite.

Throughout the year, the safety of customers and employees remained the first priority. Measures were taken including availability of PPE and protective screens for all staff, reconfiguration of store access to reduce contagion, work shift adaptation, and tele-working for staff where possible.

## Safeguarding the Company's financial position

Alhokair set in place a wide range of cost rationalization measures, as well as actively addressing balance sheet risk to limit exposure and clean up issues with receivables and inventory management. The Company was successful in securing accommodative rent relief agreements with primary landlords, including waivers on contractual base rent and service charges for an average of 3-3.5 months. Alhokair also accessed Saudi government support through the SANED program, an unemployment insurance program mandatorily applied to all Saudi workers in the private sector. The program covered up to 60% of salaries for 70% of Alhokair staff, affording a margin of flexibility as the Company looked to execute rapid operational recovery.



# 03

## STRATEGIC & BUSINESS REVIEW



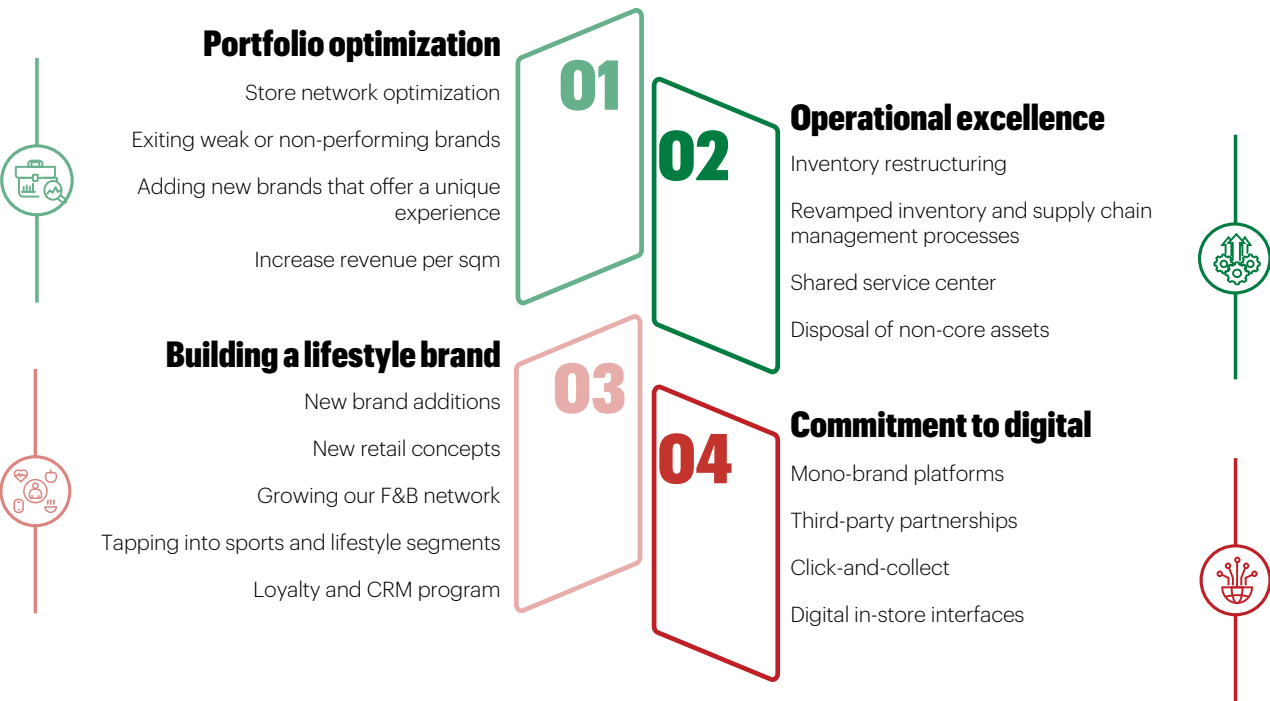


# STRATEGIC REVIEW

Alhokair’s strategic vision is to be the lifestyle retailer of choice. The strategic vision is based on four key themes, each of which are enabled by our operational upgrade strategy.



## Key strategic pillars



## How did we perform against our strategic priorities?

### Portfolio optimization

#### Store fleet rationalization

- Between April 2020 and March 2021, a total of 235 retail stores were closed, with 94 opened, resulting in a net decrease for the retail portfolio of 141.
- In F&B, 35 outlets were opened and 29 were closed, resulting in a net increase of 6 outlets.

#### Exiting selected international operations

- Alhokair has committed to fully exiting its US operations by June 2021, and its Balkans operations by September 2021, thereby terminating exposure to non-core, non-performing international assets.

### Operational excellence

#### Streamlining processes

- Full transition to Oracle V16 inventory management system in all operating countries; integration and testing in Q1 FY22 and staged roll out planned over the next 9 to 12 months.
- Introduction of enhanced inventory management and shrinkage policies, including detailed workflows.
- Updated policies for management of ageing and terminal inventory.

#### Investing in human capital

- Engaged external consultant to introduce Long Term Incentive Plan (LTIP) for executives, aligning performance with shareholder value creation.
- Continuous reinforcement of management team.
- Saudization levels at 71% for FY21, equivalent to Platinum Nitaqat status, with reaffirmed commitment to continual professional development and career opportunities.

### Building a lifestyle brand

#### Diversified portfolio growth

- Strong progress on increasing the breadth and depth of the brand portfolio, with 89 brands on board in FY21, compared to 91 in FY20.
- Key brand acquisitions included Decathlon, Public Desire, Marie France; and F&B brands including Decathlon.
- March 2021 acquisition of Vogacloset significantly increased indirect exposure to top international brands.

#### New categories

- New categories added to the brand portfolio in FY21 included athleisure, beauty and cosmetics, gadgets, and multimedia.

#### Rebranding

- Alhokair is in the process of developing a new and differentiated brand identity.

### Commitment to digital

#### A growing online footprint

- Vogacloset acquisition brings a leading regional online fashion platform to the Alhokair omnichannel ecosystem, significantly enhancing brand portfolio, digital capabilities and customer reach.
- New multi-brand platform 'Antum' launched in Q3-FY21, offering a number of leading brands. Antum brands will eventually migrate to Vogacloset.
- 9 mono-brand platforms launched during FY21, bringing total number to 12.

#### Developing value-added experiences

- Alhokair commenced work on the development of a digital CRM and customer loyalty program, to be launched in FY22, bringing the retail offer in line with international best practice.
- Other initiatives in the pipeline include a consumer finance offering, which will further enhance customer acquisition and retention.

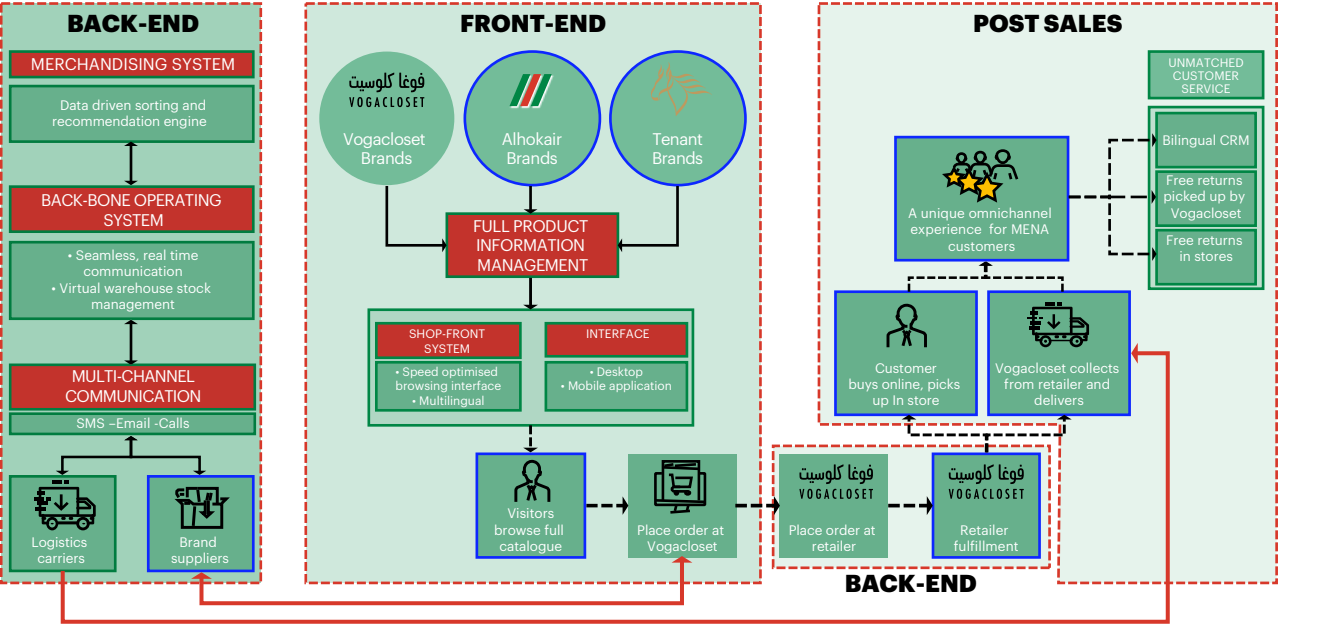


\* Image from the signing ceremony.

## Spotlight: Vogacloset acquisition - An Enriched, Integrated Omnichannel Ecosystem

In March 2021, Alhokair, together with Arabian Centres, announced that it would acquire a majority stake in the UK-based online fashion retailer Vogacloset. The acquisition of a sizeable and profitable regional ecommerce player with 12 million active users across the MENA region, was a milestone for Alhokair’s strategy, and a vital step in widening the reach and deepening the capabilities of our omnichannel offer.

The acquisition does more than simply combine our brand portfolios. It provides all stakeholders with an integrated and enriched ecosystem that brings the most powerful features of Alhokair’s front-end infrastructure together with the back-end and after-sales agility of the Vogacloset network. The enriched ecosystem is explained below.



# BUSINESS REVIEW

Alhokair is the leading franchise retailer in Saudi Arabia, operating more than 1,739 retail stores and F&B outlets across the Kingdom and in 11 international markets. During FY21, the Company continued to grow and diversify its brands, with a portfolio of 89 international and local brands in fashion, beauty, sports, multimedia, and food and beverage. During the year, Al Hokair added three new brands in the fashion and food & beverage sectors and opened a total of 94 new stores.

The business continued to focus on growing and diversifying its retail offer into a lifestyle experience, by building an omnichannel footprint

and expediting its digital integration program in domestic and international markets. In line with these efforts, Alhokair acquired a stake in Vogacloset, MENA's leading online fashion portal.

The Company remains Saudi Arabia's largest employer in the retail industry with 8,606 employees in the Kingdom and a total headcount of 11,125. During the year, the Company relocated its headquarters to its new offices at U-walk (University Avenue) in King Saud University District – Riyadh. The new headquarters is equipped with the latest amenities and technologies to ensure the best working environment for employees.

## 1. Business Segment Review

### 1.1 Description

#### 1.1.1 Saudi Arabia Retail

Alhokair is the leading franchise retailer in Saudi Arabia with 1,120 stores as of FY21.

In Saudi Arabia, the portfolio comprises 89 brands across fashion, multimedia, and beauty & cosmetics. In fashion, Alhokair caters to young and trendy demographics offering various options for economy, fast fashion, and high street brands from Inditex such as Zara, Stradivarius, Bershka, Lefties, Massimo Dutti, and other global brands including Mango, ALDO, Newyorker, Gap, Ipekyol, and others. The Company also covers the footwear, accessories, kids' wear and intimate apparel segments. Beauty and cosmetics is an expanding segment with the Company currently operating 8 brands. In multimedia & electronics, Alhokair is the operator of Aleph Apple Premium Reseller, Alhokair's Apple retail business in the Kingdom.

#### 1.1.2 International Retail

As of FY21, the Company currently operated in 11 countries outside of Saudi Arabia: Egypt, Jordan, Kazakhstan, Azerbaijan, Georgia, Armenia, Serbia, Macedonia, Montenegro, Morocco, and the USA.

As of FY21, Alhokair operated 318 stores internationally across 37 fashion brands.

#### 1.1.3 Food and Beverage

In Q1-FY21, Alhokair's acquisition of F&B operator Innovative Union Company ("IUC"), a 10-brand F&B franchise portfolio, was formally concluded, strengthening the Company's exposure to the Kingdom's lucrative and fast-growing F&B sector. Including global brands such as Cinnabon and Seattle's Best Coffee, the acquisition brings an additional 200 locations to Alhokair's F&B portfolio and leverages the Company's existing relationships with landlords and shared central services.

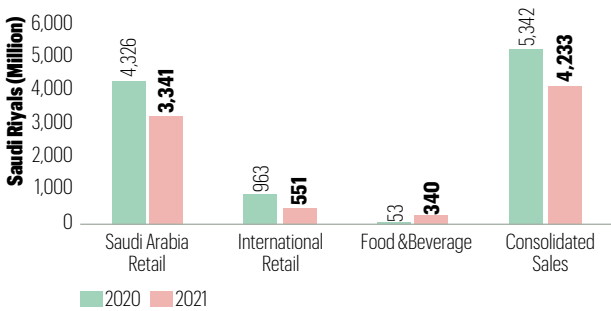
#### 1.1.4 Ecommerce

Alhokair operates a series of monobrand online platforms for Tier 1 brands. The Company also offers a variety of its products through several online marketplaces like Namshi and Mumzworld.



## 1.2 Financial Performance

### Sales by Segment



Consolidated top line performance was impacted by containment measures and the economic slowdown resulting from the Covid-19 pandemic, an increased VAT rate, and the closure of unprofitable stores. Total FY21 sales were SAR 4,233 million, a 21% decrease compared with FY20, resulting mainly from the containment restrictions imposed in response to Covid-19.

#### 1.2.1 Saudi Arabia Retail

Total sales from Saudi Arabia retail reached SAR 3,341 million, decreasing by 23% year-on-year. Like-for-like sales also declined 27% on the back of closure of stores in response to government directives related to Covid-19 precautionary measures, and the suspension of religious tourism. Full-scale lockdowns were followed by the gradual re-opening of stores, reduced capacity in malls, and a limited number of religious pilgrims in line with government directives.

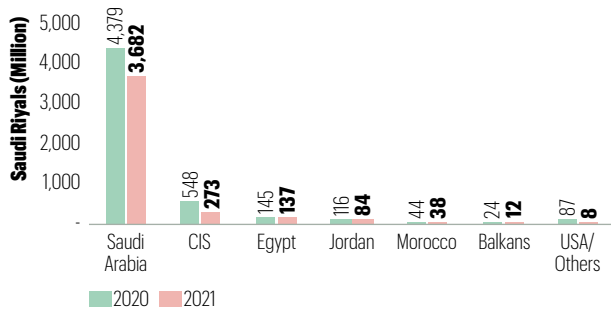
#### 1.2.2 International Retail

FY21 sales in international markets were SAR 551 million, decreasing by 43% year-on-year. The decline in the top line resulted from the closure of stores due to the first and second waves of the Covid-19 virus, and thereafter the partial reopening of stores.

#### 1.2.3 Food & Beverage

The F&B sector was severely affected by pandemic-related movement restrictions, which resulted in the complete closure of 213 outlets at the height of the crisis, representing more than 70% of the total number of stores. During the second and third quarter, F&B operations were restricted to take-away, pick-up and delivery services. This had an estimated 75% negative impact on annual sales. Total sales for FY21 reached SAR 340.3 million, a decrease of 545% year-on-year.

### Sales by Geography



#### 1.2.4 Ecommerce

Online sales in FY21 came in at SAR 218 million, increasing by 408% year-on-year. The increase in online sales was driven by the expansion of Alhokair's digital footprint, and consumers' preference for online shopping in response to movement restrictions related to Covid-19.

## 2. Expansions and Risks

### 2.1 Expansions

#### 2.1.1 Saudi Arabia Retail

During FY21, Alhokair opened 46 stores across the various brands. In fashion, the Company has a strong geographical presence across the Kingdom and remains keen on penetrating new territories to have a complete market coverage.

Aleph Apple Premium Reseller, Alhokair's Apple retail business in the Kingdom, performed very strongly, with the rollout of new locations. The Company opened 2 new branches during the year.

Alhokair has recently tapped into the sports segment with the acquisition of the Saudi franchise rights for Decathlon. The first flagship Decathlon store opened in Jeddah in Apr2021 over 3,358 sqm. Decathlon is a French sporting goods retailer, with over 1,647 stores in nearly 1,000 cities in 57 countries and regions, making it the largest sporting goods retailer in the world. Decathlon Group markets its products under more than 20 brands and 80+ sports. In the beauty segment, skincare was the most dynamic category and continued to build on positive momentum in FY21.





## 2.1.2 International Retail

Alhokair remains committed to strategic growth in international markets, particularly Kazakhstan, Azerbaijan, Georgia, Armenia, Egypt and Jordan, and continues to invest in renovating its stores in these markets, and adding new brands and locations.

Meanwhile, there are international markets that the Company is in the process of exiting. Management aims to exit its operations in both the USA and the Balkans before end of FY22. During the year, the Company opened 13 new locations.

## 2.1.3 Food & Beverage

During the year, Alhokair expanded its F&B portfolio to 13 brands across 301 locations across the Kingdom.

## 2.1.4 Ecommerce

Alhokair rolled out 9 new monobrand online platforms for Tier 1 brands in FY21 – Stradivarius, Bershka, Pull & Bear, Oysho, Aldo, Mango, Okaidi, Oxxo, and Aleph. This brings the Company's total number of monobrand platforms launched to date to 12 online stores. Additionally, 3 Zara online monobrand stores launched in Armenia, Azerbaijan, and Georgia during the year.

The Company also signed an agreement to purchase 39,253 shares of Vogacloset Ltd., which represents (25.5%) of the share capital after increasing it under the acquisition agreement. Vogacloset Ltd. is the owner and operator of the website www.vogacloset.com. Alhokair's investment in an online fashion and beauty platform of Vogacloset's reach and track record in the Middle East, and in Saudi Arabia specifically, is a significant milestone in the Company's transformation. Through Vogacloset's platform, the Company will introduce a range of brands online that is unmatched in the Saudi retail space, addressing its growing customer demand for a genuinely omnichannel experience, and giving its brands extended online reach.

## 2.2 Risks related to the Company's business

### 2.2.1 Underperforming Brands

Alhokair selects new brands based on rigorous due diligence with the aim to bring a product offering that is trendy, progressive, and in line with the fast-changing lifestyles of customers. As such, and prior to

any commitment with any new brand, the Company performs a feasibility study which is constantly evaluated after acquiring the franchise rights. As part of its strategic and ongoing portfolio optimization, Alhokair is continuously evaluating its brands and exiting those that are not in line with the operational upgrade strategy designed to support its growth ambitions. As such, the Company has exited 7 brands during FY21 and ended the year with a diversified portfolio of 89 brands.

### 2.2.2 Unprofitable Stores

The Company prepares a detailed profit and loss study on a monthly basis for each brand name in each branch and region. These reports show sales, cost of sales and selling expenses according to each brand and store. However, some stores may not achieve expected results due to external factors such as changes in market conditions and customer behavior. To support the growth ambitions intended by the operational upgrade strategy, the Company elects to close unprofitable stores. During FY21, Alhokair closed a total of 235 showrooms in Saudi Arabia and internationally.

### 2.2.3 Excess Inventory

During FY21, Alhokair performed aggressive inventory restructuring as part of its operational excellence efforts. Management continued to rationalize inventory balances and progress toward reaching optimal inventory levels through an aggressive action plan:

- **Systems:** Streamlined three different ERPs into one comprehensive ERP - Oracle V16 Inventory Management System - for all operating countries. The integration is happening in phases with full migration to one ERP expected to be completed by Q4 FY22.
- **Policies and Procedures:** Developed and drafted with an independent external advisor updated policies and procedures including workflows to all touchpoints. These included a shrinkage, stock policy defining accountability of stock shortage, allowing maximum exposure of 2% of sales.
- **Logistics:** Working on consolidating three different warehouses into one single location.
- **Focus on Retail Merchandise Planning:** Going forward, management will focus on its retail merchandise planning to create an efficient supply chain strategy that ensures increased inventory turnover, lower carrying costs, and ultimately lower terminal stock.

## 2.2.4 Risks related to expansions

Alhokair's growth strategy includes increasing the number of branches and diversifying the brand names it offers in Saudi Arabia and internationally. The Company's ability to manage this expansion depends on its ability to apply uniform operational, financial and information management systems. In addition, it is dependent on its capacity to train, motivate and manage its human resources to contribute to achieving the Company's goals. Given that future financial performance may be affected if a specific expansion did not achieve the desired results, Alhokair is keen to adopt best-in-class technology to ensure seamless operations across its business. Furthermore, the Company attracts human resources with expertise in new markets that it enters and is continuously working to achieve efficient communication with all its external branches.

## 2.2.5 Competition

Risks exist from competition in the market, but the Company does not consider these risks to be significant. Alhokair has forged strong and long-lasting relationship with all its trade partners, who are aligned on the Company's strategy. As such the Company believes that minimal risk exists in respect to the termination of any of its international franchises. Furthermore, the Company firmly believes that it is properly positioned through its diversified portfolio, its store fleet, and expanding online presence to maintain a leadership position in Saudi Arabia and the international growth markets that it operates in.

## 2.2.6 Fluctuating currency exchange rates

The fluctuation of the exchange rate of the Saudi riyal against foreign currencies directly affects the costs and profits of products, as the Company's business includes purchases of goods that are paid for in currencies other than the Saudi riyal, such as the euro. The Company hedges part of the risks resulting from exchange rate fluctuations in relation to KSA Inditex purchases, which partially limits the potential impact on the Company.

## 2.2.7 Human Capital

Alhokair depends on the capabilities and expertise of its executive management, business unit heads, back office and all branch personnel. Given that Alhokair employs over 11,125 employees across the various markets it operates in, it is crucial to the business to retain key personnel. As such, the Company has introduced various incentive schemes for all branch employees. Moreover,

it is considering a "Long Term Incentive plan" for executive management and key personnel. Furthermore, Alhokair is committed to the "Nitaqat" program initiated by the Saudi Ministry of Human Resources and Social Development and is currently looking to attract qualified Saudi employees. It is worth noting that by FY21-end, Alhokair's Saudization percentage exceeded 70% inside the Kingdom.

## 3. Future Outlook

Alhokair is keen on expediting its strategy to transform into a lifestyle destination by diversifying and expanding its retail portfolio into new categories. The Company is also expanding its omnichannel footprint and expediting its digital integration program.

### 3.1 Saudi Arabia Retail

In fashion, Alhokair will continue to expand its Inditex stores with 16 new locations expected in FY22 and will roll out a pioneering technological strategy whereby RFID technology will be in place across all Inditex stores by Q3- FY22. I-POD sales was introduced in ZARA in early Q1 FY22 to further enhance its customers' omnichannel shopping experience. The Company inaugurated the first stores in prime locations in Riyadh of both Marie-France and Bizou in April 2021. The plan is to open 6 additional new stores in 2022.

The first global brick & mortar store of the online-only Public Desire is expected to open in June 2021 in Nakheel Mall.

Alhokair continued to strengthen its electronics offering in the Kingdom, rolling out new Aleph Apple Premium Reseller with four new locations added by early May 2021. The total number of Aleph stores is expected to reach 20 stores over the course of the next 18 months. Within the same category of electronics and multimedia, the Company announced In April 2021, that it has signed a franchise agreement with Fnac Darty ("Fnac"). Fnac Darty is a leading European electronic and cultural retailer in Europe, with 908 international stores and 346 franchises. Set to open doors in 2022, the first Fnac store in the Kingdom will bring an elevated experience-driven retail environment, and showcase multi-brand consumer electronics, household appliances, stationery, books, cultural and lifestyle products, and value-added services. Following the opening of Decathlon's first store, Alhokair will open two more stores in Riyadh in 2021. In May 2021, the Company announced that

it has signed a franchise agreement with Alo Yoga. Alo Yoga is a world-renowned US-based yoga and athleisure brand, offering a vibrant collection of high-quality yoga clothing and accessories. The franchise agreement with Alhokair is Alo Yoga's first outside the United States, with its debut mall outlet set to open in Riyadh's Kingdom Centre by Q4 2021. Alhokair continues to diversify its product offering in the athleisure space to meet rising demand for comfortable, functional, and fashionable clothing, and to cater to the increasingly healthy and active lifestyles of consumers in Saudi Arabia.

The Company is also expanding into the "variety store" segment with its latest franchise agreement with Flying Tiger Copenhagen. Flying Tiger Copenhagen is a popular Danish variety retailer, with 900 stores in 27 countries. Flying Tiger Copenhagen is known for fun utilitarian products and DIY craft concepts offered at value-for-money price points, created to award-winning Danish design standards, and ranging from toys and accessories to stationery and gadgets. The agreement with Alhokair is the first such franchise for Flying Tiger Copenhagen in the Middle East. Starting in 2022, Alhokair and Flying Tiger plan to open 45 stores in 5 years in Saudi Arabia, with 9 outlets and an online store operational in the first year.

3.2 International Retail

In fashion, Alhokair plans on migrating new brands to international markets such as Lefties and Marie-France which is expected to open in CIS and Jordan, respectively. Overall, the Company is expected to open 21 new stores in international markets during FY22.

The beauty & cosmetics segment shows very promising potential, and the Company is committed to participating in its growth by expanding the segment in Saudi Arabia and internationally. It is one of the fastest recovering segments since the Covid-19 crisis. During May 2021, Alhokair opened its first Kiko Milano store in Georgia, with plans to open an additional two stores there during 2021. Additionally, the Company is working on expanding the footprint of Kiko Milano to Morocco and Azerbaijan during FY22.

3.3 Food and Beverage

The food and beverage (F&B) segment is a key pillar in Alhokair's portfolio optimization strategy. As such, management is keen to grow the F&B business by opening new branches, on-boarding new brands, expanding its digital footprint and entering into sub-franchise agreements. For the coming year, management is targeting to

rollout around 45-50 new branches, specifically for Cinnabon and Mamma Bunz. It will also continue to expand the footprint of its home-grown concept "Shawarma Al Muhalhel". Furthermore, the Company is expecting to expedite the expansion of its store network for existing brands like Cinnabon, Mamma Bunz, Crepe Affaire, and Shawarma AlMuhalhel through the sub-franchise model. Alhokair has already signed 4 sub-franchise agreements for Cinnabon, with a 38-store commitment and a roll-out plan to reach 150 stores in 5 years.

In line with its diversification strategy and its aim to add unique brands to the existing portfolio, management is looking to onboard various casual dining concepts, through franchising, acquisition and developing home-grown concepts during FY22.

3.4 Ecommerce

Alhokair's aim is to continue strengthening its ecommerce presence and operating structure, while introducing omnichannel services to consumers. The expansion will see 16 new monobrand sites in Saudi Arabia including Decathlon, Alo Yoga, LC Waikiki, and Uterque. Furthermore, the Company plans to expand its digital footprint internationally by launching 15 new monobrand sites including Massimo Dutti in Georgia and Armenia, and Mango and Aldo across the CIS region and Egypt. Vogacloset will continue to grow brand presence from initial launch of 22 to a targeted 39 brands in Saudi. Additionally, Alhokair is looking at exploring the opportunity to integrate Alhokair franchise brands onto the Vogacloset platform in international territories.

3.5 Others

**Share Service Center:** As part of its operational excellence initiatives, Alhokair has finalized the selection of partners for the Shared Service Centre and the project is expected to launch by Q3 FY22.

The scope is split into three main categories: Offshore Outsourcing, Offshore Hosting, Local Outsourcing and will cover various functions from IT to Human Capital and Finance. The Company expects annualized cost savings of SAR 10 million starting FY23.

Partnering with specialized players will allow the Company to leverage its expertise to increase the efficiency of current operations and reduce headcount through process optimization and manual tasks automation. This will also allow Alhokair's team to focus on strategic initiatives by outsourcing transactional work.

Operating Environment: A Year of Challenges But Also A Chance To Unlock Opportunities

Economic conditions in MENA<sup>1</sup>

Middle East and North African economies were severely impacted by lockdowns as the Covid-19 pandemic took hold in the second quarter of 2020. Governments have since proceeded cautiously with resuming traditional economic activity, and growth for the region ultimately remains flat despite positive indicators, such as a relatively successful vaccine rollout in a number of countries. Real output for the region contracted by 3.8% in 2020, and the predicted rebound is unlikely to be impactful enough to bring economic activity to levels experienced in 2019. Public debt is also expected to rise significantly across MENA countries, from 46% of GDP in 2019, to 54% of GDP by the end of 2021.

In particular, oil-exporting countries were left exposed following the double impact of the pandemic, resulting in a sharp decline in oil demand and prices, which dipped to historical lows, unlike any experienced in recent memory, and have only partially recovered in 2021. Mitigating the effects of the pandemic required significant fiscal stimulus to balance out substantial damage to the single-most important source of revenues for most Gulf economies. There was some relief for the adverse impacts of the pandemic, in the form of lower borrowing costs as interest rates approached zero across the board. In the short-term, public vaccination schemes present the best opportunity to reduce the risk of a prolonged economic crisis.

Overall, the year saw weakened remittances, tourism and trade across regional markets, with few exemptions. These pressures will continue to stunt the rate of recovery for the region in the medium term, with recovery expected to begin in earnest in 2022.

The Saudi economy<sup>2</sup>

Saudi Arabia's economy continues to face sustained pressure as a result of the pandemic,

however there are green shoots of economic activity indicating that recovery is on the horizon. The relevant authorities across the Kingdom are beginning to unlock the more stringent public health measures, including travel restrictions and border closures, enabling a pick-up in activity once more. GDP in Saudi Arabia contracted by 4.1% in 2020, led by oil-production cuts, however the Kingdom saw moderate growth in the second half of the year, registering 1.8% and 2.8% growth in the third and fourth quarters, respectively.

Despite a range of initiatives to boost non-oil economic activity in the Kingdom and diversify into other sectors, the petrochemicals industry continues to drive the lion's share of market activity. Due to historical overreliance on the sector to support the economy, the Kingdom has acutely felt the impact of reduced exports, which weigh heavily on macroeconomic performance. The revival in global oil-based activity and improved supply through in 2021, as well as the OPEC+ agreement, gave renewed vitality to the Kingdom's economy and a floor from which to pick up from following the private sector challenges created by the pandemic. The tripling of VAT weighed heavily on consumers, along with the suspension of living cost allowances, which considerably reduced disposable income available to families. Household consumer spending remains muted, with many still adjusting to increased taxation, creating additional pressures.

In 2021, the economy is expected to achieve modest 2.4% growth, driven by increased energy demands and more positive non-oil indicators.

The Saudi retail sector

In 2020, the retail sector in Saudi Arabia was presented with a myriad of challenges that created significant pressure, along with opportunities that required flexibility and agility. Lockdowns created massive downward pressure on footfall at physical retailers, severely impacting sales volumes.

<sup>1</sup> The World Bank, MENA Economic Update - April 2021  
<sup>2</sup> The World Bank, Saudi Arabia Economic Update - April 2021



E-commerce has been steadily growing in recent years, as the pace of technological advancement and integration into daily life has become more seamless, and the pandemic has acted as a catalyst to speed up the rate of adoption. Leading retailers were forced to respond to the public health crisis and related store closures, to ensure losses could be recuperated at a later date while cutting costs as far as possible. Consolidation and unification of brands became a key theme to address this need.

According to KPMG research<sup>3</sup>, the retail segment, on a global level, is undergoing “4 key paradigms shaping the future of the industry”: 1) evolving business models, 2) the importance of purpose for consumers, 3) rethinking the costs of doing business, and 4) the importance of customer choice. Digitization of assets is the most significant driver for Alhokair, with the key priority to integrate as much as possible of the business onto digital platforms, to deliver a genuinely omnichannel retail experience, thereby driving positive sales momentum and building on the strides made in 2020-21.

In terms of outlook, there are positive signs that retailing in Saudi Arabia will benefit from a new wave of tourism once regulations on international travel become more relaxed. Mega- and giga-projects in the Kingdom are likely to provide fresh stimulus for the retail sector more generally, given the creation of new hubs for living and doing business, while recent legislation that encourages foreign firms to be headquartered in Saudi Arabia may also provide a boost.

Most recently, the Ministry of Labor has begun to explore deeper Saudization of important economic sectors, including retail. This presents an exciting and compelling opportunity for Alhokair to contribute to the growth of the sector, the development of the Saudi workforce, and to help shape its evolution in the coming years.

Vision 2030 and its impact on retail

Saudi Arabia is well underway with its comprehensive economic reforms, targeting diversification and the objective of making the Kingdom a thriving international hub for business and living. There are numerous Vision Realization Programs that will completely overhaul how business is done in Saudi Arabia, giving renewed vitality to many of the industries that operate there. Improving the ease of doing business will be an important factor for attracting new brands to the Kingdom, therefore bolstering Alhokair’s franchise portfolio, and in so doing creating a more dynamic local lifestyle retail experience.

From a societal perspective, the Vision 2030 program seeks to empower women in joining the workforce, which both diversified the local retail workforce and creates greater disposable income for families to feed back into the retail sector.

As the Saudization program progresses, the retail industry will welcome an influx of new Saudi talent to create exciting opportunities for professional development across a wide range of roles. There is a compelling opportunity to foster strong work ethics and develop skills that will enrich the future of the Saudi retail sector.

In tandem with the anticipated boost to post-pandemic tourism, the retail sector is likely to experience a longer-term fillip for retail spending, as a result of significant infrastructure develops currently underway. Multi-use destinations, and mega projects such as Neom, Amaala and the Red Sea Project, will help to drive the further evolution and growth of the retail sector, in line with the Government’s ambitions for the national economy.

3 KPMG, Global retail trends 2020 – preparing for the new reality – May 2020







# 04

## GOVERNANCE





## 1. Financial performance

### 1.1 Financial highlights for the last five years

#### Consolidated Balance Sheet

(000 Saudi Riyal)	As at March 31				
	2021	2020	2019	2018	2017
Cash and cash equivalents	467,592	686,456	516,394	330,635	364,831
Inventories	1,152,442	1,655,553	1,927,502	1,774,117	1,734,793
Prepaid expenses and other receivables	593,425	713,780	1,110,113	1,168,944	1,191,758
<b>Total current assets</b>	<b>2,213,460</b>	<b>3,055,789</b>	<b>3,554,009</b>	<b>3,273,696</b>	<b>3,291,382</b>
Equity investments in companies	304,623	235,430	452,059	313,426	276,749
Due from the exclusion of its subsidiaries	-	75,000	75,000	225,000	280,000
Property, equipment and investments, net	1,327,472	1,514,310	1,752,363	2,045,787	1,903,672
Other intangible assets	4,513,172	5,137,541	873,752	877,090	887,436
<b>Total non-current assets</b>	<b>6,145,267</b>	<b>6,962,281</b>	<b>3,153,174</b>	<b>3,461,303</b>	<b>3,347,857</b>
<b>Total assets</b>	<b>8,358,727</b>	<b>10,018,070</b>	<b>6,707,183</b>	<b>6,734,999</b>	<b>6,639,239</b>
Murabaha financing and short-term loans	819,584	759,723	761,669	1,275,915	2,078,050
The current portion of Murabaha and term loans	802,856	646,748	-	-	-
Trade & other payables	1,032,197	945,335	1,350,470	1,249,308	1,113,106
<b>Total current liabilities</b>	<b>2,654,638</b>	<b>2,351,806</b>	<b>2,112,139</b>	<b>2,525,223</b>	<b>3,191,156</b>
Murabaha financing and term loans	2,304,451	2,423,747	2,100,502	1,922,121	1,229,652
End of service benefits	110,468	101,619	83,665	102,925	116,333
Accrued rents	2,837,596	3,611,204	-	-	-
<b>Total non-current liabilities</b>	<b>5,252,515</b>	<b>6,136,570</b>	<b>2,184,167</b>	<b>2,025,046</b>	<b>1,345,985</b>
Capital	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000
Statutory reserve	-	205,816	205,816	191,342	180,993
Foreign currency translation reserve	(510,643)	(579,002)	(613,275)	(525,469)	(532,892)
Fair value reserve	-	-	161,042	-	-
Retained earnings	(1,037,813)	(112,250)	623,916	482,419	365,151
<b>Total equity</b>	<b>551,544</b>	<b>1,614,564</b>	<b>2,477,499</b>	<b>2,248,292</b>	<b>2,113,252</b>
Non-controlling interest	(99,970)	(84,870)	(66,622)	(63,562)	(11,154)
<b>Total liabilities and equity</b>	<b>8,358,727</b>	<b>10,018,070</b>	<b>6,707,183</b>	<b>6,734,999</b>	<b>6,639,239</b>

\* Certain comparative figures have been reclassified to conform to the presentation in the current period

#### Consolidated Income Statement

(000 Saudi Riyals)	Fiscal year ended March 31				
	2021	2020	2019	2018	2017
Revenue	4,232,513	5,341,789	5,425,803	6,116,517	6,691,660
Cost of revenue	(4,320,814)	(4,933,944)	(4,341,306)	(4,901,897)	(5,174,586)
<b>Gross profit</b>	<b>(88,301)</b>	<b>407,845</b>	<b>1,084,497</b>	<b>1,214,620</b>	<b>1,517,074</b>
Operating expenses	(869,965)	(757,582)	(766,035)	(912,914)	(924,284)
<b>Operating profit/loss</b>	<b>(958,266)</b>	<b>(349,737)</b>	<b>318,462</b>	<b>301,706</b>	<b>592,790</b>
A share of the profits of associated companies	(20,213)	(49,471)	(18,003)	0	(8,957)
Finance charges	(354,956)	(451,512)	(200,938)	(180,808)	(167,089)
Other revenue, net	270,892	217,209	93,847	12,221	76,599
Loss from discontinued operations after deduction of tax	0	0	0	(1,054)	(42,733)
Profit before zakat	(1,062,543)	(633,511)	193,368	132,065	450,610
Zakat and taxes	(46,083)	(47,642)	(55,318)	(42,762)	(30,744)
<b>Profit/Loss for the year</b>	<b>(1,108,627)</b>	<b>(681,153)</b>	<b>138,050</b>	<b>89,303</b>	<b>419,866</b>
Profit/Loss for the year is attributable to:					
Shareholders of the company	(1,090,753)	(656,257)	144,748	103,489	425,362
Non-controlling interests	17,873	24,896	6,698	14,186	5,496
	<b>(1,108,627)</b>	<b>(681,153)</b>	<b>138,050</b>	<b>89,303</b>	<b>419,866</b>

\* Certain comparative figures have been reclassified to conform to the presentation in the current period



## 1.2 Comparing activity results with the previous year

### Consolidated income statement

(000 Saudi Riyals)	Fiscal year ended March 31			
	2021	2020	The change	Percentage of change
Revenue	4,232,513	5,341,789	(1,109,276)	-20.77%
Cost of revenue	(4,320,814)	(4,933,944)	613,130	-12.43%
<b>Gross profit</b>	<b>(88,301)</b>	<b>407,845</b>	<b>(496,146)</b>	
Operating expenses	(869,965)	(757,582)	(112,383)	14.83%
<b>Operating loss</b>	<b>(958,266)</b>	<b>(349,737)</b>	<b>(608,529)</b>	<b>174.00%</b>
A share of the profits of associated companies	(20,213)	(49,471)	29,258	-59.14%
Finance charges	(354,956)	(451,512)	96,556	-21.39%
Other revenue, net	270,892	217,209	53,683	24.71%
Profit before zakat	(1,062,543)	(633,511)	(429,032)	67.72%
Zakat and taxes	(46,083)	(47,642)	1,559	-3.27%
<b>Loss for the year</b>	<b>(1,108,627)</b>	<b>(681,153)</b>	<b>(427,474)</b>	<b>62.76%</b>
Loss for the year is attributable to:				
Shareholders of the company	(1,090,753)	(656,257)	(434,496)	66.21%
Non-controlling interests	17,873	24,896	(7,023)	-28.21%
<b>Earnings per share (in Saudi Riyals)</b>				
From profit from business	(4.56)	(1.67)	(2.89)	173.24%
Of net profit	(5.20)	(3.13)	(2.08)	66.13%

## 1.3 Analysis of financial results and deviations

The Company's revenues decreased by 20.8% to record 4,233 million Saudi riyals during the fiscal year 2021, compared to 5,341 million Saudi riyals during the fiscal year 2020. This decrease is due to the emerging of Covid-19 pandemic and the precautionary measures related to it.

The Company has closed all of its stores in the Kingdom starting from March 16, 2020 until April 26, 2020, based on the Saudi government directives to protect citizens and residents in order to contain the spread of the Corona virus. The closure included a number of countries in which the company owns stores and operates directly as well. These temporary closures resulted in incurred losses of 1,200 million Saudi riyals of sales during the first quarter of the fiscal year 2021.

After the end of the curfew period enacted by the government to contain the spread of the virus, there were other precautionary measures imposed that lead to a decrease in the number of visitors to malls during the fiscal year 2021 comparing to 2020. It is worth noting that the company has begun to witness a gradual recovery in the number of visitors and visitors to its network of shops and stores, especially in the Saudi market, as a result of the government's great efforts to intensify vaccination campaigns with the anti-Coronavirus vaccine. The company witnessed a 4.5% increase in the total revenues achieved during the second half of the fiscal year 2021 compared to the same periods in the fiscal year 2020, supported by the gradual recovery in the retail sector in the Kingdom, the growth of sales of electronic platforms via the Internet and the aggregation of the results of the food and beverage sector after Alhokair acquired the Innovative Union Company Limited at the end of the last quarter of the fiscal year 2020.

- The achieved retail sector revenues in the Saudi market amounted to 3,341 million Saudi riyals in the fiscal year 2021, compared to 4,325 million Saudi riyals in the fiscal year 2020, which represents an annual decline of 23% compared to the previous year, and this reflects the impact of the closure of related stores due to the pandemic of the emerging Covid-19 pandemic.
- The achieved revenues of the food and beverage sector amounted to 340 million Saudi riyals during the fiscal year 2021, compared to 53 million Saudi riyals in the fiscal year 2020, as the result of the food and beverage sector were compiled starting from the end of the last quarter of the fiscal year 2020 (Innovative Union Company Limited). It is worth noting that despite the opening of shopping centers, the food and beverage sector is still operating with a limited capacity within cafes and restaurants.
- The Company's revenues from international operations amounts to 551 million Saudi riyals during the fiscal year 2021 compared to 963 million Saudi riyals in the fiscal year 2020, which represents an annual decline of 43% compared to the previous year, as this reflects the negative impact of the emerging Covid-19 pandemic. In addition to the effect of re-closing its related stores due to the spread of the second wave of the virus in some countries in which the company conducts commercial activities during the year.
- The online sales conducted through the electronic platforms amounted to 218 million Saudi riyals during the fiscal year 2021, compared to 43 million Saudi riyals in the fiscal year 2020, and this represents an annual growth rate of 408%.
- The Revenues on a like-for-like basis decreased at an annual rate of 21% during the fiscal year 2021.

The Company's net loss amounted to 1,109 million Saudi riyals during the fiscal year 2021 compared to a net loss of 681 million Saudi riyals during the fiscal year 2020, which represents an increase in losses by 63%, while the loss per share of the net loss amounted to 5.2 Saudi riyals per share for the fiscal year 2021 compared to 3.13 Saudi riyals loss per share in the fiscal year 2020. The reasons behind the Company's losses during the current year are the following:

- Revenues were negatively impacted due to the emerging of Covid-19 pandemic and the subsequent precautionary measures that led the company to the company closure to all of its stores inside the Kingdom from March 16, 2020 AD to April 26, 2020 AD, based on the directives of the Saudi government to protect citizens and residents in order to contain the spread of the Corona virus. The closure included a number of countries in which the company owns stores and operates directly, in addition to the decrease in the number of visitors to commercial centers in general during the fiscal year 2021.
- Recording of exceptional costs, including provisions to write off inventory shrinkage, during the fiscal year 2021 amounting to 461 million Saudi riyals.



1.4 Analyzing the Company's revenue and its subsidiaries

The Company has achieved total revenues during the year amounted to 4,233 million riyals, of which revenues amounting to 3,682 million riyals from its activities within the Kingdom, while its subsidiaries outside the Kingdom achieved the equivalent of 551 million riyals. The following table shows the revenues from each subsidiary in detail:

The Company	Total sales (million riyals)	The percentage of sales
Fawaz Abdul Aziz Al-Hokair & Co.	711	16.79%
Al Wahida Equipment Ltd.	1,474	34.82%
Haifa Badi Al-Qalam & Partners International Trading	134	3.17%
Saudi Retail Limited	60	1.42%
Wahba Trading Ltd.	163	3.85%
Unique Technology Co.	183	4.32%
NESK for Commercial Projects	617	14.58%
Food and beverage sector	340	8.03%
Companies outside KSA	551	13.02%
Total	4,233	100%

2. Accounting standards

The Company has fully completed its transformation from the preparation of the consolidated financial statements by the accounting standards issued by the Saudi Organization for Certified Public Accountants to the international accounting standards.



3. Subsidiaries and their subsidiaries

The Company's name	The capital of the company Saudi riyal	Place of incorporation and activity	Activity	Ownership % for March 2021	Ownership % for March 2020
Haifa Badi Al-Qalam & Partners International Co. for Trade and its subsidiaries (1) (2)	(500,000)	Kingdom of Saudi Arabia	Wholesale and retail trade	100%	100%
Al Wuheida Equipment Company Limited and its subsidiaries (1) (3)	(1,000,000)	Kingdom of Saudi Arabia	Wholesale and retail trade	100%	100%
Saudi Retail Company Limited (1)	(500,000)	Kingdom of Saudi Arabia	Wholesale and retail trade	100%	100%
Wahba Trading Company Limited and its subsidiaries 1-4	(500,000)	Kingdom of Saudi Arabia	Wholesale and retail trade	100%	100%
Unique Technology Corporation	(50,000)	Kingdom of Saudi Arabia	Wholesale and retail trade	100%	100%
Retail Package Kazakhstan (5)	(3,436)	Kazakhstan	Wholesale and retail trade	100%	100%
Egypt Retail Group	(2,055,400)	Egypt	Wholesale and retail trade	98%	98%
Jordan Retail Group and its subsidiaries	(1,895,314)	Jordan	Wholesale and retail trade	95%	95%
Company NESK for commercial projects	(1,000,000)	Kingdom of Saudi Arabia	Wholesale and retail trade	100%	100%
Innovative union company (IUC)	(100,000)	Kingdom of Saudi Arabia	Wholesale and retail trade	100%	100%
Food Gate Company	(100,000)	Kingdom of Saudi Arabia	Wholesale and retail trade	70%	70%
Azal Restaurants Company	(100,000)	Kingdom of Saudi Arabia	Wholesale and retail trade	65%	65%
The first pizza company	(100,000)	Kingdom of Saudi Arabia	Wholesale and retail trade	51%	51%

- Investments in Haifa Badi Al-Qalam and its international trading companies, Al-Waheed Equipment Co., Ltd., and the Saudi Retail Company Ltd., and Wahba Trading Co., Ltd. are 95% owned by the company directly and 5% are mutually owned.
- Haifa Badi Al-Qalam and its global trading partners own directly and indirectly some subsidiaries operating in Georgia, Armenia, the United States of America, Morocco, the United Arab Emirates, the United Kingdom and the Balkans, in addition to other stagnant and inactive subsidiaries in the United Arab Emirates and the British Virgin Islands.
- Al Wahidah Equipment Company Limited owns directly and indirectly the subsidiary companies operating in Azerbaijan and the United Arab Emirates (the "INC" sign) in addition to other stagnant and inactive subsidiaries in the United Arab Emirates.
- Wahba Trading Company Limited owns directly and indirectly some stagnant subsidiary companies that are suspended in the Kingdom of Saudi Arabia and the United Arab Emirates.
- The Kazakhstan Group represents three facilities: the Kazakhstan Retail Management Company, the Kazakhstan Fashion Trading Company, and the Kazakhstan International Fashion Company.

4. Shares and debt instruments issued by subsidiaries

There are no stocks and debt instruments issued by the subsidiary companies.

5. Dividend policy

The general policy of distributing the company's annual net profits after deducting all general expenses and other costs is according to what is included in its articles of association as follows:

- A. Avoids (10%) of the net profits to form the company's statutory reserve, and the ordinary general assembly may decide to discontinue such retirement when the said reserve reaches (30%) of the paid-up capital.
- B. The Ordinary General Assembly, based on the proposal of the Board of Directors, to avoid a percentage of the net profits to form an agreement reserve set aside to support the financial position of the Company.
- C. The Ordinary General Assembly may decide to form other reserves to the extent that it achieves the Company's interest or ensures the distribution of fixed profits as much as possible to the shareholders, and the aforementioned association may also deduct from the net profits sums to establish social institutions for the company's employees or to help the existing ones from these institutions.
- D. A percentage representing (5%) of the paid-up capital of the company may then be distributed to the shareholders.
- E. Subject to the provisions stipulated in Article Twenty One of the Company's Articles of Association and the seventy-sixth Article of the Companies Law, a percentage of no more than (5%) of the remainder shall be allocated as a reward to the members of the Board of Directors provided that the entitlement to this bonus is proportional to the number of sessions that Every member attends it.
- F. The remainder may then be distributed to the shareholders as an additional share in the profits.

The Board of Directors, after obtaining an authorization from the Ordinary General Assembly, who renews annually may distribute interim dividends to the Company's shareholders on a semi-annual or quarterly basis, according to the controls of the competent authority.

5.1 Proposal to distribute the net profit for the year ended March 31, 2021

Statement	Saudi Riyal
The balance of retained earnings on March 31, 2020	(112,249,813)
Add:	
Losses for the financial year ending on 31/03/2021	(1,092,382,143)
Other comprehensive income / (loss)	(10,493,000)
Transfer from Statutory reserve	205,816,329
Acquisition of non-controlling interests in subsidiaries	(920,871)
Reclassification to Retained earnings	(27,583,292)
Deduct:	
Statutory reserve (10%)	0
Dividends proposed at the rate of ... riyals per share	0
Balance of retained earnings on March 31, 2021	(1,037,812,790)

6. Description of interests in the category of shares entitled to vote

There are no interests in the category of shares with eligibility to vote.



7. Description of interests, rights of option, and underwriting rights of members of the Board of Directors, senior executives, their spouses, and minor children in shares and debt instruments issued by the Company or its subsidiaries

There are no interests, option rights, and underwriting rights belonging to any of the members of the Board of Directors, the Company's senior executives, their spouses, and minor children in shares or debt instruments issued by the Company or its subsidiaries, other than what will be mentioned to the members of the Board of Directors in paragraph 15.5 of the report.

8. Loans against the Company and its subsidiaries and the amounts paid during the year

The Group signed a long-term Murabaha financing agreement with the National Commercial Bank as a Murabaha investment agent and a participant in Murabaha, with a facility amount of SAR 2,400 million and \$ 166,000 on March 1, 2020 AD. According to the terms of the agreement, the Murabaha facility will be for seven years. Murabaha financing is secured by order-issued bonds from the company. The payment is due in semiannual installments starting twelve months after the date of signing the agreement. The group used the full facility as on March 31 2020. This financing carries a commission according to the rates prevailing between banks in London (LIBOR) plus the annual profit margin agreed upon.

The details of these loans were as follows:

The donor	Duration of the loan	The principal amount of the loan	The loan amounts that were withdrawn during the year	Settlement of loans during the year	The loan balance is on 31/3/2021
Abu Dhabi Islamic Bank	12 Months	12,017,113	-	(12,017,113)	-
The National Commercial Bank	84 months	2,983,058,081	2,449,434	-	2,985,507,515
Bank Al Etihad - Jordan	12 Months	23,367,205	-	(5,074,922)	18,292,283
Riyad Bank	12 Months	15,028,682	3,541,520	(15,028,682)	3,541,520
West trade International Ltd	12 Months	149,998,571	-	(33,305,078)	116,693,493
Total		3,183,469,652	5,990,954	(65,425,795)	3,124,034,811

9. Description of debt instruments convertible into shares

There are no debt instruments convertible into shares issued by the Company.

10. Description of transfer or subscription rights

There are no transfer or subscription rights issued by the Company.

11. Description of the recovered or canceled debt instruments of the Company and its subsidiaries

There are no redeemed or canceled debt instruments for the Company and its subsidiaries.

12. Board of Directors

12.1 Composition of the Board of Directors and classification of its members

- The Company’s General Assembly, in its meeting held on Sunday 22 Shawwal 1438 AH corresponding to 16/07/2017 AD, approved the election of the members of the Board of Directors from among the candidates for the session that started from the date of the Assembly’s convening on 30/06/2020 AD, as follows:

Name	Nationality	Capacity	Membership status
Dr. Abdul Majeed Abdul Aziz Al Hokair	Saudi	Chairman of Board of Directors	Non-Executive
Mr. Sultan Abdul Aziz Al Hokair	Saudi	Vice President	Non-Executive
Mr. Ajlan Abdul Rahman Al-Ajlan	Saudi	Member	Independent
Mr. Tariq Saad Al-Tuwaijri	Saudi	Member	Independent
Mr. Bandar Suleiman Al-Ghafees	Saudi	Member	Independent
Mr. Fahad Salman Al Hokair	Saudi	Member	Non-Executive
Mr. Omar Abdul Aziz Al-Mohammadi	Saudi	Member	Non-Executive
Mr. Faisal Abdullah Al-Jedaie	Saudi	Member	Executive
Mr. Eid Faleh Al Shamry*	Saudi	Member	Independent

\* The Board of Directors of Fawaz Abdulaziz Alhokair Company has decided, in its session held on 24/02/1441 AH corresponding to 23/10/2019 AD, to appoint Mr. Eid Faleh Al Shamry as a Board Member (independent), provided that his membership in the Board will start as of 23/10/2019 AD.

The Board of Directors also agreed to accept the resignation of the member of the Board of Directors, Mr. Abdul Rahman bin Rashid Al-Rashed, in its session held on 19/03/2019 AD, to be effective as of 19/03/2019 AD.

- The Company’s General Assembly was held on Wednesday 22/12/1441 AH corresponding to 12/08/2020 AD and voted to elect the members of the Board of Directors from among the candidates for the current session, which starts from the date of this meeting and has a period of three years ending on 11/08/2023 AD, as follows:

	Nationality	Capacity	Membership status
Fawaz Abdul Aziz Al Hokair	Saudi	Chairman of Board of Directors	Non-Executive
Eng. Omar Abdul Aziz Al-Mohammadi	Saudi	Vice president	Non-Executive
Dr. Abdul Majeed Abdul Aziz Al Hokair	Saudi	Member	Non-Executive
Eid Faleh Al Shamry	Saudi	Member	Independent
Khaled Walid Al-Shakhshir	Saudi	Member	Independent
Abdul Majeed Abdullah Al-Basri	Saudi	Member	Non-Executive
Mansour Abdel Wahab Qazi	Saudi	Member	Independent
Basem Abdullah Al-Salloum	Saudi	Member	Independent
Ahmed Saleh Al-Sultan	Saudi	Member	Independent

\* The General Assembly also approved the work of the previous Board of Directors from the date of the end of its session on 30/06/2020 AD, until the date of the Assembly’s convening on 12/08/2020 AD.



12.2 Experience and academic qualifications of Board Members

Name	Qualification	Areas of expertise	Current role	Previous role
Fawaz Abdul Aziz Al Hokair	Bachelor's degree in Economics and Accounting PhD degree in Economics and Accounting Loughborough University, UK	Supervising the management of Fawaz Abdul Aziz Al Hokair & Partners Real Estate Company Chairman of the Board of Directors of Arabian Centres Company	Chairman of the Board of Directors of Fawaz Al Hokair Company	Chairman of the Board of Directors of Arabian Centres Company
Eng. Omar Abdul Aziz Al-Mohammadi	Bachelor's degree in Chemical Engineering and Economics	CEO - BATEC company Chief Executive Officer – Goldman Sachs Saudi Arabia Head of Investment Banking Unit in Saudi Arabia – Barclays Member of the Advisory Board of Alchemist Trading Company Executive Board Member of the Merchant Bridge Direct Investment Company Head of Middle East Unit at Don Capital	Chief Executive Officer – FAS Company	Chief Executive Officer – BATEC Corporation, Goldman Sachs Saudi Arabia
Dr. Abdul Majeed Abdul Aziz Al Hokair	Bachelor's degree in Medicine and Surgery	Apparel, retail and food industries	Member of the Board of Directors of Fawaz Al Hokair Company	Chairman of the Board of Directors of Fawaz Al Hokair Co
Eid Faleh Al Shamry	Bachelor's degree in Industrial Management Sciences, with honors, from King Fahd University of Petroleum and Minerals	Fellowship of the American Board of Certified Public Accountants Member of the American Association of Certified Public Accountants since 1992	Chief Executive Officer – Ithra Finance	Deputy General Manager – Al-Seef Investment Company
Khaled Waleed Al-Shakhshir	Bachelor's degree in Mechanical Engineering and Economics Executive program for Development of Social Responsibility Strategy Executive program for Building and Developing Strategies	Loss Prevention Engineer – Aramco Executive Director and Member of the Executive Committee – Unilever Managing Partner	Executive Director of Unilever Marketing and General Management	Managing Partner, Net Business Consultancy Company
Abdul Majeed Abdullah Al-Basri	Master's degree in Applied Financial Mathematics Master's degree in Economics Bachelor's degree in Finance	Head of Treasury for Fawaz Abdul Aziz Al Hokair & Partners Group Head of Treasury at Almarai Company Portfolio Manager – Samha Capital Auditor – Aldar Audit Office	Chief Financial Officer – FAS Group	Head of Treasury for Fawaz Abdul Aziz Al Hokair & Partners Group
Mansour Abdel Wahab Qazi	Bachelor's degree in Finance	Corporate Finance – BMG Financial Company Director of the Financial Planning and Cash Management Department – Dallah Al Baraka Company Managing Partner of FMC and Pillars Group Company	Managing Partner of FMC and Pillars Group Company	Director of the Financial Planning and Cash Management Department – Dallah Al Baraka Company
Basem Abdullah Al-Salloum	Bachelor's degree in Languages and Translation Master's degree in Information Technology Consulting Master's degree in Executive Leadership Development Program	Deputy Governor for Media and Marketing Affairs – General Investment Authority Member of the Board of Directors of the Saudi Export Development Authority Member of the Board of Directors of Al-FALAH Sports House company- Managing Director and CEO, SURE International Technology Company	Managing Director and Chief Executive Officer, SURE International Technology Company	Member of the Board of Directors of Al-Faleh Sports House Company
Ahmed Saleh Al-Sultan	Bachelor's degree in Finance Master's degree in Management	Operations Manager NESCF for Commercial Projects Company Executive Vice President for NESCF Commercial Projects Company Chief Executive Officer of Thobe Al Aseel Company	Chief Executive Officer of Thobe Al Aseel Company	Executive Vice President NESCF for Commercial Projects Company



12.3 Names of companies within or outside the Kingdom for which a member of the Company’s Board of Directors is a member of its current and previous Boards of Directors or one of its managers.

Member name	Names of companies in which a member of the Board of Directors is a current member of the Boards of Directors or one of their managers	Inside the Kingdom/ Outside the Kingdom	Legal entity (listed shareholding/ unlisted/ limited liability)	Names of companies in which a member of the Board of Directors is a previous member of the Boards of Directors or one of their managers	Inside the Kingdom/ Outside the Kingdom	Legal entity (listed shareholding/ unlisted/ limited liability)
Fawaz Abdul Aziz Al Hokair	FAS Saudi Holding Company	Inside the Kingdom	Closed joint stock company			
	Saudi Medical Company	Inside the Kingdom	Closed joint stock company			
	Azzia Panda United Company	Inside the Kingdom	Closed joint stock company			
	Arabian Centres Company	Inside the Kingdom	Listed joint stock company			
Eng. Omar Abdul Aziz Al-Mohammadi	FAS Saudi Holding Company	Inside the Kingdom	Unlisted joint stock company	Patek Investment Company and logistical support	Inside the Kingdom	Listed joint stock company
	Citibank Group	Inside the Kingdom	Unlisted joint stock company	Al Reef Sugar Refining Company	Inside the Kingdom	Unlisted joint stock company
Dr. Abdul Majeed bin Abdulaziz Al Hokair	Arabian Centres Company	Inside the Kingdom	Listed joint stock company	Jazan Energy and Development Company	Inside the Kingdom	Listed joint stock company
	Fas Construction Company	Inside the Kingdom	Closed joint stock company			
	Saudi Medical Company	Inside the Kingdom	Unlisted joint stock company			
	Fas Construction Company	Inside the Kingdom	Unlisted liability			
Eid Faleh Al Shamry	Abdul Majeed Abdul Aziz Al Hokair & Sons Holding Company	Inside the Kingdom	Limited liability			
	Aldrees Petroleum Services Company	Inside the Kingdom	Listed joint stock company	Member of the Audit Committee of the French Bank	Inside the Kingdom	Listed joint stock company
	Gulf Shipping & Unloading Contracting	Inside the Kingdom	Limited liability	Altco Company	Inside the Kingdom	Closed joint stock company
	Al Hassan Ghazi Ibrahim Shaker Company	Inside the Kingdom	Listed joint stock company	Amara Cooperative Insurance Company	Inside the Kingdom	Listed joint stock company
	Fawaz Al Hokair Company	Inside the Kingdom	Listed joint stock company	Al Saif RDB Company	Inside the Kingdom	Limited liability company
	Saudi Viva Company for Commercial Services	Inside the Kingdom	Limited liability company	Development Company for Investment and Real Estate Development	Inside the Kingdom	Unlisted joint stock company
	Riyadh Technology Company	Inside the Kingdom	Limited liability company	Saudi Kidney Center Company	Inside the Kingdom	Limited liability company
	Riyadh Modern Technology Company	Inside the Kingdom	Limited liability company	Ithraa Medical Services Company	Inside the Kingdom	Limited liability company
	Viva Fit Investment Company	Inside the Kingdom	Limited liability company	Ithraa Investment and Real Estate Development Company	Inside the Kingdom	Limited liability company
Khaled Waleed Al-Shakhsir	Ajir Investment Company	Inside the Kingdom	Limited liability company			
	Ithraa Company for Gymsnasiums and Centers	Inside the Kingdom	Limited liability company			
	Net Consultancy Company	Inside the Kingdom	Closed joint stock company			
	Pure Sports Company	Inside the Kingdom	Limited liability company			
	Rapid Distribution Company	Inside the Kingdom	Limited liability company			
	Food Solutions for Catering Services Company	Inside the Kingdom	Limited liability company			
	None	-	-			
Abdul Majeed Abdullah Al-Basri	Five Members Company	Inside the Kingdom	Limited liability company			
	Pillars Group Company	Inside the Kingdom	Limited liability company			
Basem Abdullah Al-Salloum	Sure International Technology Company	Inside the Kingdom	Limited liability company			
	Malath Cooperative Insurance Company	Inside the Kingdom	Public shareholding company			
	Mohammed Hussein Bin Yala & Sons Exchange Company	Inside the Kingdom	Joint company			
	National Communications and Information Technology Committee	Inside the Kingdom	National Committee			
Ahmed Saleh Al Sultan	None	-	-			

12.4 Board meetings

The elected Board of Directors held four meetings during the year to discuss issues related to the financial year ending on 31 March 2021. The following table shows the position of the members of the Board of Directors attending the Board's meetings:

Name	Session 29/06/2020	Session 17/08/2020	Session 08/12/2020	Session 30/03/2021	Total	Attendance rate
Fawaz Abdul Aziz Al Hokair	Membership not yet started	Attended	Attended	Did not attend	2	50%
Dr. Abdul Majeed Abdul Aziz Al Hokair	Attended	Attended	Attended	Attended	4	100%
Sultan Fawaz Al Hokair	Attended		Membership expired on 12/08/2020		1	25%
Ajlan Abdul Rahman Al-Ajlan	Attended		Membership expired on 12/08/2020		1	25%
Tariq Saad Al-Tuwairji	Attended		Membership expired on 12/08/2020		1	25%
Bandar Suleiman Al-Ghafis	Attended		Membership expired on 12/08/2020		1	25%
Fahad Salman Al Hokair	Did not attend		Membership expired on 12/08/2020		-	-
Omar Abdul Aziz Al-Mohammadi	Attended	Attended	Attended	Attended	4	100%
Faisal Abdullah Al-Jedate	Attended		Membership expired on 12/08/2020		1	25%
Eid Faleh Al Shamry	Attended	Did not attend	Attended	Attended	3	75%
Ahmed Saleh Al-Sultan	Membership not yet started	Attended	Attended	Attended	3	75%
Basem Abdullah Al-Salloum	Membership not yet started	Attended	Attended	Attended	3	75%
Khaled Waleed Al-Shakhsir	Membership not yet started	Attended	Attended	Attended	3	75%
Abdul Majeed Abdullah Al-Basri	Membership not yet started	Attended	Attended	Attended	3	75%
Mansour Abdel Wahab Qadi	Membership not yet started	Attended	Attended	Attended	3	75%



The most important deliberations, recommendations and decisions issued by the Board of Directors were as follows:

1. Discussing the Company's strategic plan for the coming years.
2. Discussing a report on the Company's stock.
3. Studying the governance policies and the proposed amendments to the Company's Articles of Association.
4. The Board of Directors' decision No. (01/2020) dated 17/08/2020 AD has been issued, approving the appointment of:
  - Fawaz Abdul Aziz Al Hokair as Chairman of the Council in its new session, which starts from 12/08/2020 to 11/08/2023.
  - Engineer Omar Abdel Aziz Al-Mohammadi as Vice-Chairman of the Council in its new term, which starts from 12/08/2020 AD to 11/08/2023 AD.
  - Members of the Nomination and Remuneration Committee. (Khalid Al-Shakhshir as Chairman, Omar Al-Mohammadi as a Member and Abdul Majeed Al-Basri as a Member)
  - Members of the Executive Committee. (Omar Al-Mohammadi as Chairman, Dr. Abdul Majeed Al Hokair as a Member, Abdul Majeed Al-Basri as a Member, Marwan Moukarzel as a Member)
  - Haroun Saafan Al-Mutairi as Secretary of the Board of Directors.
5. Decision of the Board of Directors No. (02/2020) dated 17/08/2020 AD approving the appointment of representatives of the Company to the Capital Market Authority, who are:
  - Abdul Majeed Abdullah Al-Basri – Member of the Board of Directors.
  - Abdul Rahman Nasser Al-Nujaim – Director of Legal Affairs in the Company.
6. Approving the Company's final accounts for the period ending on 31/3/2020 AD and approving the Auditor's Report for the year ending on 31/3/2020 AD.
7. Studying the effects of the Covid-19 pandemic on the Company's business and issuing the necessary recommendations.
8. Discussing a report submitted by the Chairman of the Audit Committee on behalf of Protiviti Company concerning the Internal Audit Department.
9. Approval of the report of the Board of Directors for the fiscal year ending on 31/3/2020 AD.
10. Reviewing and discussing the performance and results of the Company and discussing the necessary recommendations and directives.
11. Approval of the Audit Committee's decision to appoint the chartered accountant KPMG and provide recommendations to the General Assembly for approval.
12. Work to raise the efficiency of employees and attract highly qualified workers, especially at points of sales in stores.
13. Monitoring the performance of stores periodically to identify underperforming candidates for closure or conversion to another more profitable brand.
14. Working on developing appropriate policies and mechanisms to avoid embezzlement and theft of goods inside stores.
15. Working to reduce warehouse costs and improve logistics operations.



16. Reviewing the amendment of the paragraphs of the Corporate Governance Guide and policies in line with the Saudi Companies Law, the rules for offering securities and continuing obligations, and the corporate governance regulations issued by the Board of the Capital Market Authority.
17. Approval of transactions with related parties that took place during the fiscal year ending on 31/03/2021 AD. Issuing an order to present all transactions with related parties to the Company's General Assembly.

## 12.5 The interests and rights of the members of the Board of Directors, their wives and their minor children

Name	Number of shares at the beginning of the year	Ownership percentage at the beginning of the year	Net change in the number of shares during the year	Percentage change during the year	Total number of shares at the end of the year	Ownership percentage at the end of the year
Fawaz Abdul Aziz Al Hokair	13,000,000	6.19%	-	-	13,000,000	6.19%
Dr. Abdul Majeed Abdul Aziz Al Hokair	14,700,000	7%	-	-	14,700,000	7%
Eid Faleh Al Shamry	-	-	-	-	Not found	-
Omar Abdul Aziz Al-Mohammadi	-	-	-	-	Not found	-
Ahmed Saleh Al-Sultan	-	-	-	-	Not found	-
Basem Abdullah Al-Salloum	-	-	-	-	Not found	-
Khaled Waleed Al-Shakhshir	-	-	-	-	Not found	-
Abdul Majeed Abdullah Al-Basri	-	-	-	-	Not found	-
Mansour Abdel Wahab Qadi	-	-	-	-	Not found	-

There are no other interests other than those that have been included in the previous table, nor selection rights nor subscription rights belonging to any of the members of the Board of Directors, their spouses or minor children in the shares or debt instruments of the Company or any of its subsidiaries.

## 12.6 Board of Directors' actions to inform its members of shareholders' proposals

The Board of Directors provides all members, especially non-executives, with legal documents, financial reports, activity follow-up reports, future expansion studies, and Board reports, as well as rules, procedures, policies, and internal regulations that enable them to carry out their duties and tasks adequately, including being aware of the shareholders' proposals and comments regarding the Company and its performance. This is in addition to creating a mechanism for the Shareholder Affairs Department to deal with proposals and observations received from shareholders.

## 12.7 Means of the Board of Directors to evaluate its performance and the performance of its committees and members

The Board of Directors relied on the procedures set out in the Board's work regulations and the work regulations of the sub-committees to evaluate the annual performance of the members of the Board of Directors and members of the committees. This further included self-evaluation procedures for members of the Board and the performance of its committees.



12.8 Board Committees

The Company's Board of Directors has three sub-committees: The Audit Committee, the Nomination and Remuneration Committee, and the Executive Committee. The following is a description of these committees.

12.8.1 Audit Committee

The Company's Audit Committee was formed in accordance with the regulations approved by the General Assembly on 23/06/2007 AD. On Shawwal 22, 1438 AH, corresponding to 16/07/2017 AD, the Company's General Assembly approved the formation of the Audit Committee for a period of three years, starting from the date of the first meeting.

Members	Nationality	Membership status	Membership category
Eng. Omar Abdul Aziz Al-Mohammadi	Saudi	President	Independent
Eid Faleh Al Shamry	Saudi	President	Independent
Dr. Suleiman Abdullah Al-Sukran	Saudi	Member	Independent
Dr. Saad Ibrahim Al-Mushawah*	Saudi	Member	Independent

\* The Board of Directors, in its session approved the appointment of Mr. Saad Ibrahim Al-Mushawah as a member of the Audit Committee on 23/10/2019 AD until the end of the current session of the Board of Directors on 30/06/2020 AD.

In the meeting of the Ordinary General Assembly held on 12/08/2020 AD, the formation of the Audit Committee was approved for a period of three years, starting from the date of the first meeting, with the following members:

Members	Nationality	Membership status	Membership category
Eid Faleh Al Shamry	Saudi	Chairman	Independent
Dr. Suleiman Abdullah Al-Sukran	Saudi	Member	Independent
Dr. Saad Ibrahim Al-Mushawah	Saudi	Member	Independent

12.8.1.1 Experience and qualifications of the members of the Audit Committee

Name	Qualifications	Areas of expertise	Current role	Previous role
Eid Faleh Al Shamry	Bachelor's degree in Industrial Management Sciences, with honors, from King Fahd University of Petroleum and Minerals	Fellowship of the American Board of Certified Public Accountants Member of the American Association of Certified Public Accountants since 1992	Chief Executive Officer – Ithraa Finance	Deputy General Manager – Al-Seef Investment Company
Dr. Suleiman Abdullah Al-Sukran	Bachelor of Science in Industrial Management Master's degree in Administrative Sciences PhD	Associate Professor of Finance, Department of Finance and Economics, College of Industrial Management, King Fahd University Secretary General of the University Higher Education Fund	Associate Professor of Finance, Department of Finance and Economics, College of Industrial Management, King Fahd University	Secretary General of the University Higher Education Fund
Saad Ibrahim Al-Mushawah	Bachelor of Science in Industrial Management	Financial Analysis Project Manager Chief Executive Officer	CEO of Gulf Union Food Company	Credit Team Leader Industrial Development Fund

The Audit Committee, originating from the Board of Directors, supports the establishment of best practices in the field of governance and contributes to the strengthening and independence of internal and external auditors. It shall focus on any observations made to auditors and ensure that they are dealt with seriously and works to follow up on their correction in order to provide a continuous evaluation of the internal control system and its effectiveness. This is within the objectives of the Board of Directors to obtain reasonable assurance about the integrity of the design and the effectiveness of the application of the internal control system. The Audit Committee is responsible for monitoring the Company's business and verifying the integrity of its reports, financial statements and internal control systems. To this end, it has the right to review the Company's records and documents and to request any clarification or statement from the members of the Board of Directors or the Executive Management. The main duties of the members of the Internal Audit Committee are as follows:

At the level of financial reports:

- Studying the Company's interim and annual financial statements before presenting them to the Board of Directors and expressing its opinion and recommendation to ensure its integrity, fairness and transparency.
- Expressing a technical opinion - at the request of the Board of Directors - that the report of the Board of Directors and the Company's financial statements are fair, balanced and understandable and include information that allows shareholders and investors to evaluate the Company's financial position, performance, business model and strategy.
- Reviewing any important or unfamiliar issues contained in the financial reports.
- Carefully researching any issues raised by the Company's financial manager, or whoever undertakes his duties, as well as by the Company's compliance officer or the auditor.
- Verifying accounting estimates in the material issues contained in the financial reports.
- Reviewing the accounting policies followed by the Company and providing recommendations to the Board of Directors in this regard.

At the internal audit level:

- Reviewing the Company's internal and financial control and risk management systems.
- Reviewing internal audit reports and following up on the implementation of corrective actions for the notes contained therein.
- Monitoring and supervising the performance and activities of the internal auditor and the internal audit department of the Company to verify the availability of the necessary resources and their effectiveness in performing the work and tasks assigned to them.
- Recommending the appointment of the Director of the Internal Audit Unit or Department, or the Internal Auditor to the Board of Directors and suggesting his remuneration.

At auditor level:

- Providing recommendations to the Board of Directors to nominate and dismiss auditors, determine their fees and evaluate their performance after verifying their independence and reviewing the scope of their work and the terms of their contract.
- Verifying the auditor's independence, objectivity and fairness, and the effectiveness of audit work, taking into account the relevant rules and standards.



- Reviewing the auditor’s plan and works and verifying that he did not submit technical or administrative works outside the scope of the audit work, and expressing its views in this regard.
- Answer the auditor’s inquiries.
- Reviewing the auditor’s report and notes on the financial statements and following up on actions taken in this regard.

At the level of compliance:

- Reviewing the results of the report of the regulatory authorities and verifying that the Company has taken the necessary measures in this regard.
- Verifying the Company’s compliance with the relevant laws, regulations, policies and instructions.
- Reviewing the contracts and transactions proposed to be conducted by the Company with the related parties and presenting its views in this regard to the Board of Directors.
- Submitting the issues it deems necessary to take action on to the Board of Directors and expressing its recommendations in this regard.

During the year, the Committee held nine meetings. The committee members’ attendance of the meetings were as follows:

Members	Eid Faleh Al Shamry	Dr. Suleiman Abdullah Al-Sukran	Saad Ibrahim Al-Mushawah
20/04/2020	Attended	Attended	Attended
21/05/2020	Attended	Attended	Attended
11/06/2020	Attended	Attended	Attended
30/06/2020	Attended	Attended	Attended
24/08/2020	Attended	Attended	Attended
07/10/2020	Attended	Attended	Attended
08/11/2020	Attended	Attended	Attended
01/02/2021	Attended	Attended	Attended
16/02/2021	Attended	Attended	Attended
Number of sessions	9	9	9

The Committee’s activities during the meetings were as follows:

1. Reviewing the annual and quarterly financial statements of the Company and making recommendations to the Board of Directors for approval.
2. Reviewing and approving the annual report of the Audit Committee for the fiscal year ending on 31/03/2020 AD.
3. Assessing the impact of the Covid-19 pandemic on the Company’s business, the main procedures and the business continuity plan to mitigate the effects of the pandemic.
4. Meeting with each of the Company’s external and internal auditors and ensuring that the Company’s management has made available to them all the data and information required to perform their work.
5. Improving the Company’s governance framework and internal control system.
6. Follow up with the Board of Directors and Executive Management to ensure the implementation of key issues such as:



- Recommending the appointment of external auditors.
  - Preparing a regional team to perform the internal audit.
  - The Company’s risk management system.
7. Engage management to enhance policies, procedures, controls and governance around:
    - Trade Inventory, Inventory Allocation, and Auditing Inventory.
    - A detailed review of the stocks of companies inside and outside the Kingdom to ensure a thorough understanding and appropriate planning.
    - Analysis of the provisions and ages of the assets.
    - Key forecasts from inventory data.
  8. Reviewing and approving the annual plan of the Internal Audit Department.
  9. Updating the structure of the Finance Department and integrating the NESC Commercial Enterprises team.
  10. Reviewing the annual report of the internal audit and following up on the implementation of the notes and recommendations of the internal audit.
  11. Reviewing the full contents of the final report of Protiviti Company to evaluate the performance of the internal audit department.

12.8.1.2 Audit Committee Recommendations

- Recommending the appointment of external auditors.
- There is no recommendation for the Audit Committee regarding the appointment of an internal auditor in the Company, as the Company has an existing Internal Audit Department.
  - There is no conflict between the recommendations of the Audit Committee and the decisions of the Board of Directors, and the Board has taken all the recommendations of the Committee regarding the appointment of the Company’s auditor.

12.8.2 Nomination and Remuneration Committee

The Company’s Nomination and Remuneration Committee is formed in accordance with the regulations approved by the General Assembly on 23/06/2007 AD, and the Board of Directors decided in its meeting on 17/07/2017 AD, and in light of the approval of the Company’s General Assembly in its session held on 16/07/2017 AD, to elect the members of the Board of Directors. The committee is composed of the following members:

Members	Nationality	Membership status	Membership category
Ajlan Abdul Rahman Al-Ajlan	Saudi	Chairman	Independent
Sultan Fawaz Al Hokair	Saudi	Member	Non-Executive
Jamil Al-Asmari	Saudi	Member	Executive

In the meeting of the Board of Directors on 17/08/2020 AD, the Board approved the appointment of the members of the Nomination and Remuneration Committee, as follows:

Members	Nationality	Membership status	Membership category
Khaled Walid Al-Shakhshir	Saudi	Chairman	Independent
Omar Abdul Aziz Al-Mohammadi	Saudi	Member	Non-Executive
Abdul Majeed Abdullah Al-Basri	Saudi	Member	Non-Executive



### 12.8.2.3 Experience and qualifications of the members of the Nomination and Remuneration Committee

Name	Qualifications	Areas of expertise	Current role	Previous role
Khaled Walid Al-Shakhshir	Bachelor's degree in Mechanical Engineering and Economics Executive Program in Development of Social Responsibility Strategy Executive Program in Building and Developing Strategies	Loss Prevention Engineer – Aramco Executive Director and Member of the Executive Committee – Unilever Managing Partner, Net Business Consultation Company	Executive Director of Unilever Marketing and General Management	Managing Partner, Net Business Consultation Company
Eng. Omar Abdul Aziz Al-Mohammadi	Bachelor's degree in Chemical Engineering and Economics	Chief Executive Officer – BATEC Company Chief Executive Officer - Goldman Sachs Saudi Arabia Head of Investment Banking Unit in Saudi Arabia – Barclays Member of the Advisory Board of Alchemist Trading Company Executive Board Member of the Merchant Bridge Direct Investment Company Head of Middle East Unit at Dom Capital	Chief Executive Officer – FAS Company	Chief Executive Officer – BATEC Corporation
Abdul Majeed Abdullah Al-Basri	Master's degree in Applied Financial Mathematics Master's degree in Economics Bachelor's degree in Finance	Head of Treasury for Fawaz Abdul Aziz Al Hokair & Partners Group Head of Treasury at Almarai Company Portfolio Manager – Samba Capital Auditor – Aldar Audit Office	Chief Financial Officer – FAS Group	Head of Treasury for Fawaz Abdul Aziz Al Hokair & Partners Group Almarai

The main task of the Nomination and Remuneration Committee is to identify qualified individuals and candidates to be members of the Board of Directors who meet the necessary requirements for membership, as well as to assist the Board of Directors in establishing a sound system and building the necessary policies and procedures in this regard.

- Recommending nominations to the Board of Directors for membership of the Board in accordance with the approved policies and standards, and to ensure that no individual that has ever been convicted of a crime against honor and integrity is nominated.
- Annual review of the required and appropriate skills for membership of the Board of Directors and preparation of a description of the capabilities and qualifications required for membership of the Board of Directors, including determining the time that a member must devote to the work of the Board of Directors.
- Reviewing the structure of the Board of Directors and making recommendations regarding any potential changes.
- Identification of weaknesses and strengths within the Board of Directors and developing proposals to address them in line with the Company's interests.
- Ensuring, on an annual basis, the independence of the independent members, and the absence of any conflict of interest if the member is a member of the Board of Directors of another company.
- Establishing clear policies for the compensation and rewards of the members of the Board of Directors and Senior Executives, taking into account the use of standards related to performance.

During the past year, from 01/04/2020 AD to 31/03/2021 AD, the Committee held two meetings, during which the following activities were discussed:

1. The development of a mechanism for calculating remuneration and attendance allowance for members of committees emanating from the Board of Directors.
2. The disbursement of incentives and rewards to the Company's senior executives.
3. The names of the candidates for membership in the Company's Board of Directors for the new term in accordance with the terms and conditions.
4. The names of the candidates for the Audit Committee.

The Committee's attendance is shown in the following table:

Members	Meeting 28/07/2020	Meeting 29/07/2020	Attendance rate
Ajlan Abdul Rahman Al-Ajlan	Attended	Attended	100%
Sultan Fawaz Al Hokair	Attended	Attended	100%
Jamil Al-Asmari	Attended	Attended	100%
Khaled Walid Al-Shakhshir	Membership started on 17/08/2020		
Omar Abdul Aziz Al-Mohammadi	Membership started on 17/08/2020		
Abdul Majeed Abdullah Al-Basri	Membership started on 17/08/2020		

### 12.8.3 Executive Committee

In the Board of Directors meeting on 17/08/2020 AD, the Board approved Resolution No. (01/2020), which includes the appointment of the Executive Committee as follows:

Members	Nationality	Membership status	Membership category
Omar Abdul Aziz Al-Mohammadi	Saudi	Chairman	Non-Executive
Dr. Abdul Majeed Abdul Aziz Al Hokair	Saudi	Member	Non-Executive
Marwan Aziz Moukarzel	Lebanon	Member	Executive
Abdul Majeed Abdullah Al-Basri	Saudi	Member	Non-Executive

During the past year (01/04/2020 AD to 31/03/2021 AD) the Committee held 10 meetings, during which the following were discussed:

1. The proposal to add a pharmacy business into the Company's activities.
2. The US administration agreement (Billy Bees).
3. The business model of the Vogacloset stock purchase agreement and Vogacloset's external communication strategy.
4. The 2021/2022 budget.

The attendance was as shown in the following table:

Members	Dr. Abdul Majeed Al Hokair	Omar Abdel Aziz Al-Mohammadi	Abdul Majeed Al-Basri	Marwan Aziz Moukarzel
02/09/2020	Attended	Attended	Attended	Attended
29/10/2020	Attended	Did not attend	Attended	Attended
15/11/2020	Attended	Did not attend	Attended	Attended
07/12/2020	Attended	Did not attend	Attended	Attended
27/12/2020	Attended	Did not attend	Attended	Attended
01/01/2021	Attended	Attended	Attended	Attended
14/01/2021	Attended	Attended	Attended	Attended
22/02/2021	Did not attend	Attended	Attended	Attended
28/02/2021	Attended	Attended	Attended	Attended
22/03/2021	Attended	Did not attend	Attended	Attended
Number of sessions	9	5	10	10

12.8.3.1 Experience and qualifications of the members of the Executive Committee

Name	Qualifications	Areas of expertise	Current role	Previous role
Eng. Omar Abdul Aziz Al-Mohammadi	Bachelor's degree in Chemical Engineering and Economics	Chief Executive Officer – BATEC Company Chief Executive Officer – Goldman Sachs Saudi Arabia Head of Investment Banking Unit in Saudi Arabia – Barclays Member of the Advisory Board of Alchemist Trading Company Executive Board Member of the Merchant Bridge Direct Investment Company Head of Middle East Unit at Dom Capital	Chief Executive Officer – FAS Company	Chief Executive Officer – BATEC Corporation
Dr. Abdul Majeed Abdul Aziz Al Hokair	Bachelor's degree in Medicine and Surgery	Apparel, retail and food industries	Member of the Board of Directors of Fawaz Al Hokair Company	Chairman of the Board of Directors of Fawaz Al Hokair Co.
Marwan Aziz Moukarzel	Master of Business Administration	15 years of experience in retail sales	Chief Executive Officer	Director General
Abdul Majeed Abdullah Al Basri	Master's degree in Applied Financial Mathematics Master's degree in Economics Bachelor's degree in Finance	Head of Treasury for Fawaz Abdul Aziz Al Hokair & Partners Group Head of Treasury at Almarai Company Portfolio Manager – Samba Capital Auditor – Aldar Audit Office	Chief Financial Officer – FAS Group	Head of Treasury for Fawaz Abdul Aziz Al Hokair & Partners Group



12.8.4 Governance

In order to adhere to the best practices of governance that ensure the protection of the rights of shareholders and the rights of stakeholders, and in conjunction with the issuance of the Capital Market Authority Board Resolution No. (3-40-2012) dated 17/2/1434 AH corresponding to 30/12/2012 AD obligating Article 10, paragraph (c) of the Corporate Governance Regulations for establishing a corporate governance system for each company, that started from 30/6/2013 AD, and in light of the report of the consulting office “Deloitte-Bakr Abu al-Khair and Partners,” which the Company entrusted during the year ending in 31/03/2012 AD, to assess the position of applying corporate governance in the Company, the Board of Directors recommended the formation of the Governance Committee. In light of the Board of Directors’ decision No. 2/2013 and dated 14/7/2013 AD, regarding the adoption of the Company’s corporate governance system and the approval of the Company’s Ordinary General Assembly in its meeting held on Tuesday 7 Ramadan 1434 AH, corresponding to 16/07/2013 AD, on that system in accordance with Article 10 paragraph (c) of the Corporate Governance Regulations issued by the Capital Market Authority, which includes the controls of the Corporate Governance Committee, the Company has appointed “Ibrahim Vantra” to carry out the governance activities, provided that his responsibilities are according to the following:

- Ensure that shareholders have easy access to information and exercise all their rights stipulated in the Corporate Governance Regulations.
- Ensure that the Board of Directors report includes all data stipulated in the registration and listing rules and the Corporate Governance Regulations.
- Ensuring that the Board of Directors performs its basic functions and abides by all its responsibilities, with an emphasis on the availability of all necessary conditions for the formation of the Board and its members on a permanent basis, and not violating them.
- Ensuring that all council committees carry out their work and the roles they are entrusted with performing, with a proposal to form new committees in case the need arises.

13. Contracts in which there are interests of Board Members and senior executives

The Company is one of the companies of Fawaz Abdul Aziz Al Hokair & Partners Group (the “Group”), and it is linked to contracts with the Group companies, including lease contracts for part of the shops with the Arabian Centres Company. Accordingly, the Company obtained competitive rental values for similar market prices in proportion to the Company’s business volume in the Saudi market, in addition to its privileged locations in the finest commercial centres and malls in various parts of the Kingdom, including Dhahran Mall, Khurais Plaza, Sahara Plaza Commercial Center, Al Salam Mall, Mall of Arabia, Al Nakheel Plaza Mall, Aziz Mall, Al Noor Mall and others.

In addition, there are contracts for establishing, equipping and modifying the decorations of the sales shops with Fawaz Abdulaziz Al Hokair & Partners Real Estate Company, according to which the Company was able to benefit from the Group’s experience in this field to ensure implementation at a level consistent with the requirements of international commercial agencies and speed of implementation.

It is in the interest of the Company and in support of its activities to continue with these transactions while obtaining the best execution prices available in the market.



During the fiscal year ending on 31/03/2020 AD, the transactions with related parties were as follows:

- An amount of SAR 303 million, the value of rents paid in favor of Arabian Centres Company owned by FAS Holding Company, which is owned directly and indirectly by: Fawaz bin Abdulaziz Al Hokair, Salman bin Abdulaziz Al Hokair and Abdul Majeed bin Abdulaziz Al Hokair. At the end of the year there were 752 new shops rented from Arabian Centres Company, as follows:

The name of the mall	City name	The number of rented shops in the mall	Duration of the contract
Al Noor Mall	Medina	38	Five years
Aziz Mall	Jeddah	45	Five years
Al Ahsa Mall	Hofuf	22	Two years
Haifa Mall	Jeddah	34	Five years
Jouri Mall	Taif	47	Five years
Jubail Mall	Jubail	29	Five years
Khurais Plaza	Riyadh	26	Three years
Mecca Mall	Makkah	36	Five years
Arab mall	Jeddah	59	Five years
Dhahran Complex	Dammam	49	Five years
Extension of Dhahran Complex	Dammam	17	Three years
Al Nakheel Plaza	Qassim	22	Five years
Hello Mall	Jeddah	43	Three years
Hello Plaza	Riyadh	26	Five years
Salma Mall	Hail	24	Three years
Al Nakheel Mall	Riyadh	69	Five years
Tala Mall	Riyadh	24	Five years
Jasmine Mall	Jeddah	51	Five years
Al Nakheel Mall	Dammam	46	Five years
Al Hamra Mall	Riyadh	44	Five years
Bolivar Mall	Riyadh	1	Ten years
<b>Total</b>		<b>752</b>	

- Rents paid in favor of Egyptian Centres Company owned by Fawaz Abdulaziz Al-Hokair, Salman Abdulaziz Al-Hokair and Abdul Majeed Abdulaziz Al-Hokair. The total number of shops rented from Egyptian Centres Company in the Mall of Arabia owned by it in the Sixth of October City in Cairo in the Arab Republic of Egypt is 13. The duration of the transaction is one year.

- An amount of SAR 3.5 million, the value of printing and advertising costs in favor of Hagen Co., Ltd., in which Fez Holding Company

It should be noted that all these transactions were carried out according to competitive and fair prices. The balances of the related companies as on 31/03/2021 AD were as follows (the figures are rounded):

The Company's name	Balance type	Balance as at March 31, 2021 (SAR million)	Balance as at March 31, 2020 (SAR million)
Arabian Centres Company	Debit/ Credit	28.3	37.1
Egyptian Centres Company	Debit/ Credit	(304.7)	(328.1)
Fawaz Al Hokair Real Estate Company	Debit/ Credit	(144.4)	(145.8)
Hagen company Ltd.	Debit/ Credit	(0.8)	(2.5)



14. Board Members' remuneration

The members of the Board of Directors were entitled to a total remuneration of SAR 1,800,000 for the financial year ending on 31/03/2021, and the remuneration will be presented in the next General Assembly for approval. The members of the Board also received allowances for attending the Board's meetings during the year, with a total amount of SAR 435,000, at SAR 15,000 per session attended as stipulated in the Articles of Association of the Company approved by the Extraordinary General Assembly in its session held on Rajab 21, 1438 AH corresponding to 18/04/2017 AD.

	Fixed rewards		Variable rewards	
	A specified amount	Allowance for attending council sessions	Total allowance for attending council sessions	In-kind benefits
First: Independent Members				Rewards for technical, administrative and consulting works
				Remunerations of the Chairman, Managing Director, or Secretary, if they are members
				Total
				Percentage of profits
				Regular rewards
Second: Non-Executive Members				Long term motivational plans
				Shares Granted (Value is entered)
				Total
				End of service gratuity
				Total summation
Total				Expense allowance
Grand total		1,800,000	435,000	2,235,000

615. Remuneration of committee members

	Fixed remuneration (except for the allowance for attending sessions)	Allowance for attending sessions	Total
Audit Committee members			
1- Dr. Suleiman Abdullah Al-Sukran	100,000	90,000	190,000
2- Eid Faleh Al Shamry	100,000	90,006	190,000
3- Saad Ibrahim Al-Mushawah	100,000	90,006	190,000
Total	300,000	270,000	570,000
Members of the Remuneration and Nomination Committee			
1- Khaled Waleed Al-Shakhshir	75,000	0	75,000
2- Omar Abdul-Aziz Al-Mohammadi	75,000	0	75,000
3- Abdul Majeed Abdullah Al-Basri	75,000	0	75,000
Total	225,000	0	225,000
Members of the Executive Committee			
1- Dr. Abdul Majeed Abdul Aziz Al Hokair	75,000	45,000	120,000
2- Omar Abdul-Aziz Al-Mohammadi	75,000	25,000	100,000
3- Abdul Majeed Abdullah Al-Basri	75,000	50,000	125,000
4- Marwan Aziz Moukarzel	75,000	50,000	125,000
Total	300,000	170,000	470,000

616. Waiver of Rights to Salary, Compensation or Profits

The Company did not receive any waivers from any of the shareholders, senior executives or members of the Company’s Board of Directors regarding any of their rights, whether in profits, salaries or compensation.

617. Salaries, remunerations and compensation of senior executives

The five senior executives, including the financial director and the Company’s CEO, who are not members of the Board of Directors, during their tenure of their current positions throughout the fiscal year ending on 31/03/2021 AD, received salaries, bonuses and compensation amounting to SAR 11.2 million, and the following table shows a statement of these amounts:

Name	Qualifications	Areas of expertise	Current role	Previous role
Marwan Aziz Moukarzel	Master of Business Administration	15 years of experience in retail sales	Chief Executive Officer	Director General
Ahmed Belbeisi	CMA CFM	15 years of experience in retail sales	General Manager of Financial Affairs	General Manager of Financial Affairs
Mohammed Al-Shamry	PhD in Strategic Planning CIPS SPHRI	Human capital and institutional communications and public services	CEO – Human Capital	Executive Vice President of Human Resources and General Services
Mohammed Abbas	Master of Business Administration	20 years’ experience in retail	Director General	Director general
Mohammed Al-Anzi	Master of Information Systems Management	Experience in the areas of management, technology and development	CEO – Information Technology	Manager of Information Technology

17.1 Experience and qualifications of senior executives

Fixed rewards			Variable rewards		
	Payroll	Allowances	In-kind benefits	Total	
Chief Executive Officer	5,062,500	1,828,125		6,890,625	6,890,625
Chief Financial Officer	1,155,648	404,352		1,560,000	1,560,000
Chief Human Resources Officer	755,616	276,384		1,032,000	1,032,000
General Manager – Operations	816,000	220,000		1,036,000	1,036,000
Chief IT Officer	533,328	197,472		730,800	730,800
Total	8,323,092	2,926,333		11,249,425	11,249,425
					Total summation
					6,890,625
					1,560,000
					1,032,000
					1,036,000
					730,800
					11,249,425





## 17.2 The relationship between the remuneration granted to members of the Board of Directors and Executive Management and the applicable remuneration policy, and an indication of any material deviation from this policy.

Remunerations are disbursed to members of the Board of Directors, members of the sub-committees and senior executives in accordance with the regulatory controls approved by the Board of Directors and as stipulated in the Company's Articles of Association approved by the General Assembly, as well as the remuneration policy based on the recommendation of the Remuneration and Nomination Committee.

## 18. Statutory Payments Due

### Regular payments due (SAR million)

Government Agency	Actual amounts paid in the fiscal year ending March 31		Balances due in the fiscal year ending March 31	
	2021	2020	2021	2020
Customs fees	190	295	-	-
Zakat and tax	46	91	-	(51.2)
General Organization for Social Insurance	28	81	-	-
Visa and passport costs	23	18	-	-
Others "Municipality fees and shop licenses"	20	13	-	-
<b>Total</b>	<b>307</b>	<b>497</b>	<b>-</b>	<b>(51.2)</b>

## 19. Zakat and income tax

### Zakat position of the Company and its local subsidiaries

The Company submitted its Zakat returns to the General Authority for Zakat and Income Tax for all years up to the fiscal year ending on 31/03/2020 AD, and the Zakat certificate was received for the fiscal year ending 31/03/2020 AD. The Company obtained a final assessment for the fiscal years ending in 31/03/2008 AD to 31/03/2014 AD, and the Zakat returns are still under review by the Authority for the years ending on 31/03/2015 AD through 31/03/2019 AD.

### Tax position of foreign subsidiaries

Income tax returns for subsidiaries in the United States of America have been submitted to the relevant tax authorities for the years up to the year ending 31/03/2018 AD, and income tax returns for subsidiaries in Jordan, Egypt, Kazakhstan, Morocco, Georgia, Azerbaijan and Armenia have been filed for all years up to 31/03/2017 AD. For branches of Balkan countries, income tax returns were submitted up to the year ended 31/12/2015.

Income tax returns for the above subsidiaries are subject to review by the relevant tax authorities. For subsidiaries in Kazakhstan and Egypt, an investigation by the tax authorities in previous years is under preparation. As of 31/03/2018 AD, there are no pending negative assessments related to income tax in any of the subsidiaries. The Group has built up income tax liabilities and there are no significant fines under local jurisdictions due to the delay in filing tax returns for the above subsidiaries.

At the end of the fiscal year ending on 31/03/2021 AD, the Company formed a provision of SAR 14.1 million, in order to meet the Zakat and income tax due until the fiscal year ending on 31/03/2021 AD. The movement of the provision for Sharia Zakat and income tax during the fiscal year ending on 31/03/2021 AD is as follows:

Movement of provision for Zakat and income tax	Legal Zakat	Income tax	Total Zakat and income tax
Allocated balance on 1/4/2020	4,595,452	6,206,703	10,802,155
Allocated for the fiscal year ending on 31/03/2021	17,392,802	4,590,275	21,938,077
Paid during the fiscal year ending 31/03/2021	(7,999,484)	(9,103,747)	(17,103,231)
Transfers between group companies	-	-	-
Other discounts	(23,934,353)	-	(23,934,353)
Changes in estimates of Zakat related to prior years	24,100,628	-	24,100,628
Provision balance on 31/03/2021	14,155,045	1,693,231	15,848,276

The provision for Sharia Zakat and income tax is sufficient according to the Company's management estimates for the fiscal year ending 31/03/2021 AD.

## 20. Investments and reserves created for the benefit of employees

There are no investments or reserves created for the benefit of employees, except for those prescribed by the labor system in the Kingdom of Saudi Arabia.

## 21. Acknowledgments of the Board of Directors

- That the account records are properly prepared.
- The internal control system was prepared on sound foundations and implemented effectively.
- There is no doubt about the issuer's ability to continue its activity.
- The Company's consolidated financial statements have been prepared in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants.
- The Company or its subsidiaries have not issued any securities such as option shares or rights that can be converted into shares.
- There are no voting shares.
- There are no outstanding loans during the year.
- There are no loans for any of the members of the Board of Directors.
- The Company has not concluded any transaction related to its shares.
- There were no transactions in the Company's shares with any member of the Board of Directors, or any member of their families other than those mentioned previously.
- The Company has not received any waiver of rights from any shareholder in the Company.
- There are no investments or other reserves created for the benefit of the Company's employees.
- Board Members and senior executives of the Company do not have any rights or interests in the Company, except for the aforementioned transactions with related companies.



## 22. Penalties and fines

A fine was imposed on the Company by the Capital Market Authority during the fiscal year 2020 (the financial period from 01/04/2020 AD to 31/03/2021 AD), due to the violation of Article 61 paragraph (a) of the rules on the offering of securities and continuing obligations, and subparagraph (5) from paragraph (a) of the general instructions for companies’ announcements regarding the preliminary financial results for the period ending on 30/06/2020 AD.

## 23. Board of Directors proposals

- Approval of the report of the Board of Directors for the fiscal year ending on 3/31/2020.
- Approval of the Company’s financial statements as on 3/31/2020 AD, and the Company’s auditor’s report for the fiscal year ending on the same date.
- Approval of the Board of Directors’ recommendation to pay a remuneration to members of the Board of Directors according to the company’s articles of association at the rate of 200,000 riyals for each member in addition to an allowance for attending the meetings of the Board of Directors at 15,000 riyals for each session, as well as an allowance for attending the sessions of the sub-committees at the rate of 10,000 riyals for each session of the Audit Committee and 5,000 riyals for each session of the Nominations and Remunerations Committee and the Executive Committee.
- Approving the discharge of members of the Board of Directors from liability for the fiscal year ending on 3/31/2020 AD.
- Approval of the selection of the chartered accountant, who was nominated by the Audit Committee to review the financial statements for the fiscal year 2020 AD “the financial period from April 1, 2020 to March 31, 2021 AD”, the quarterly financial statements and statements, and determine his fees.
- Licensing the work to be carried out through Etqaan Facilities Management Company, owned directly or indirectly by the Chairman of the Board of Directors Abdul Majeed bin Abdulaziz Al Hokair during the fiscal year ending on March 31, 2020.

## 24. Auditor’s Report

The external auditor’s report on the Company’s annual financial statements on 31/03/2021 AD did not include any paragraphs to draw attention.

## 25. Corporate Governance and Internal Control System

### 25.1 Corporate Governance

#### 25.1.1 Corporate Governance

The Company continuously works to adhere to the best practices of governance that guarantee the protection of the rights of shareholders and stakeholders, and the Company’s Board of Directors has set its priorities, starting from listing the Company’s shares for trading in the financial market in the fiscal year 2006-2007, establishing and implementing a corporate governance system that complies with the requirements of the corporate governance regulations issued for the Board of the Capital Market Authority.

The Company’s successive Boards of Directors have taken numerous measures and issued a number of policies in accordance with the supervisory framework and the rules of transparency and disclosure contained in the Corporate Governance Regulations issued by the Authority, which can be reviewed according to the following:



Fiscal year	Corporate governance activities
2006/2007	<p>Beginning in the fiscal year 2006/2007, the Company issued many policies, and took a number of measures in accordance with the requirements of the corporate governance regulations, the most important of which were the following:</p> <ol style="list-style-type: none"><li>1. Issuing the general financial policies guide for all the Company’s main business cycles and training all concerned employees on them.</li><li>2. Issuing job and professional conduct rules for the Company’s employees.</li><li>3. Reorganizing the Company’s Internal Audit Department in accordance with internationally recognized professional rules.</li><li>4. Conducting an introductory course on the internal control system for all financial affairs executives in the Company.</li><li>5. Preparing a financial regulation to delegate the powers and authorities to the management of the Company.</li></ol>
2007/2008	<p>In October 2007, the Company completed the issuance of several regulations aimed at implementing the requirements of governance, as follows:</p> <ol style="list-style-type: none"><li>1. The rules for forming the Audit, and Nomination and Remuneration Committees.</li><li>2. Shareholders’ Rights Policy Regulations and the General Assembly.</li><li>3. A regulation of disclosure and transparency policy and procedures.</li><li>4. Bylaws of the Board of Directors.</li><li>5. Conflict of interest policy for members of the Board of Directors and shareholders.</li></ol>
2011/2012	<p>Evaluation of the consulting office “Deloitte – Bakr Abu al-Khair and Partners” for the position of applying corporate governance in the Company, and reviewing the quality of performance of the Company’s internal audit department.</p> <p>Proceeding from the willingness of the Company’s Board of Directors to abide by all the articles of the corporate governance regulations issued by the authority and to ensure the application of the best international practices of governance that guarantee the rights of shareholders and of stakeholders, the Company assigned Deloitte – Bakr Abu Al-Khair &amp; Partners (“the Consultant”) the task of evaluating the position of applying governance in the Company, the effectiveness of the arrangements adopted by the Company in this context, in accordance with the regulations and instructions issued by the authority, and the best practices adopted by the leading international bodies in the field of corporate governance, including the New York Stock Exchange and the Nasdaq Stock Exchange in the United States of America. In addition, the Consultant is tasked with reviewing the quality of performance of the Company’s internal audit department, and the Consultant’s report concluded that:</p> <p>The Company is highly compliant with the requirements of the corporate governance rules issued by the authority, and needs to improve a number of aspects to be consistent with the leading international practices in corporate governance.</p> <p>The performance of the Company’s internal audit department conforms to the general requirements of professional performance standards issued by the Institute of Internal Auditors in the United States of America, and it is considered one of the best internal audit departments in the Middle East.</p> <p>The Chairman of the Board of the Capital Market Authority and Chief Executive Officer at the time were informed of the results of the Consultant’s work in a meeting in March 2012, during which Dr. Abdul Majeed Al Hokair, Managing Director of the Company, expressed his happiness with the results reached by the Company in the field of governance applications. At the same time, Dr. Abdul Majeed Al Hokair emphasized that the Company’s Board of Directors is keen to spare no effort and to move forward in developing and implementing a program for continuous improvement of the Company’s governance and improving its control environment, and to be among the leading companies in the Kingdom in the field of corporate governance.</p>

Fiscal year	Corporate governance activities												
2012/2013	<p>During the fiscal year 2012/2013, the Company embarked on a full review of all work manuals, policies, regulations and procedures issued by it in the field of governance with the aim of improving all aspects highlighted by the Consultant's report. This took into account the articles of the corporate governance regulations whose mandatory decisions were issued by the Board of the Capital Market Authority during the two years ending in 2012. As a result of this effort, during the fiscal year 2012/2013, the Company issued the revised version of its governance guides and policies, which included the following:</p> <table><tr><td>1. Corporate Governance Manual</td><td>5. Board of Directors' work guide</td></tr><tr><td>2. Shareholders Guide</td><td>6. Conflict of interest policy for Board Members, employees, and shareholders</td></tr><tr><td>3. The Code of Conduct and Professional Conduct for Company Employees</td><td>7. Insider trading policy</td></tr><tr><td>4. The Company's social responsibility policy</td><td>8. Policies, standards and procedures for membership in the Board of Directors, which were approved by the Company's General Assembly in its session on 3/25/2013 AD</td></tr></table>	1. Corporate Governance Manual	5. Board of Directors' work guide	2. Shareholders Guide	6. Conflict of interest policy for Board Members, employees, and shareholders	3. The Code of Conduct and Professional Conduct for Company Employees	7. Insider trading policy	4. The Company's social responsibility policy	8. Policies, standards and procedures for membership in the Board of Directors, which were approved by the Company's General Assembly in its session on 3/25/2013 AD				
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4. The Company's social responsibility policy	8. Policies, standards and procedures for membership in the Board of Directors, which were approved by the Company's General Assembly in its session on 3/25/2013 AD												
2013/2014	<p>In accordance with the provisions of Paragraph (C) of the Corporate Governance Regulations issued by the Authority, which stipulates setting up a "governance system for the company – in a manner that does not conflict with the provisions of this regulation – and general supervision of it, monitoring its effectiveness and amending it when needed," which was issued by the Authority's Board Resolution No. (3- 40-2012) and dated 17/2/1434 AH corresponding to 30/12/2012 AD, obligating companies whose shares are listed on the Saudi Stock Exchange (Tadawul) starting from 30/6/2013 AD.</p> <p>The Company has prepared its own governance system, including a framework, and it was approved by the Company's General Assembly in its session held on 16/7/2013 AD, which had previously been approved by the Company's Board of Directors, and a copy of it was delivered to the authority on 30/6/2013 AD. The Company's corporate governance system works as follows:</p> <table><tr><td>1) The organizational structure of corporate governance</td><td>7) The main principles of the corporate governance system</td></tr><tr><td>2) Disclosure and transparency policy</td><td>8) Board of Directors' work guide</td></tr><tr><td>3) Policy and procedures for membership in the Board of Directors</td><td>9) Board committees</td></tr><tr><td>4) Code of work ethics and conduct</td><td>10) Policy of regulating conflict of interest</td></tr><tr><td>5) Insider trading policy</td><td>11) Shareholders Guide</td></tr><tr><td>6) The Company's social contribution policy</td><td>12) Mechanisms for evaluating the effectiveness of job performance, in order to evaluate the effectiveness of the performance of each of the members of the Board of Directors and its committees on a regular basis, as one of the basic principles on which the corporate governance system is based</td></tr></table>	1) The organizational structure of corporate governance	7) The main principles of the corporate governance system	2) Disclosure and transparency policy	8) Board of Directors' work guide	3) Policy and procedures for membership in the Board of Directors	9) Board committees	4) Code of work ethics and conduct	10) Policy of regulating conflict of interest	5) Insider trading policy	11) Shareholders Guide	6) The Company's social contribution policy	12) Mechanisms for evaluating the effectiveness of job performance, in order to evaluate the effectiveness of the performance of each of the members of the Board of Directors and its committees on a regular basis, as one of the basic principles on which the corporate governance system is based
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Fiscal year	Corporate governance activities
2014/2015	<p>In the context of ensuring a full understanding of the requirements of its governance system, and ensuring the safety of its practices, the Company organized, during the fiscal year, a number of workshops for the Company's executive managers and members of the Board of Directors, in order to introduce the practical framework of its governance system, the extent of its agreement with the strategic visions of the Board of Directors, and ensuring its practical application in a comprehensive and accurate manner.</p> <p>The charter of functional and professional conduct for the Company's employees was also reviewed and redistributed to the employees, in addition to reviewing the financial regulations for delegating powers and authorities and distributing them to the Company's management to work with.</p>
2015/2016	<p>Within the framework of the Company's plans to strengthen and develop mechanisms for the continuous review of its governance system, with the aim of ensuring that it keeps pace with all corporate governance provisions issued by the authority, and maintain its efficiency and effectiveness in light of all developments and developments in the Company's internal and external work environment.</p> <p>The Company contracted a strategy consultant to implement a project for the transformation and strategic rearrangement of the Company's various functions and the development of a new operating system, which includes a review of policies and procedures, structures of delegation of powers and authorities, and the development of the Company's governance system.</p>
2016/2017	<p>Completing the project of transformation and strategic rearrangement of the Company's various functions, developing the operating system, policies and procedures, delegating powers and authority structures, and developing the governance system for the Board of Directors and Executive Management. On 21/07/1438 AH corresponding to 18/04/2017 AD, the Company's articles of association were amended in accordance with the joint stock companies system model issued by Ministerial Resolution No. 18379 dated 01/06/1437 AH, in accordance with the requirements of Article 224 of the Companies Law, and approval Formation of the audit committee, its duties and controls, and the remuneration of its members.</p>
2017/2018	<p>The project of transformation and strategic rearrangement of the Company's various functions has been completed, and its operating system has been developed and actually implemented. The Company has also made great strides in updating its governance policies and guide to keep pace with all the amendments and developments in both the corporate system issued by Royal Decree No. M/3 dated 28/01/1437 AH, and the revised Corporate Governance Regulations issued by the Authority's Board pursuant to Resolution No. (8-16-2017) dated 16/05/1438 AH corresponding to 13/02/2017 AD, based on the Companies Law issued by Royal Decree No. M/3 dated 28/1/1437 AH.</p>
2018/2019	<p>During the year 2018/2019, the Company reviewed its governance guide and policies in accordance with the Saudi Companies Law, the rules for offering securities and continuing obligations, and the amended corporate governance regulation issued by the decision of the Board of the Capital Market Authority No. 3-45-2018 dated 07/08/1439 AH corresponding to 23/04/2018 AD, and listing all the paragraphs that need to be updated in accordance with these amendments, and preparing them for approval and practical application.</p>
2019/2020	<p>Approval of the amendments to the corporate governance guide and policies, and the evaluation of the consulting company Protiviti of the performance of the internal audit department.</p> <p>During the fiscal year 2019/2020, the Company approved amendments to its governance guide and policies, with regard to disclosing financial information, providing the authority and announcing to shareholders the initial and annual financial statements to comply with the Saudi Companies Law, amendments to the rules for offering securities and continuing obligations, and the corporate governance regulation issued by the Board of Directors. The Capital Market Authority and put it into practice.</p> <p>The consulting office, Protiviti was also contracted to review the quality of the performance of the Company's internal audit department, and the initial general evaluation resulted in "the Company's internal audit in general conforming to the standards of the Institute of Internal Auditors, with a number of opportunities for improvement in relation to compliance with some standards."</p>

Fiscal year	Corporate governance activities	
2020/2021	<ul style="list-style-type: none"><li>The final evaluation of the consulting office, Protiviti, of the quality of performance of the internal audit department of the Company, and the application of the proposed improvements</li><li>Proceeding from the willingness of the Company's Board of Directors to abide by all the articles of the corporate governance regulations issued by the Authority and to ensure the application of the best international practices of governance that guarantee the rights of shareholders and of stakeholders, the Company assigned Protiviti with the task of reviewing the quality of performance of the Company's internal audit department, and the final report was completed. The Consultant must identify opportunities for continuous improvement in the work of the Company's Internal Audit Department, in a way that contributes to enhancing the quality of its performance, in the following areas:</li></ul>	
	1. Comprehensive risk assessment and internal audit planning	2. Implementation of operations/stores audit
	3. Enhancing the scope of the corporate governance audit	4. Enterprise risk assessment and risk management
	5. Internal audit management	6. Team and competency level
	7. Strengthening the process of planning participation and implementation	8. Internal audit reports
2021/2022 "Scheme"	9. The organizational independence of the Internal Audit Department	10. The Audit Committee directed the immediate implementation of all aspects of improving the quality of the performance of the Company's Internal Audit Department, and the periodic follow-up of implementation
	During the fiscal year 2021/2022, the Company aims to periodically review the Company's governance applications and practices, verify compliance with all corporate governance rules and the ongoing commitments issued by the Capital Market Authority, and follow up on the implementation of the improvements proposed by the Consultant, Protiviti, to enhance the quality of the performance of the Internal Audit Department. The Company further aims to ensure the achievement of further compliance with the professional framework for performing internal audit tasks issued by the International Institute of Internal Auditors, and continuously follow-up of any future amendments to the relevant laws and regulations issued by legal authorities, especially those that may require amending the Company's governance guide and policy for compliance, and follow up on the implementation of procedures that ensure agreement with the guiding rules contained the Corporate Governance Regulations issued by the Authority.	



25.2 Applying the provisions of the Corporate Governance Regulations

In accordance with the requirements of Paragraph (1) of Article 90 (the Board of Directors' Report) of the Corporate Governance Regulations, the Company has implemented all the articles, except for the articles shown in the following table:

Subject	Paragraph	Mandatory article	Execution position	Causes and company procedures
Article 39: Training	2	Guiding article	Not applicable	Work is currently underway to put in place the necessary mechanisms for the members of the Board of Directors and the Executive Management to receive continuous training programs and courses in order to develop their skills and knowledge in areas related to the Company's activities.
Article 41: Evaluation	All paragraphs	Guiding article	Not applicable	The necessary mechanisms are currently being arranged to evaluate the performance of the Board, its members, committees, and Executive Management annually, and to develop appropriate performance measurement indicators related to the extent to which the Company's strategic objectives are achieved, the quality of risk management, and the adequacy of internal control systems, among others, provided that the strengths and weaknesses are identified and a proposal is developed to address them in line with the Company's interest.
Article 70: Formation of a Risk Management Committee		Guiding article	Not applicable	
Article 71: Functions of the Risk Management Committee		Guiding article	Not applicable	
Article 72: Meetings of the Risk Management Committee		Guiding article	Not applicable	
Article 85: Motivating employees	All paragraphs	Guiding article	Partially applied	Programs to grant employees shares in the Company or a share of the profits it achieves, retirement programs, and the establishment of an independent fund to spend on those programs during the thinking and study stages of the Company.
Article 88: Social Action Initiatives	All paragraphs	Guiding article	Partially applied	Develop measurement indicators that link the Company's performance with its social work initiatives, and compare that with other companies with similar activity in the Company's thinking and study stages.
Article 89: Disclosure Policies and Procedures	3	Guiding article	Partially applied	The Company's website is being developed to contain all the information required for disclosure, and any other data and information published through other means of disclosure.
Article 95: Formation of the Corporate Governance Committee		Guiding	Not applicable	





26. Annual review of the effectiveness of control procedures

The Company has an independent Internal Audit Department that reports directly to the Board of Directors and the Audit Committee. The Internal Audit Department carries out its work in accordance with its approved charter, and the Internal Audit Department provides independent objective services with the aim of helping the Board of Directors, the Audit Committee and the Executive Management in carrying out their responsibilities. The Internal Audit Department is not subject to any influence by the Executive Management and has full powers for full and unrestricted access to all documents, in accordance with what is required to perform its work. In carrying out its work, the Internal Audit Department has adopted a systematic approach to assess and improve the effectiveness of internal controls in order to achieve the Company's objectives and protect its assets. The scope of the work of the Internal Audit Department is designed to include examining the adequacy and effectiveness of the Company's internal control system in order to verify whether the Company's internal systems have been implemented with the necessary accuracy to ensure the achievement of the Company's objectives. These covers, in particular, the financial and administrative regulations and policies, and corporate governance frameworks approved by the Board of Directors, general assemblies and legislative and regulatory oversight bodies. The scope of the Internal Audit Department includes the following:

- Periodic auditing and examination of the majority of the Company's departments during periodic periods with internal priority given to activities and functions according to the degree of risk.
- Informing officials in the various departments whose work has been examined for the observations that emerged during the examination process, as well as the department's recommendations to address those observations.
- Evaluating the procedures provided by officials in different departments to address the observations and implement the recommendations contained in the audit reports, and in the event that the measures taken were insufficient, the matter was discussed with officials to ensure the efficiency and adequacy of the measures taken.

26.1 Results of the annual review of the effectiveness of the Company's internal audit procedures

The Audit Committee ensured a continuous evaluation of the impact of Covid-19 on the Company's business, and its internal audit procedures, especially after the lifting of closures in June 2020. The business results showed a significant recovery from the negative effects of Covid-19, starting from the second quarter of the fiscal year 2020/2021 AD, ending in 31/12/2020 AD. Like for like sales during the period of 31/12/2019 AD showed an increase of 18%. As evidenced by the improvement in results, the Company's operations are in a state of recovery, with further improvement expected in the coming periods, and the current turnout rate has reached levels of 90-95% compared to the same period. Considering cost rationalization steps, expected sales volumes, and the current liquidity position, among other factors, the review shows that the Company will continue to meet its financial obligations in the foreseeable future and as they become due during the next 12 months.

The Audit Committee also studied and followed up the implementation of the approved audit plan with the Internal Audit Department, in addition to following up on the implementation of the recommendations contained in the internal audit reports. The Company has taken positive steps to strengthen its internal control system, preserve the Company's assets and provide a reasonable conviction of the integrity of the financial reports prepared from the accounting records. The Company's internal audit department also continuously checks the internal control system to ensure its efficiency and effectiveness and conducts financial and operational reviews to evaluate the Company's business. The internal control system for the Company's various work cycles and financial reports includes policies and procedures that:

- Relate to keeping records in a way that ensures the availability of detailed and accurate information that essentially reflects the reality of the transactions and dispositions of the Company's assets.

- Provides reasonable assurances that recording transactions allows the preparation of financial statements in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants, and that all necessary signatures and approvals have been taken into account in accordance with the structure of delegation of authorities and powers to the management of the Company before recording any invoices or expenditures.
- Provides reasonable assurance regarding the prevention or timely disclosure of the unauthorized purchase, use or disposal of Company assets that could have a material effect on the financial statements.

All systems of internal control, no matter how well designed, contain an inherent risk in the ability to prevent or detect errors. Nor does it provide an assessment of the future time period during which the system remains effective in detecting risks due to changes in circumstances with which the system may become inappropriate in this area, or in judging the degree of compliance with policies and regulations.

The results of the annual review of the effectiveness of internal control procedures can be presented as follows:

26.2 Auditing during the year

The Company's internal audit department has evaluated the effectiveness of the internal control system over the financial statements and reports, according to the frameworks and standards set by the Committee of Sponsoring Organizations of the Treadway Committee, which is known as the framework and standards for internal control COSO - the integrated framework and directives issued by COSO, and based on the framework and standards referred to. The Company's internal control risks have been assessed, in light of the associated principles derived from the five elements drawn by the general framework of internal control, for the Company's main business cycles: revenue, inventory, supplier accounts and associated expenses, fixed assets, financial reports (including Zakat and taxes), recruitment costs and wages, information technology systems.

In view of the degree of risks associated with inventory in light of the repercussions of the Covid-19 pandemic, the consultant, Protiviti, has been assigned a project to assess the inventory management process, which aims, through evaluating and reviewing the entire process of inventory management, to evaluate and improve the effectiveness of the related risk management, control and governance processes. The scope of work includes the following four tracks:

1. Reviewing the inventory operations and internal controls of the Company, based on a comprehensive understanding of the inventory management process, with a focus on the processes of writing off inventory in the relevant automated systems for inventory management and control.
2. Data analytics and review of supporting documents, including extraction of inventory movement reports, script development/testing, and review of supporting documents to identify discrepancies, exceptions and disagreements.
3. Reviewing financial reports in accordance with International Financial Reporting Standards (International Accounting Standard No. 2), to verify the conformity of the recorded values of inventories in the books of accounts in accordance with International Financial Reporting Standards.
4. Reviewing IT applications, by evaluating the current status of user permissions control (applications and database), software change control, exception checking and reports.

26.3 Audit results

The need to make management decisions regarding the development and improvement of control procedures and activities related to the Company's business cycles was noted.

26.4 Management decisions

The Company’s management has adopted policies and procedures to ensure the development and improvement of control procedures and activities related to all its work cycles, and the management has developed an action plan to implement the proposals and recommendations of internal audit to strengthen the effectiveness of its internal control system.

27. Hiring Saudi nationals and the Social Contribution Program

The Company believes that hiring Saudi nationals is a strategic option, and a national program of special importance. The Company is making every effort to achieve this goal, especially in light of the circumstances imposed by the Covid-19 pandemic and its effects on the global economy. The Company has maintained, praise be to God, its national employment with a slight decrease of an amount that did not exceed 5% of the average Saudi hiring rate for the past year, while fully and continuously maintaining its platinum status, reaching about 70%.

The Company’s policy is to work according to a program that is to provide employment, support and training opportunities for nationals in the Company’s management, and the Human Resourced Department proposes and discusses strategies with the Company’s departments in order to design training programs for professional development and career paths for employees.

The Company’s endeavors in this regard during the current year were as follows:

Introducing programs to develop and qualify Saudi employees and candidates for leadership positions, including:

- Future Leaders Program

The “Future Leaders” program is designed to attract and train the best newly graduated nationals from internal or external universities accredited by the Ministry of Education. It enables them to work in the retail sector according to a clear plan, provides them with the skills required to become leaders, and motivates them to apply these skills. This is in addition to educational insights gained from the university. The Program supports these individuals to become true leaders in their businesses.

One of the goals of the Company is its ambition to become the preferred employer for Saudi graduates in various fields. The goal of the program is not only to create new job opportunities for Saudis within the Company, but to enable employees to cover administrative work currently occupied by non-Saudis, and will create an link between newly graduated nationals and on the job training, giving the Company the choice of the best candidates.

- Improving attraction for nationals by participating in open recruitment days and workshops throughout the year in cooperation with the Chambers of Commerce and Industry in the regions of Riyadh, Jeddah, Dammam, Jizan and Abha.
- Participation in cooperative training with King Saud University, Princess Nourah Bint Abdulrahman University and Al-Faisal Academy to attract students to this training.
- Participation in career days for university and college graduates.



Introducing the Employment Support Program:

This is one of the employment support programs provided by the Human Resources Development Fund and was launched in April 2020 as a support initiative for private sector organisations. The program includes support for all jobs in the private sector, full-time and remotely. The program also focuses on employment in regions and cities with fewer job opportunities and on the employment of females and people of determination. The program has reached 3,663 employees to date, as of the beginning of May 2021, and the number is expected to increase to 4,200 employees.

Agreements and cooperation with a group of centres, departments, websites and volunteers in social media programs in the field of employing Saudis in a group of cities in the Kingdom’s regions, including:

1. Chambers of Commerce
  2. Human Resources Fund (TAQAT)
  3. Various charities
  4. Websites and accounts on social networking sites
  5. Human Resources Development Fund (HADAF)
- Introducing the national plan for employment in the private sector – Hiring Saudis Program
  - In cooperation with the Ministry of Human Resources and Social Development, the initiative of the National Plan for Employment in the Private Sector was signed, which was adopted by the Ministry of Human Resources and Social Development. The Ministry wishes to cooperate with various major establishments as well as fast-growing establishments for the purpose of targeting specific percentages and a specific number of jobs and professions to employ nationals and to provide a suitable work environment to accommodate them and to achieve job stability and sustainability for them. In addition, the Company participates in the national employment program in the interest of providing suitable job opportunities for male and female citizens, through which 234 employees were hired during FY2021, meeting the target set.
  - Community participation in many activities, including:
6. Developing Skills Program (TAMHEER)
  7. This is an on-the-job training program for Saudi male and female graduates from local and foreign universities accredited by the Ministry of Education, specifically those who have not been employed in the previous six months.





## 28. General Assembly of Shareholders

The following is a statement of the dates of the General Assemblies of shareholders during the fiscal year ending on 31 March 2021 and the names of the members of the Board of Directors attending these assemblies:

Meeting date	Attendance by the members of the Board of Directors	Remarks
First meeting 12/08/2020 "Ordinary"	Dr. Abdul Majeed Abdul Aziz Al Hokair Ajlan Abdul Rahman Al-Ajlan Faisal Abdullah Al-Jedaie Bandar Suleiman Al-Ghafis Tariq Saad Al-Tuwaijri Omar Abdul Aziz Al-Mohammadi Eid Faleh Al Shamry	
Second meeting 09/21/2020 "Ordinary"	Omar Abdul Aziz Al-Mohammadi Abdul Majeed Abdullah Al-Basri EID FALEH AL SHAMRY Bandar Suleiman Al-Ghafis Bassem Abdullah Al-Salloum Khaled Walid Al-Shakhshir	

## 29. Shareholder Register Requests

The Company requested the shareholders' register 10 times during the fiscal year for the period from 1 April 2020 to 31 March 2021, the details of which are as follows:

Serial number	The date of request	Reason for requests
1	09/08/2020	General Assembly
2	12/08/2020	General Assembly
3	21/09/2020	General Assembly
4	31/10/2020	Other
5	30/11/2020	Other
6	31/12/2020	Other
7	31/01/2021	Other
8	28/02/2021	General Assembly
9	31/03/2021	Corporate Actions
10	01/04/2021	Corporate Actions







05

# FINANCIAL STATEMENTS





KPMG Professional Services

Riyadh Front, Airport Road  
P. O. Box 92876  
Riyadh 11663  
Kingdom of Saudi Arabia  
Headquarter

Commercial Registration No 1010425494

كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار  
صندوق بريد ٩٢٨٧٦  
الرياض ١١٦٦٣  
المملكة العربية السعودية  
المركز الرئيسي

سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

Independent Auditor's Report

To the Shareholders of Fawaz Abdulaziz AlHokair & Co.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **Fawaz Abdulaziz AlHokair & Co. ("the Company") and its subsidiaries** (collectively referred to as **"the Group"**), which comprise the consolidated statement of financial position as at **31 March 2021**, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended 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 Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We 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 other 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 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 of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid-up capital of (15,000,000) SAR. (Previously known as "KPMG Al Fozan & Partners Certified Public Accountants") A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مبنية مساهمة مغلقة، مسجلة في المملكة العربية السعودية، رأسمالها (١٥,٠٠٠,٠٠٠) ريال سعودي مفتوح بالكامل، المسماة سابقاً بشركة كي بي إم جي الفوزان وشركاه محاسبون ومراجعون قانونيون. وهي عضو غير شريك في الشبكة العالمية للشركات كي بي إم جي المستقلة التابعة لكي بي إم جي العالمية المحدودة، شركة تجلزية محدودة بضمحل. جميع الحقوق محفوظة.



Independent Auditor's Report

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

Valuation of Inventories	
Refer to Note 6G to the consolidated financial statements for the accounting policy relating to inventories and Note 12 to the consolidated financial statements for the inventories disclosures.	
The key audit matter	How the matter was addressed in our audit
<p>As at 31 March 2021, the Group's inventories balance was SR 1,152 million (31 March 2020: SR 1,656 million) which are carried at lower of cost and net realizable value.</p> <p>The Company operates in the fashion retail sector and inventories comprise of fashion apparels and accessories. The seasonal nature of the business, changes in customer preferences and spending patterns, and need for markdowns, primarily driven by the wider fashion industry, introduces uncertainty over the realisability of inventories at their carrying value.</p> <p>We considered this as a key audit matter as the management applies significant judgment in determining an appropriate inventory provision</p> <p>The factors considered in determining this provision includes;</p> <ul style="list-style-type: none"><li>• Assessment of the level of slow-moving inventories using the age analysis and historical sales experience in each age bracket;</li><li>• Estimation of net realizable value based on future expectations; and</li><li>• Consideration of the results of physical inventory count to determine expected level of shrinkage</li></ul>	<p>Our audit procedures in relation to valuation of inventories, among others included:</p> <ul style="list-style-type: none"><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>• Analysing the inventory ageing and movement data to identify brands with low turnover or significant levels of aged inventory and assessing the realisability with respect to inventory of these brands;</li><li>• Evaluating the inventory provision by considering management's view of current inventory items and their ageing profile, sales forecasts and historical sales trends;</li><li>• Using our IT specialist to test the integrity of the inventories' ageing report used by management in its determination of inventory provision;</li><li>• Considering the net realizable value (NRV) of inventories by examining the sales subsequent to year-end for a sample of stores and comparing this NRV with the carrying value of inventories to check appropriateness of the associated provision; and</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.</li><li>• Evaluating the adequacy of the disclosures, in accordance with the requirements of the relevant financial reporting standards.</li></ul>



## Independent Auditor's Report

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

Impairment review of fixtures, fittings and other leasehold improvements at stores ("Store Assets")	
Refer to Note 6D and 6K to the consolidated financial statements for the accounting policy relating to property and equipment and impairment on non-financial assets and Note 7 to the consolidated financial statements for the property and equipment disclosures	
The key audit matter	How the matter was addressed in our audit
<p>As at 31 March 2021, the total value of fixtures, fittings and other leasehold improvements at stores (Store Assets) included in the property and equipment amounted to SR 1,063 million (31 March 2020: SR 1,250 million).</p> <p>While the Company continues to generate positive cash flows from operating activities, the currently prevalent economic scenario and retail sector trends may adversely impact the profitability of stores and hence the recoverable amount of the related store assets may be impacted. Further, as these Store Assets are widely dispersed over various geographical locations and in certain cases are specific to brands, their alternative use may be limited in case a particular store or a brand is discontinued.</p> <p>Management performs an impairment assessment of each store, that constitutes a CGU and is either showing deterioration in trading results or are to be closed down. This assessment determines the recoverable amount of related store assets and where recoverable amount is lower than book value of store assets an impairment charge is recognized, after considering alternative use of these store assets.</p> <p>We considered the impairment of Store Assets as a key audit matter as the assessment of impairment of Store Assets involves judgment by management relating to factors such as future performance of stores, sales expectations and expected usage of the store assets.</p>	<p>The audit procedures in relation to impairment of Store Assets, among others included:</p> <ul style="list-style-type: none"> <li>Evaluating the management's process for identifying impairment of Store Assets and assessed the design and implementation of controls over identification, recognition and measurement of such impairment;</li> <li>Examining the trading results by stores to check whether all loss making and closed stores have been identified by management for assessing impairment in related Store Assets;</li> <li>Assessing the need for impairment in Store Assets relating to loss making and closed stores through evaluating the management's assessment of: <ul style="list-style-type: none"> <li>a) future profitability of loss making stores by considering management's trading plans, recent performance of the store and historical accuracy of management's forecast</li> <li>b) usefulness of related Store Assets by considering management's plans for opening new stores and specification of the Store Assets. Where assets relating to the closed stores cannot be used within the same brand stores, we assessed management's plans for using these assets at stores of other brands and considered the viability of such plans.</li> </ul> </li> <li>Evaluating the adequacy of the disclosures, in accordance with the requirements of the relevant financial reporting standards.</li> </ul>



## Independent Auditor's Report

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

Goodwill impairment	
Refer to Note 6F and 6K to the consolidated financial statements for the accounting policy relating to goodwill and Note 8 for the goodwill disclosures	
The key audit matter	How the matter was addressed in our audit
<p>As at 31 March 2021, the carrying value of goodwill amounted to SR 1,007 million (31 March 2020: SR 1,007 million). The goodwill arose on the acquisition of Innovative Union Company, Wahba Trading Company Limited, Nesk Trading Projects Company and Mango brand, each identified as a separate Cash Generating Unit (CGU).</p> <p>Goodwill is subject to an annual impairment test. For the purpose of the Group's impairment assessment of goodwill, management used the value in use model under which the future cash flows relating to each CGU were discounted and compared to their respective recoverable amounts. In carrying out impairment assessment, significant judgment and assumptions are required in determining the future cash flows, discount rate, growth rate and terminal value.</p> <p>We considered goodwill impairment as a key audit matter due to the significant judgment and assumptions involved in the impairment assessment process.</p>	<p>Our audit procedures in relation to goodwill impairment, among others included:</p> <ul style="list-style-type: none"> <li>Assessing the design and implementation relating to Group's processes over recognition and measurement of goodwill impairment, including the assumptions used;</li> <li>Considering management's identification of CGUs and the appropriateness of allocation of goodwill;</li> <li>Involving our valuation specialist to test the key assumptions used in management's value-in-use calculation. Further, we assessed the appropriateness of key management assumptions in respect of estimated future cash flows, growth and discount rates and also performed a sensitivity analysis on these key assumptions;</li> <li>Checking the accuracy and completeness of the underlying information produced by management which was used in the impairment assessment;</li> <li>Considering the adequacy of the Group's financial statement goodwill disclosure in accordance with applicable financial reporting standards.</li> </ul>

### Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report 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 when it becomes available 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, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.





## Independent Auditor's Report

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

### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then 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.



## Independent Auditor's Report

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

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

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 of **Fawaz Abdulaziz AlHokair & Co. and its subsidiaries (the "Group")**.

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

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.

### Report on Other Legal and Regulatory Requirements

The Company has not complied with the requirements prescribed by the applicable requirements of the Regulations for Companies, as the Company has an outstanding receivable balance of SR 183.8 million from a shareholder as at 31 March 2021.

### KPMG Professional Services



**Hani Hamzah A. Bedairi**  
License No: 460

Al Riyadh, Date: 7 July 2021  
Corresponding to: 27 Dhul Qi'dah 1442H





## Consolidated statement of financial position

As at 31 March 2021

	Notes	31 March 2021	31 March 2020
<b>Assets</b>			
Property and equipment	7	1,327,471,618	1,514,310,454
Right-of-use assets	29A	3,401,916,309	4,058,005,277
Goodwill and intangible assets	8A	1,111,255,263	1,079,535,759
Investment property	9A	1,632,000	3,516,928
Investment in associates	10	2,699,577	31,912,752
Other investments	11	300,292,122	200,000,000
Receivable from disposal of subsidiaries	16	--	75,000,000
<b>Non-current assets</b>		<b>6,145,266,889</b>	<b>6,962,281,170</b>
Inventories	12	1,152,442,371	1,655,553,242
Advances, deposits and other receivables	13	470,570,204	570,309,960
Prepayments	14	47,855,658	68,470,014
Receivable from disposal of subsidiaries	16	75,000,000	75,000,000
Cash and cash equivalents	15	467,591,552	686,455,380
<b>Current assets</b>		<b>2,213,459,785</b>	<b>3,055,788,596</b>
<b>Total assets</b>		<b>8,358,726,674</b>	<b>10,018,069,766</b>
<b>Equity</b>			
Share capital	21	2,100,000,000	2,100,000,000
Statutory reserve		--	205,816,329
Foreign currency translation reserve		(510,642,899)	(579,002,031)
Accumulated losses		(1,037,812,790)	(112,249,813)
<b>Equity attributable to the shareholders of the Company</b>		<b>551,544,311</b>	<b>1,614,564,485</b>
<b>Non-controlling interest</b>	28	<b>(99,970,100)</b>	<b>(84,870,401)</b>
<b>Total equity</b>		<b>451,574,211</b>	<b>1,529,694,084</b>
<b>Liabilities</b>			
Loans and borrowings	17	2,304,450,432	2,423,747,120
Lease liabilities	29B	2,837,596,213	3,611,204,334
Employee benefits	19A	110,468,288	101,618,395
<b>Non-Current liabilities</b>		<b>5,252,514,933</b>	<b>6,136,569,849</b>
Loans and borrowings	17	819,584,379	759,722,532
Lease liabilities – current portion	29B	802,856,040	646,747,985
Zakat and tax liabilities	20B&C	15,848,276	10,802,154
Trade and other payables	18	1,016,348,835	934,533,162
<b>Current liabilities</b>		<b>2,654,637,530</b>	<b>2,351,805,833</b>
<b>Total liabilities</b>		<b>7,907,152,463</b>	<b>8,488,375,682</b>
<b>Total equity and liabilities</b>		<b>8,358,726,674</b>	<b>10,018,069,766</b>

The attached notes from 1 to 35 are an integral part of these consolidated financial statements.

These consolidated financial statements were authorized for issue by the Board of Directors, on behalf of the Shareholders, on 27 Dhul Qidah 1442H (7 July 2021) and signed on its behalf by:

  
**Ahmed Albelbesy**  
 Chief Financial Officer

  
**Marwan Moukarzel**  
 Chief Executive Officer

  
**Fawaz Abdulaziz Al Hokair**  
 Chairman

## Consolidated statement of profit or loss

For the year ended 31 March 2021

	Notes	31 March 2021	31 March 2020
Revenue	23	4,232,513,102	5,341,789,217
Cost of revenue	24A	(4,320,813,982)	(4,933,943,863)
<b>Gross profit</b>		<b>(88,300,880)</b>	<b>407,845,354</b>
Other operating income	24E	270,891,859	217,209,345
Selling and distribution expenses	24B	(146,331,211)	(138,461,047)
General and administrative expenses	24C	(294,593,135)	(217,885,432)
Depreciation on property and equipment	7A	(285,964,325)	(278,714,666)
Depreciation on investment properties	9A	(351,692)	(3,750,000)
Impairment on investment properties	9A	(1,533,236)	--
Amortization on intangible assets	8A	(12,377,495)	(13,054,261)
Other operating expense	24D	(128,813,762)	(49,444,566)
Impairment loss on goodwill	8A	--	(5,817,109)
Impairment loss on other receivables	26D	--	(50,455,092)
<b>Operating loss</b>		<b>(687,373,877)</b>	<b>(132,527,474)</b>
Finance costs over loans and borrowings	24F	(145,994,237)	(203,981,822)
Finance costs over lease liabilities	29B	(208,962,148)	(247,530,613)
<b>Net finance costs</b>		<b>(354,956,385)</b>	<b>(451,512,435)</b>
Share of loss of associates	10	(20,212,598)	(49,470,760)
<b>Loss before zakat and income tax</b>		<b>(1,062,542,860)</b>	<b>(633,510,669)</b>
Zakat and Income tax expense	20A	(46,083,705)	(47,641,861)
<b>Loss for the year</b>		<b>(1,108,626,565)</b>	<b>(681,152,530)</b>
<b>Loss for the year is attributable to:</b>			
Shareholders of the Company		(1,090,753,102)	(656,256,644)
Non-controlling interests	28	(17,873,463)	(24,895,886)
		(1,108,626,565)	(681,152,530)
<b>Loss per share</b>			
Basic and diluted loss per share	25	(5.20)	(3.13)

The attached notes from 1 to 35 are an integral part of these consolidated financial statements.

  
**Ahmed Albelbesy**  
 Chief Financial Officer

  
**Marwan Moukarzel**  
 Chief Executive Officer

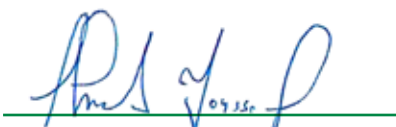
  
**Fawaz Abdulaziz Al Hokair**  
 Chairman

Consolidated statement of comprehensive income

For the year ended 31 March 2021

	Notes	31 March 2021	31 March 2020
Loss for the year		(1,108,626,565)	(681,152,530)
Items that will not be reclassified to profit or loss:			
Re-measurements of defined benefit liability	19A	(12,122,041)	(2,635,976)
Equity investments at FVOCI – net change in fair value	11	--	(31,361,800)
		(12,122,041)	(33,997,776)
Items that are or may be reclassified subsequently to profit or loss:			
Foreign operations – foreign currency translation differences		42,628,733	33,321,490
		42,628,733	33,321,490
Other comprehensive income / (loss) for the year, net of tax		30,506,692	(676,286)
Total comprehensive loss for the year		(1,078,119,873)	(681,828,816)
Total comprehensive loss for the year attributable to:			
• Shareholders of the Company		(1,062,099,303)	(655,826,416)
• Non-controlling interests		(16,020,570)	(26,002,400)
		(1,078,119,873)	(681,828,816)

The attached notes from 1 to 35 are an integral part of these consolidated financial statements.

  
Ahmed Albelbesy  
Chief Financial Officer

  
Marwan Moukarzel  
Chief Executive Officer

  
Fawaz Abdulaziz Al Hokair  
Chairman



Consolidated statement of changes in equity

		Attributable to shareholders of the Company						
	Notes	Share capital	Statutory reserve	Foreign currency translation reserve		Fair value reserve	Retained earnings (accumulated losses)	Total shareholders' equity
				translation reserve	reserve			Non-controlling interest
Balance at 1 April 2019		2,100,000,000	205,816,329	(613,274,765)	161,041,800	623,915,770	2,477,499,134	(66,622,617)
Adjusted balance at 1 April 2019		2,100,000,000	205,816,329	(613,274,765)	161,041,800	416,807,537	2,270,390,901	(67,078,675)
Total comprehensive income/(loss) for the year		--	--	--	--	(556,256,644)	(656,256,644)	(24,895,886)
Loss for the year		--	--	--	--	(556,256,644)	(556,256,644)	(681,152,530)
Other comprehensive income/(loss)		--	--	34,272,734	(31,361,800)	(2,480,706)	430,228	(1,106,514)
Total comprehensive income/(loss) for the year	11	--	--	34,272,734	(31,361,800)	(658,737,350)	(655,826,416)	(26,002,400)
Transfers		--	--	--	(129,680,000)	129,680,000	--	--
Changes in ownership interests								
Acquisition of subsidiary with NCI	27	--	--	--	--	--	--	8,210,674
Balance at 31 March 2020		2,100,000,000	205,816,329	(579,002,031)	--	(112,249,813)	1,614,564,485	(84,870,401)
Balance at 1 April 2020		2,100,000,000	205,816,329	(579,002,031)	--	(112,249,813)	1,614,564,485	(84,870,401)
Total comprehensive income/(loss) for the year		--	--	--	--	(1,090,753,102)	(1,090,753,102)	(1,108,626,565)
Loss for the year		--	--	--	--	(1,090,753,102)	(1,090,753,102)	(1,108,626,565)
Other comprehensive (loss) / income		--	--	40,775,840	--	(12,122,041)	28,653,799	1,852,893
Total comprehensive (loss) / income for the year		--	--	40,775,840	--	(1,102,875,143)	(1,062,099,303)	(16,020,570)
Transfer from statutory reserve (Note 21B)		--	(205,816,329)	--	--	205,816,329	--	--
Amount reclassified to retained earnings		--	--	27,583,292	--	(27,583,292)	--	--
Changes in ownership interests								
Acquisition of NCI in subsidiary		--	--	--	--	(920,871)	(920,871)	920,871
Balance at 31 March 2021		2,100,000,000	--	(510,642,899)	--	(1,037,812,790)	551,544,311	(99,970,100)

The attached notes from 1 to 35 are an integral part of these consolidated financial statements.

  
Ahmed Albelbesy  
Chief Financial Officer

  
Marwan Moukarzel  
Chief Executive Officer

  
Fawaz Abdulaziz Al Hokair  
Chairman





## Consolidated statement of cash flows

For the year ended 31 March 2021

	Notes	31 March 2021	31 March 2020
<b>Cash flows from operating activities:</b>			
Loss for the year		(1,108,626,565)	(681,152,530)
Adjustments for:			
Depreciation on property and equipment	7	285,964,324	278,714,666
Depreciation on investment properties	9	351,692	3,750,000
Amortization on intangible assets	8A	12,377,495	13,054,261
Depreciation on right-of-use assets	29A&C	592,963,723	588,031,437
Provision for employees benefits	19A	24,346,841	19,968,288
Impairment loss on other receivables	26D	--	50,455,092
Provision for inventory shrinkage and slow-moving inventory	12	477,280,067	366,890,754
Gain on lease termination	24E	(19,037,510)	(7,772,066)
Gain on modification of Right of use assets - Net	24E	5,770,201	--
Zakat expense	20B	46,083,706	47,641,861
Finance cost over loans and borrowings	24F	145,994,237	203,981,822
Finance cost over lease liabilities	29B&C	208,962,148	247,530,613
Share of loss from associates	10	20,212,598	49,470,760
Loss on disposal of property and equipment	24D	6,891,619	6,934,082
Store closure losses	24D	76,007,836	42,510,484
Impairment loss on goodwill	8A	--	5,817,109
Fair value gain on other investments	9	(15,860,000)	--
Impairment of investment property		1,533,236	--
Rental concession for leases	24E	(210,721,557)	(52,527,936)
Gain on disposal of investment property	24E	--	(144,497,726)
		<b>550,494,091</b>	<b>1,038,800,971</b>
<b>Changes in:</b>			
Inventories		25,830,804	(76,087,669)
Advances, deposits and other receivables		90,307,634	(44,377,868)
Prepayments, rentals and insurance		20,614,356	(13,601,610)
Trade and other payables		83,668,566	(248,841,032)
Accruals and other liabilities		--	(21,145,868)
<b>Cash generated from operating activities</b>		<b>770,915,451</b>	<b>634,746,924</b>
Zakat and income tax paid	20B	(41,037,584)	(75,037,913)
Employee benefits paid	19A	(27,618,989)	(16,425,505)
<b>Net cash from operating activities</b>		<b>702,258,878</b>	<b>543,283,506</b>
<b>Cash flows from investing activities:</b>			
Purchase of property and equipment	7A	(182,024,943)	(128,908,412)
Proceeds from disposal of property and equipment	7A(i)	--	170,266,854
Purchase of intangible assets	8A	(45,867,532)	(4,096,785)
Disposal of intangible assets	8A	1,770,533	19,983
Proceeds from disposal of investment	10, 11	9,000,577	223,680,000
Acquisition of subsidiary, net of cash acquired	27	--	23,947,916
<b>Net cash (used in) / from investing activities</b>		<b>(217,121,365)</b>	<b>284,909,556</b>

## Consolidated statement of cash flows (continued)

For the year ended 31 March 2021

	Notes	31 March 2021	31 March 2020
<b>Cash flows from financing activities:</b>			
Proceeds from loans and borrowings		--	3,000,000,000
Repayments of loans and borrowings		(71,014,264)	(2,695,281,971)
Transaction costs paid during the year		--	(17,829,019)
Payments of finance costs over loans and borrowings	17	(134,414,814)	(204,705,048)
Repayments of lease liabilities	29B	(350,016,398)	(526,054,430)
Payments of finance costs over lease liabilities	29B	(209,067,377)	(247,530,613)
<b>Net cash used in financing activities</b>		<b>(764,512,853)</b>	<b>(691,401,081)</b>
Net (decrease) / increase in cash and cash equivalents		(279,375,340)	136,791,981
Foreign currency exchange translation differences		60,511,512	33,269,259
Cash and cash equivalents at the beginning of year		686,455,380	516,394,140
<b>Cash and cash equivalents at end of year</b>	15	<b>467,591,552</b>	<b>686,455,380</b>
<b>Significant non-cash transactions:</b>			
- Acquisition of subsidiary	27	--	(132,172,968)
- Transfer of consideration on purchase of acquisition	27	--	340,000,000
- Receivables transferred to other investments		(84,432,122)	--
- Receivable from disposal of subsidiaries transferred to Related parties		75,000,000	--

The attached notes from 1 to 35 are an integral part of these consolidated financial statements.

  
**Ahmed Albelbesy**  
 Chief Financial Officer

  
**Marwan Moukartzel**  
 Chief Executive Officer

  
**Fawaz Abdulaziz Al Hokair**  
 Chairman

Notes to the consolidated financial statements

For the year ended 31 March 2021

1. Reporting entity

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

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

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

Following is the list of subsidiaries included in these consolidated financial statements as of 31 March 2021 and 31 March 2020:					Ownership interest held by the Group as at:	
No	Subsidiaries	Country of Incorporation	Business Activity	31 March 2021	31 March 2020	
1	Al Wabeedah 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 (UUC)	Kingdom of Saudi Arabia	Food and Beverage	100	100	
8	Food Gate company	Kingdom of Saudi Arabia	Food and Beverage	70	70	
9	Azai Restaurants Company	Kingdom of Saudi Arabia	Food and Beverage	65	65	
10	First Piza Company	Kingdom of Saudi Arabia	Food and Beverage	51	51	
11	Logistics Fashion Trading DMC-LLC	United Arab Emirates	Retail	100	100	
12	Advanced Fashion Concepts LLC	United Arab Emirates	Retail	100	100	
13	International Fashion Franchising Limited	United Arab Emirates	Retail	100	100	
14	Fashion Retail Kazakhstan LLP	Republic of Kazakhstan	Retail	100	100	
15	Global Apparel Kazakhstan LLP	Republic of Kazakhstan	Retail	100	100	
16	Retail Group Georgia LLC	Georgia	Retail	100	100	
17	Master Retail Georgia LLC	Georgia	Retail	100	100	
18	Spanish Retail Georgia LLC	Georgia	Retail	100	100	
19	Pro Retail Georgia LLC	Georgia	Retail	100	100	
20	Best Retail Georgia LLC	Georgia	Retail	100	100	
21	Mega Store Georgia LLC	Georgia	Retail	100	100	
22	Fashion Retail Georgia LLC	Georgia	Retail	100	100	
23	Global Apparel Georgia LLC	Georgia	Retail	100	100	
24	Retail Group Holding LLC	Georgia	Retail	100	100	
25	Pro Retail Georgia LLC	Georgia	Retail	100	100	
26	Modern Fashion Trading Line	Georgia	Retail	100	100	
27	International Retail of Morocco	Morocco	Retail	100	100	
28	Multi Trends Co.	Morocco	Retail	100	100	
29	Retail Group of America LLC	United States of America	Entertainment	100	100	
30	Monsoon Accessories USA INC	United States of America	Retail	100	100	
31	Retail Group Jennyfer	United States of America	Retail	100	100	
32	Retail Group France LLC	United States of America	Retail	100	100	
33	Retail Group Spain LLC	United States of America	Retail	100	100	
34	Retail Group Germany	United States of America	Retail	100	100	
35	Retail Group Lipsy LLC	United States of America	Retail	100	100	
36	Retail Group Zippy LLC	United States of America	Retail	100	100	
37	Retail Group Cortifel	United States of America	Retail	100	100	
38	Retail Group Flormar	United States of America	Retail	100	100	



Ownership interest held by the Group as at:				
No	Subsidiaries	Country of incorporation	Business Activity	31 March 2021
39	Retail Group Balkans ddo Beograd	Republic of Serbia	Retail	100
40	Retail Group Balkans ddo Podgorica	Balkan Peninsula	Retail	100
41	Retail Group Balkans ddo Skopje	Balkan Peninsula	Retail	100
42	RIGE Co.	Arab Republic of Egypt	Retail	99
43	Retail Group Egypt Co.S.A.E	Arab Republic of Egypt	Retail	98
44	Retail Group Armenia CJSC	Armenia	Retail	96
45	Spanish Retail CJSC	Armenia	Retail	100
46	ZR Fashion Retail CJSC	Armenia	Retail	100
47	Global Apparel CJSC	Armenia	Retail	100
48	BR Fashion Retail CJSC	Armenia	Retail	100
49	Master Retail CJSC	Armenia	Retail	100
50	Best Retail CJSC	Armenia	Retail	100
51	Retail Group CJSC	Armenia	Retail	100
52	Pro Retail CJSC	Armenia	Retail	100
53	Retail Group Jordan Co. LDT	Hashemite Kingdom of Jordan	Retail	100
54	Nesk Trading Projects LLC	Hashemite Kingdom of Jordan	Retail	100
55	Retail General Trading Co. Ltd.	Iraq	Retail	95
56	United Group Retail Trading Company LLC	Iraq	Retail	70
57	Models Own Holding Limited	United Kingdom	Retail	51
58	Models Own Limited	United Kingdom	Retail	51
59	Models Own International Ltd.	United Kingdom	Retail	51
60	Retail Group Azerbaijan LLC	Azerbaijan	Retail	85
61	Fashion Retail Azerbaijan LLC	Azerbaijan	Retail	85
62	Spanish Retail Azerbaijan LLC	Azerbaijan	Retail	85
63	Global Apparel Azerbaijan LLC	Azerbaijan	Retail	85
64	Mega Store Azerbaijan LLC	Azerbaijan	Retail	85
65	Master Retail Azerbaijan LLC	Azerbaijan	Retail	85
66	Pro Retail Azerbaijan LLC	Azerbaijan	Retail	85
67	Retail Group Holding LLC	Azerbaijan	Retail	85
68	Best Retail Azerbaijan LLC	Azerbaijan	Retail	85

During the year ended 31 March 2021, the Group has signed a Sale Purchase agreement to acquire 39,253 (25.5%) ordinary shares of Vogacloset Limited, UK (an e-commerce Company) for a total consideration of SR 68,856,933. As at 31 March 2021, the necessary legal formalities for transfer of ownership including the regulatory approvals have not completed.

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.

## 2. Basis of accounting

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.
- The defined benefit obligation is recognized at the present value of future obligations using the Projected Unit Credit Method.

## 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

##### i. 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.

## ii. Management's judgement in assessing significant influence over investees:

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.

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 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.

### 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. Certain prior year figures have been reclassified to conform to current year presentation.

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.

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. Associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interest in associates 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 is recognized as a reduction in the carrying amount of the investment.

When the Group’s share of losses in an associate 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 others 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.

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.

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:

Class of asset	Number of years
Buildings	33 years
Leasehold improvements	8-15 years
Furniture, fixtures and office equipment	10 years
Furniture, fixtures and office equipment	4 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 6J).

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:

Class of asset	Number of years
Software	25 years
Key money	10 years
Deferred charges	8 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.

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.

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

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at Amortized cost	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.
Equity investments At FVOCI	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.

### 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 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 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.

### 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 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.



## 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.

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.

## 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.

In calculating the zakat expense for the current year, the Group has adjusted its profit and applied certain deduction to its zakat base used to calculate the zakat expense. However, the zakat legislations of the Zakat, Tax and Customs Authority (ZATCA) in relation to those adjustments and deductions are not clear. The Group's management made its best estimates for those assumptions based on industry practice and historical experience.

### 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 believes 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.

## 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.

The Group presents the lease liabilities in 'loans and borrowings' in the statement of financial position.

### 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. 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.



## 7. Property and equipment

See accounting policies in Notes 6D and 6K.

### A. Reconciliation of carrying amount

	Notes	Land	Buildings and leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Under construction (ii)	Total
<b>Cost:</b>							
Balance at 1 April 2019		14,920,930	2,939,795,29	666,867,93	13,806,630	385,585,918	4,020,360,800
Additions		--	68,986,067	40,394,589	1,203,978	18,323,778	128,908,412
Additions on acquisition	28	--	71,146,079	50,757,803	4,196,741	5,364,260	131,464,883
Disposals	(i)	--	(145,031,302)	(14,932,440)	(591,900)	(164,139,158)	(324,694,800)
<b>Balance at 31 March 2020</b>		<b>14,920,930</b>	<b>2,934,280,373</b>	<b>743,087,745</b>	<b>18,615,449</b>	<b>245,134,798</b>	<b>3,956,039,295</b>
Additions		--	137,022,759	12,646,941	83,000	32,272,243	182,024,943
Transfers		--	12,312,747	814,291	--	(13,127,038)	--
Disposals		--	(380,584,838)	(38,209,116)	(676,850)	(7,952,517)	(437,423,321)
<b>Balance at 31 March 2021</b>		<b>14,920,930</b>	<b>2,703,031,041</b>	<b>718,339,861</b>	<b>18,021,599</b>	<b>246,327,486</b>	<b>3,700,640,917</b>
<b>Accumulated depreciation and impairment losses:</b>							
Balance at 1 April 2019		--	1,818,611,721	435,579,204	13,806,630	--	2,267,997,555
Charge for the year		--	212,609,837	65,141,221	963,608	--	278,714,666
Disposals	(i)	--	(89,459,043)	(14,932,440)	(591,897)	--	(104,983,380)
<b>Balance at 31 March 2020</b>		<b>--</b>	<b>1,941,762,515</b>	<b>485,787,985</b>	<b>14,178,341</b>	<b>--</b>	<b>2,441,728,841</b>
Charge for the year		--	225,292,437	59,172,584	899,304	--	285,964,325
Disposals		--	(324,377,821)	(29,469,203)	(676,843)	--	(354,523,867)
<b>Balance at 31 March 2021</b>		<b>--</b>	<b>1,842,677,131</b>	<b>516,091,366</b>	<b>14,400,802</b>	<b>--</b>	<b>2,373,169,299</b>
<b>Carrying amounts:</b>							
At 1 April 2019		14,920,930	1,120,567,808	231,286,589	--	385,585,918	1,752,363,245
<b>At 31 March 2020</b>		<b>14,920,930</b>	<b>992,517,858</b>	<b>257,299,760</b>	<b>4,437,108</b>	<b>245,134,798</b>	<b>1,514,310,454</b>
<b>At 31 March 2021</b>		<b>14,920,930</b>	<b>860,353,910</b>	<b>202,248,495</b>	<b>3,620,797</b>	<b>246,327,486</b>	<b>1,327,471,618</b>

- The Group had disposed of property and equipment for proceeds of SR 54 million (2020: SR 170 million) during the year.
- During 2020, the Group had changed plans for stores expansion and SR 160 million has been refunded from the contractor.

## 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 management 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.



## 8. Goodwill and intangible assets

See accounting policies in Notes 6F and 6K.

### A. Reconciliation of carrying amount

	Note	Goodwill	Software	Key money	Deferred charges	Total
<b>Cost</b>						
Balance at 1 April 2019		804,560,265	75,221,948	141,659,508	8,187,138	1,029,628,859
Additions		--	--	176,000	3,920,785	4,096,785
Additions on acquisition	28	207,827,033	--	12,750,714	--	220,577,747
Disposals		--	--	--	(19,983)	(19,983)
<b>Balance at 31 March 2020</b>		<b>1,012,387,298</b>	<b>75,221,948</b>	<b>154,586,222</b>	<b>12,087,940</b>	<b>1,254,283,408</b>
Additions		--	42,375,908	1,485,200	2,006,424	45,867,532
Disposals		--	(235,035)	(4,892,080)	(680,011)	(5,807,126)
<b>Balance at 31 March 2021</b>		<b>1,012,387,298</b>	<b>117,362,821</b>	<b>151,179,342</b>	<b>13,414,353</b>	<b>1,294,343,814</b>

#### Accumulated amortization and impairment

Balance at 1 April 2019	--	54,169,262	101,072,928	634,089	155,876,279
Charge for the year	--	1,409,263	8,082,063	3,562,935	13,054,261
Disposals / Impairment	5,817,109	--	--	--	5,817,109
<b>Balance at 31 March 2020</b>	<b>5,817,109</b>	<b>55,578,525</b>	<b>109,154,991</b>	<b>4,197,024</b>	<b>174,747,649</b>
Charge for the year	--	3,758,335	6,826,079	1,793,081	12,377,495
Disposals	--	(235,034)	(3,648,550)	(153,009)	(4,036,593)
<b>Balance at 31 March 2021</b>	<b>5,817,109</b>	<b>59,101,826</b>	<b>112,332,520</b>	<b>5,837,096</b>	<b>183,088,551</b>

#### Carrying amount

At 1 April 2019	804,560,265	21,052,686	40,586,580	7,553,049	873,752,580
<b>At 31 March 2020</b>	<b>1,006,570,189</b>	<b>19,643,423</b>	<b>45,431,231</b>	<b>7,890,916</b>	<b>1,079,535,759</b>
<b>At 31 March 2021</b>	<b>1,006,570,189</b>	<b>58,260,995</b>	<b>38,846,822</b>	<b>7,577,257</b>	<b>1,111,255,263</b>

### B. Goodwill

	Note	Year	Equity Interest	31 March 2021	31 March 2020
Nesk Projects Trading Co	(i)	2012	100%	417,796,779	417,796,779
Mango brand	(ii)	2014	100%	319,508,613	319,508,613
Innovative Union Company	(iii)	2020	100%	207,827,033	207,827,033
Wahba Trading Company Ltd	(iv)	2009	100%	61,437,764	61,437,764
<b>Carrying amount</b>				<b>1,006,570,189</b>	<b>1,006,570,189</b>

- 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.

- ii. 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.

- iii. The Group acquired Innovative Union 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.

- iv. 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. During 2021, the management has determined that goodwill carrying amounts are less than their recoverable amounts. 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;

	Wahba Trading Company Limited	Nesk Projects Trading Company	Mango Brand	Innovative Union Company
Discount rate	13.3%	13.3%	13.3%	11.4%
Budgeted gross margins	46%	43.6%	43.5%	66.3%
Average annual growth rate for sale	2.2%	2.2%	2.2%	2.2%
Terminal growth rate	2.6%	2.6%	2.6%	2.6%

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.

### 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 terminal growth rates and the discount rates used.





## 10. Investment in associates

See accounting policies in Notes 6A, 6I, and 6J.

Associates:	Investate Harbour Land	Burberry Saudi Co. Ltd.	FG 4 Limited	Investate Harbour	Amwal Al Khaleeja Al Oula	Al Farida Trading Agencies	Al Wahedeh Equipment	Total
Balance at 1 April 2019	16,495,794	16,933,015	24,618,392	900,750	22,435,561	13,908,062	38,956,175	134,247,749
Disposal	--	--	--	--	--	(13,908,062)	(38,956,175)	(52,864,237)
Share of profit / (loss) and impairment	(373)	(4,438,692)	(22,595,930)	(204)	(22,435,561)	--	--	(49,470,760)
<b>Balance at 31 March 2020</b>	<b>16,495,421</b>	<b>12,494,323</b>	<b>2,022,462</b>	<b>900,546</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>31,912,752</b>
Disposal	--	(9,000,577)	--	--	--	--	--	(9,000,577)
Share of profit / (loss) and impairment	(16,495,421)	(3,493,746)	67,715	(900,546)	--	--	--	(20,212,598)
<b>Balance at 31 March 2021</b>	<b>--</b>	<b>--</b>	<b>2,699,577</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>2,699,577</b>
<b>Financial Year</b>	<b>31 July 2018</b>	<b>30 Nov 2020</b>	<b>31 March 2021</b>	<b>31 July 2018</b>				
Assets	182,446,340	65,791,249	25,008,482	50,967,702	--	--	--	324,213,773
Liabilities	4,453,560	27,192,394	19,609,328	4,503	--	--	--	51,259,785
<b>Net Assets</b>	<b>177,992,780</b>	<b>38,598,855</b>	<b>5,399,154</b>	<b>50,963,199</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>272,953,988</b>
Percentage ownership interest	93%	0%	50%	17%	--	--	--	--
<b>Group's share of net assets</b>	<b>16,495,421</b>	<b>--</b>	<b>2,699,577</b>	<b>900,546</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>20,095,544</b>
Revenue	--	14,952,821	2,217,203	--	--	--	--	17,170,024
Profit from continuing operations	--	(11,376,131)	(1,778,164)	--	--	--	--	(13,154,295)
Other comprehensive income	--	--	--	--	--	--	--	--
Total comprehensive income	--	(11,376,131)	(1,778,164)	--	--	--	--	(13,154,295)
<b>Group's share of total comprehensive income</b>	<b>--</b>	<b>(3,289,754)</b>	<b>677,115</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(2,612,639)</b>

## 9. Investment property

See accounting policies in Notes 6E and 6K.

### A. Reconciliation of carrying amount

Notes	Land and buildings	Residential apartment	Total
<b>Cost</b>			
Balance at 1 April 2019	104,252,274	3,516,928	107,769,202
Addition / (Disposal) (i)	(104,252,274)	--	(104,252,274)
<b>Balance at 31 March 2020</b>	<b>--</b>	<b>3,516,928</b>	<b>3,516,928</b>
Addition / (Disposal)	--	--	--
<b>Balance at 31 March 2021</b> (ii)	<b>--</b>	<b>3,516,928</b>	<b>3,516,928</b>
<b>Accumulated depreciation and impairment</b>			
Balance at 1 April 2019	45,000,000	--	45,000,000
Charge for the year	3,750,000	--	3,750,000
Disposal	(48,750,000)	--	(48,750,000)
<b>Balance at 31 March 2020</b>	<b>--</b>	<b>--</b>	<b>--</b>
Charge for the year	--	351,692	351,692
Impairment (ii)	--	1,533,236	1,533,236
<b>Balance as at 31 March 2021</b>	<b>--</b>	<b>1,884,928</b>	<b>1,884,928</b>
<b>Carrying amount</b>			
At 1 April 2019	59,252,274	3,516,928	62,769,202
<b>At 31 March 2020</b>	<b>--</b>	<b>3,516,928</b>	<b>3,516,928</b>
<b>At 31 March 2021</b>	<b>--</b>	<b>1,632,000</b>	<b>1,632,000</b>

- During 2020, the Group disposed its investment in Riyadh Galley mall for a consideration of SR 200 million. Resultant gain of SR 144.5 million had been recorded as gain on sale of the investment property. As per the terms of sale arrangement, in consideration the Group has received 20 million units of Al Mubarak Real Estate Income Fund – II representing nominal value of SR 200 million.
- During the year, the legal ownership of residential apartment has been transferred to the Group.



## 11. Other investments

See accounting policies in Notes 6A, 6I, and 6J.

	Equity securities at FVTPL (i)	Equity securities at FVOCI (ii)	Total
<b>Cost</b>			
Balance at 1 April 2019	--	255,041,800	255,041,800
Additions	200,000,000	--	200,000,000
Disposals	--	(255,041,800)	(255,041,800)
<b>Balance at 31 March 2020</b>	<b>200,000,000</b>	<b>--</b>	<b>200,000,000</b>
<b>Revaluation adjustments</b>			
Balance at 1 April 2019	--	161,041,800	161,041,800
Unrealized loss	--	(31,361,800)	(31,361,800)
Transfers	--	(129,680,000)	(129,680,000)
<b>Balance at 31 March 2020</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Net Book Value at 31 March 2020</b>	<b>200,000,000</b>	<b>--</b>	<b>200,000,000</b>
<b>Cost</b>			
Balance at 1 April 2020	200,000,000	--	200,000,000
Additions	--	84,432,122	84,432,122
<b>Balance at 31 March 2021</b>	<b>200,000,000</b>	<b>84,432,122</b>	<b>284,432,122</b>
<b>Revaluation adjustments</b>			
Balance at 1 April 2020	--	--	--
Fair value gain	15,860,000	--	15,860,000
<b>Balance at 31 March 2021</b>	<b>15,860,000</b>	<b>--</b>	<b>15,860,000</b>
<b>Net Book Value at 31 March 2021</b>	<b>215,860,000</b>	<b>84,432,122</b>	<b>300,292,122</b>

- 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 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.

## 12. Inventories

See accounting policy in Note 6G.

	Note	31 March 2021	31 March 2020
Finished goods			
- Available for sale		1,155,674,884	1,717,795,573
- Goods in transit		111,644,820	162,246,868
Consumables and supplies		29,141,193	35,066,695
<b>Gross inventories</b>		<b>1,296,460,897</b>	<b>1,915,109,136</b>
Provision for inventory	(i)	(144,018,526)	(259,555,894)
<b>Net inventories</b>		<b>1,152,442,371</b>	<b>1,655,553,242</b>

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

	Note	31 March 2021	31 March 2020
Opening balance		259,555,894	221,665,140
Charge		107,712,293	221,216,742
Written-off		(223,249,661)	(183,325,988)
<b>Closing balance</b>		<b>144,018,526</b>	<b>259,555,894</b>
<b>Inventories directly written off to profit or loss</b>		<b>369,567,774</b>	<b>329,000,000</b>

## 13. Advances, deposits and other receivables

See accounting policies in Notes 6I and 6J.

	Note	31 March 2021	31 March 2020
<b>Receivables due from related parties</b>	32B	<b>192,364,016</b>	<b>197,088,533</b>
Other receivables			
• Advances to suppliers		117,556,115	159,166,462
• Margin on letters of credit and guarantee		89,194,778	30,257,097
• Security deposits		34,664,512	28,973,964
• Receivable from credit card and wholesale		13,462,051	10,687,939
• Employee receivables		12,780,612	24,403,381
• Custom refund receivable		7,571,057	10,732,301
• Margin compensation receivable		133	6,360,513
• VAT receivable		--	75,805,985
• Receivable from human resources development fund		--	3,452,167
• Others		2,976,930	23,381,618
		<b>278,206,188</b>	<b>373,221,427</b>
<b>Impairment allowance for doubtful receivables</b>		<b>--</b>	<b>--</b>
		<b>470,570,204</b>	<b>570,309,960</b>

## 14. Prepayments

See accounting policies in Notes 6I and 6J.

	Note	31 March 2021	31 March 2020
Prepaid rent			
- Related party	32B	--	14,146,401
- External party		--	1,604,849
Prepaid insurance		21,249,972	47,078,170
Others		26,605,686	5,640,594
		<b>47,855,658</b>	<b>68,470,014</b>

## 15. Cash and cash equivalents

See accounting policy in Note 6H.

	Note	31 March 2021	31 March 2020
Bank balances	(i)	451,840,180	679,808,231
Cash in hand		15,751,372	6,647,149
		<b>467,591,552</b>	<b>686,455,380</b>

- i. Bank balances includes SR 205 million (2020: SR 595 million) which represent placement deposits with financial institution. The deposits are for short term period and carries average profit rate of 0.9% (2020: 0.65%).



## 16. Receivable from disposal of subsidiaries

See accounting policies in Notes 6A, 6I, and 6J.

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

	Note	2021	2020
<b>Global Levia and its subsidiaries</b>	(i)		
Non-current portion		--	75,000,000
Current portion		75,000,000	75,000,000
		<b>75,000,000</b>	<b>150,000,000</b>

- 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 payments, 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 year, an installment of SR 75 million (2020: SR 75 million) had been transferred against the settlement of purchase consideration for acquisition of a subsidiary. Please refer to Note 28.

## 17. Loans and borrowings

See accounting policies in Note 6I.

	Note	31 March 2021	31 March 2020
Islamic facility with banks (murabaha)	17A(i)	2,985,507,515	2,983,058,081
Islamic banking facilities of Non - GCC subsidiaries	17A(ii)	3,541,520	27,045,795
Financing against inventory	17A(iii)	116,693,493	149,998,571
Banking facilities of GCC subsidiaries	17A(iv)	18,292,283	23,367,205
		<b>3,124,034,811</b>	<b>3,183,469,652</b>
Short term borrowings		138,527,296	200,411,571
Current portion of long term borrowings		681,057,083	559,310,961
<b>Loans and Borrowings - Current liabilities</b>		<b>819,584,379</b>	<b>759,722,532</b>
<b>Loans and Borrowings - Non Current liabilities</b>		<b>2,304,450,432</b>	<b>2,423,747,120</b>
		<b>3,124,034,811</b>	<b>3,183,469,652</b>

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

### A. Terms and repayment

- i. The Group signed a long-term Murabaha financing agreement with a local 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 March 2021, the Group has fully utilized this facility.

- ii. The Group has short-term Murabaha facilities with local and foreign commercial banks amounting to SR 100 million (2020: SR 100 million). The facilities are secured by promissory notes by the Group and utilized for working capital management.
- iii. During 2020, the Group entered into an arrangement with an unrelated counterparty whereby the Group sold certain inventory items for SR 137.3 million and repurchased the same for SR 150 million with a settlement term of 1 year. As the Group continued to retain control over these inventory items the arrangement does not qualify as sale and purchase transaction. Accordingly, this arrangement is not reflected as sale or purchase but as secured short-term financing. The differential between the sale and repurchase price is being amortized over the period of the arrangement. The arrangement is secured by irrevocable standby letters of credit.
- iv. 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. As at 31 March 2021, the Group had no unutilized facility.

## 18. Trade and other payables

See accounting policy in Note 6I.

	Note	31 March 2021	31 March 2020
<b>Trade payables</b>			
Trade payables to suppliers		532,764,384	472,622,846
<b>Other payables</b>			
Contractors and others		135,077,107	240,183,497
Related parties	32B	136,539,166	113,953,401
Credit cards		2,894,579	9,684,160
Employees' salaries and benefits		82,733,253	58,507,764
VAT payable		21,183,359	--
Accrued finance cost		16,558,569	6,479,144
Government duties		17,583,469	11,614,843
Royalty		14,900,071	11,801,409
Consignment margin		5,269,432	4,476,781
Other accrued expenses		50,845,446	5,209,317
		<b>483,584,451</b>	<b>461,910,316</b>
<b>Trade and other payables</b>		<b>1,016,348,835</b>	<b>934,533,162</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

Note	31 March 2021	31 March 2020
Balance at 1 April	101,618,395	83,664,754
Included in profit or loss		
Current service cost	20,241,565	16,435,288
Interest cost	4,105,276	3,533,000
	24,346,841	19,968,288
<b>Included in OCI</b>		
Actuarial (gain) loss arising from		
• financial assumptions	12,122,041	(579,024)
• other assumptions and experience adjustments	--	3,215,000
	12,122,041	2,635,976
<b>Other</b>		
Acquisition of new subsidiary	27	--
Benefits paid	(27,618,989)	(16,425,505)
<b>Balance at 31 March</b>	<b>110,468,288</b>	<b>101,618,395</b>

### B. Significant actuarial assumptions

The significant actuarial assumptions used were as follows:

	31 March 2021	31 March 2020
<b>Economic assumptions</b>		
Gross discount rate	2.8%	4.1%
Price inflation	2.0%	2.0%
Salary growth rate	3.0%	3.0%
<b>Demographics assumptions</b>		
Number of employees	7,525	8,896
Average age of employees (years)	31.0	30.8
Average years of past service	3.5	3.1

### 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 March 2021		31 March 2020	
	Increase	Decrease	Increase	Decrease
Salary inflation (1% movement)	9,654,000	(11,640,000)	4,760,000	(12,123,000)
Discount rate (1% movement)	(11,790,000)	9,586,000	(11,982,000)	4,750,000

## 20. Zakat and tax liabilities

See accounting policy in Note 6P.

### A. Amounts recognized in profit or loss

Note	2021	2020
Current year zakat charge	17,392,802	19,316,809
Changes in estimates of zakat related to prior years	24,100,628	19,433,891
Current year income tax charge	4,590,275	8,891,161
	<b>46,083,705</b>	<b>47,641,861</b>

### B. Zakat

i. Movement in zakat liability is as follows:

Note	31 March 2021	31 March 2020
Balance at 1 April	4,595,451	36,193,337
Current year zakat charge	17,392,802	19,316,809
Changes in estimates of zakat related to prior years	24,100,628	19,433,890
Payments (a)	(31,933,837)	(70,348,585)
<b>Balance at 31 March</b>	<b>14,155,045</b>	<b>4,595,451</b>

a. Includes SR 23,934,353 (2020: Nil) settled through utilization of VAT receivable.

ii. Computation of zakat charge is as follows:

Note	31 March 2021	31 March 2020
Shareholders' equity and other payables	3,233,453,645	3,278,548,965
Adjusted net income	(832,668,198)	(30,252,613)
Deductions and other adjustments	(1,705,073,386)	(2,476,072,399)
Zakat base	695,712,061	772,223,953
<b>Zakat at 2.5% (higher of adjusted net income or Zakat base)</b>	<b>17,392,802</b>	<b>19,316,809</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 2019. The zakat returns for the years for 31 March 2015 and 31 March 2016 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

Movement in income tax liability is as follows:

Note	31 March 2021	31 March 2020
Balance at 1 April	6,206,703	2,004,869
Current year income tax charge	(a) 4,590,275	8,891,161
Payments	(9,103,747)	(4,689,327)
<b>Balance at 31 March</b>	<b>1,693,231</b>	<b>6,206,703</b>

b. Includes deferred tax (reversal) / charge of SR 0.3 million (2020: SR 0.9 million)



## 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
	Amount in SR'000				Amount in SR'000		
2021							
Profit or loss							
Revenue	3,886,805	5,230	340,478	--	4,232,513	3,661,645	556,817
Depreciation and amortization	(242,893)	(17,863)	(37,586)	--	(298,342)	(243,982)	(54,360)
Finance charges	(330,924)	(4,196)	(17,087)	--	(352,207)	(311,535)	(40,672)
Net profit / (loss)	(989,383)	(51,543)	(69,330)	--	(1,110,256)	(909,099)	(189,325)
							(11,833)
							(1,110,256)
Statement of financial position							
Non-current assets	5,585,904	151,827	407,536	--	6,145,267	7,890,788	669,422
Current assets	2,223,881	2,083	(12,504)	--	2,213,460	2,224,259	(133,359)
Total liabilities	7,426,166	121,313	359,673	--	7,907,152	7,209,746	650,176
							47,230
							7,907,152
2020							
Profit or loss							
Revenue	5,214,801	74,228	52,760	--	5,341,789	4,378,538	960,184
Depreciation and amortization	(233,301)	(41,162)	(21,056)	--	(295,519)	(128,424)	(167,095)
Finance charges	(442,739)	(5,818)	(2,955)	--	(451,512)	(399,056)	(52,454)
Net loss	(646,827)	(15,299)	(19,027)	--	(681,153)	(595,481)	(85,180)
							(492)
							(681,153)
Statement of financial position							
Non-current assets	6,270,339	230,685	461,257	--	6,962,281	7,675,777	847,145
Current assets	2,959,633	7,318	88,838	--	3,055,789	3,978,020	477,438
Total liabilities	7,887,715	170,761	429,840	--	8,488,376	7,576,691	2,385,377
							(1,473,692)
							8,488,376

## 23. Revenue

See accounting policy in Note 6C.

ii. Status of zakat assessments is as follows:

The income tax returns for subsidiary in the USA has been filed with the relevant tax authorities for all years up to the year ended 31 March 2019, the income tax return for subsidiaries in Jordan, Egypt, Kazakhstan, Morocco, Georgia Azerbaijan and Armenia have been filed for all years until 31 March 2017. For subsidiaries Balkan Countries the income tax returns have been filed up to the year ended 31 December 2015.

The income tax returns for above subsidiaries are under review by the relevant tax authorities. For the subsidiaries in Kazakhstan and Egypt, the investigation by tax authorities for the previous years is under process. As at 31 March 2021, 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 shareholding as at 31 March 2021 and 31 March 2020 is as below:

	No. of shares	Par value	Total
Ordinary share capital	210,000,000	10	2,100,000,000

### B. Statutory reserve

The Board of Directors, in its meeting held on 17 Rajab 1442H (corresponding to March 30, 2021), approved to absorb part of the accumulated losses of the company by transferring amount of SR 205.8 million from the statutory reserve of the company.

## 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.



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:

31 March 2021			
	Kingdom of Saudi Arabia	International Countries	Total
Apparels	2,874,470,351	456,571,832	3,331,042,183
Footwear & accessories	200,953,678	78,651,698	279,605,376
Others	265,743,134	10,414,847	276,157,981
Fashion retail	3,341,167,163	545,638,377	3,886,805,540
Food & beverages	340,478,224	--	340,478,224
Indoor entertainment	--	5,229,338	5,229,338
<b>Total revenue</b>	<b>3,681,645,387</b>	<b>550,867,715</b>	<b>4,232,513,102</b>

31 March 2020			
	Kingdom of Saudi Arabia	International Countries	Total
Apparels	3,759,026,495	735,535,499	4,494,561,994
Footwear & accessories	376,330,024	128,232,746	504,562,770
Others	190,421,592	25,254,674	215,676,266
Fashion retail	4,325,778,111	889,022,919	5,214,801,030
Food & beverages	52,759,775	--	52,759,775
Indoor entertainment	--	74,228,412	74,228,412
<b>Total revenue</b>	<b>4,378,537,886</b>	<b>963,251,331</b>	<b>5,341,789,217</b>

## 24. Income and expenses

See accounting policy in Note 6L.

### A. Cost of revenue

	Note	2021	2020
Cost of goods	(i)	2,961,505,343	3,491,475,748
Depreciation on right-of-use asset	29C	592,963,723	588,031,437
Employees' salaries and benefits		581,961,626	671,569,803
Utilities and maintenance		57,681,615	67,683,447
Advertisement		24,253,359	16,008,407
Rent expense	29C	18,509,635	53,820,371
Travelling		3,999,424	3,244,699
Others		79,939,257	42,109,951
		<b>4,320,813,982</b>	<b>4,933,943,863</b>

- i. Cost of goods include a charge for inventory provision of SAR 107.7 million (2020: SAR 221.2 million). Further, it also includes a charge of SR 369.6 million (2020: SR 329.0 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

	Note	2021	2020
Employees' salaries and benefits		82,510,188	77,363,256
Bank charges		16,329,609	6,612,998
Advertising and promotions		16,308,146	15,228,766
Utilities and maintenance		8,924,291	11,624,379
Travel		4,012,463	8,819,632
Rent expense	29C	2,401,793	4,440,955
Freight and distribution charges		571,548	5,475,608
Others		15,273,173	8,895,453
		<b>146,331,211</b>	<b>138,461,047</b>

### C. General and administrative expenses

	Note	2021	2020
Employees' salaries and benefits		124,418,835	103,314,516
Government fees and related charges		17,298,930	5,751,576
Utilities and maintenance		17,063,059	4,304,957
Travel and communication		15,937,748	10,167,327
Bank charges		15,803,022	38,320,141
Stationery and supplies		11,415,208	4,213,019
Advertising and publishing		5,590,845	--
Insurance		3,267,799	8,696,521
Rent	29C	3,187,963	6,972,873
Others		80,609,726	36,144,502
		<b>294,593,135</b>	<b>217,885,432</b>

### D. Other operating expense

	Note	2021	2020
Store closure losses	(i)	76,007,836	42,510,484
Foreign exchange loss		45,914,307	--
Loss on disposal of property and equipment		6,891,619	6,934,082
		<b>128,813,762</b>	<b>49,444,566</b>

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

### E. Other operating income

	Note	2021	2020
Rental concession for leases	29	210,721,557	52,527,936
Gain on lease termination	29	13,267,309	7,772,066
Foreign exchange gain		--	4,473,179
Gain on disposal of investment property		--	144,497,726
Others		46,902,993	7,938,438
		<b>270,891,859</b>	<b>217,209,345</b>

### F. Finance costs over loans and borrowings

	Note	2021	2020
Financial charges over loans and borrowings	17(i)	143,544,803	169,572,637
Amortization of upfront fees		2,449,434	34,409,185
		<b>145,994,237</b>	<b>203,981,822</b>





## 25. Loss per share

See accounting policy in Note 6R.

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

	Note	31 March 2021	31 March 2020
Loss attributable to ordinary shareholders		(1,090,753,102)	(656,256,644)
Weighted average number of ordinary shares	21	210,000,000	210,000,000
<b>Basic and diluted loss per share</b>		<b>(5.20)</b>	<b>(3.13)</b>

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

See accounting policies in Notes 6B, 6I, 6J, 6L, 6M, and 6N.

### 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.

31 March 2021					
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets					
FVTPL					
Al Mubarak real estate income Fund –II	215,860,000	--	215,860,000	--	215,860,000
FVOCI – equity instruments					
Egyptian Centres for real estate development	84,432,122	--	--	84,432,122	84,432,122
31 March 2020					
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets					
FVTPL					
Al Mubarak Real Estate Income Fund –II	200,000,000	--	--	200,000,000	200,000,000

### 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
	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.
<b>Equity securities</b>	Significant unobservable inputs include expected cash flows and risk adjusted discount rate. The estimated fair value would increase (decrease) if: <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>

### 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:

	Note	31 March 2021	31 March 2020
Cash at bank	15	451,840,180	679,808,231
Advances, deposits and other receivables	13	212,715,685	346,380,988
Receivable from disposal of a subsidiary and brands	16	75,000,000	150,000,000
		<b>739,555,865</b>	<b>1,176,189,219</b>



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 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.

Movement of allowance for impairment is as follows:

	Note	31 March 2021	31 March 2020
Opening balance		--	21,132,032
Charge for the year		--	--
Write off		--	(21,132,032)
<b>Closing balance</b>		--	--
<b>Other receivables directly written off to profit or loss</b>		--	<b>(50,455,092)</b>

## 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.

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
<b>31 March 2021</b>				
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	--	--
	<b>7,780,835,899</b>	<b>2,623,715,924</b>	<b>5,244,543,103</b>	<b>1,557,622,191</b>
<b>31 March 2020</b>				
Loans and borrowings	3,183,469,652	787,303,575	1,945,134,975	767,712,557
Lease liabilities	4,257,952,319	863,198,232	2,951,020,090	1,550,140,477
Trade and other payables	934,533,162	934,533,162	--	--
	<b>8,375,955,133</b>	<b>2,585,034,969</b>	<b>4,896,155,065</b>	<b>2,317,853,034</b>

## iii. 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 March 2021	31 March 2020
EUR	<b>(22,499,718)</b>	(25,983,060)
USD	<b>(33,478,077)</b>	(39,457,561)
GBP	<b>(1,024,965)</b>	(659,879)
UAE Dirham	<b>880,749</b>	587,499
EGP	<b>262,542</b>	<b>354,727,005</b>

The following significant exchange rates have been applied:

	Average rate		Year-end spot rate	
	2021	2020	2021	2020
EUR	4.37	4.09	4.40	4.09
USD	3.75	3.75	3.75	3.75
GBP	4.91	4.86	5.16	4.86
UAE Dirham	1.02	1.02	1.02	1.02
EGP	0.24	0.22	0.24	0.22

## 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.

Foreign currency	Change in currency	Currency movement vs. Saudi Riyal (SR)			
		31 March 2021		31 March 2020	
		Strengthening	Weakening	Strengthening	Weakening
EUR	+/- 10%	(9,900,000)	9,900,000	(10,743,000)	10,743,000
GBP	+/- 10%	(529,000)	529,000	(307,000)	307,000
UAE Dirham	+/- 10%	89,836	(89,836)	60,104	(60,104)
EGP	+/- 10%	6,000	(6,000)	8,447,000	(8,447,000)
		<b>(10,333,164)</b>	<b>10,333,164</b>	<b>(2,542,896)</b>	<b>2,542,896</b>

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 3,124 million at 31 March 2021 (31 March 2020: SR 3,182 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.



### 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 year
31 March 2021	SR	+30	(9,372,104)
	SR	-30	9,372,104
31 March 2020	SR	+30	(9,550,408)
	SR	-30	9,550,408

### Commodity price risk

It is the risk associated with changes in prices to certain commodities including corn, sugar and soya etc. that the Group is exposed to and its unfavorable effect on the Group's costs and cash flow. This commodity price risk arises from forecasted purchases of certain commodities that the Group uses as raw material, which is managed and mitigated by entering into commodity derivatives.

The Group enters into various commodity derivatives to hedge the price of certain commodity purchases. These derivatives match the maturity of the expected commodity purchases and use the same underlying index as for the hedged item.

#### iv. 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;

- 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
- to provide an adequate return to shareholders

## 27. Acquisition of a subsidiary

See accounting policy in Note 6A.

On 23 January 2020 ("Date of acquisition"), the Group completed the acquisition process of Innovation Union Company (the 'Subsidiary'), a limited liability company registered in the Kingdom of Saudi Arabia. The Subsidiary operates fast food restaurants all over the Kingdom with franchise rights of a number of international fast food brands mainly represented by Cinnabon, Seattle's Best, Caffè Concerto, Crepe Affaire, Sutis, Kahve Dunyasi.

The Group acquired an effective 100% equity interest in Innovation Union Company, in exchange of some assets from the Group in an aggregate amount of SR 340 million having net acquisition cost of SR 316 million after deducting net cash acquired amounting to SR 24 million. The acquisition has been accounted for using the purchase method of accounting and accordingly, the purchase price paid has been allocated to the assets and liabilities based on fair values of the assets acquired and liabilities assumed.

The excess of the consideration paid over the fair value of the assets acquired, including separately identifiable intangible assets, and liabilities assumed has been allocated to Goodwill. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the amounts, then the accounting for the acquisition will be revised.

	Note	Date of Acquisition
<b>Assets</b>		
Right of use asset		324,335,858
Property and equipment		131,464,883
Other intangible assets		12,750,714
Inventories		18,854,340
Prepayments and other current assets		35,679,964
Cash and cash equivalents		23,947,916
		<b>547,033,675</b>
<b>Liabilities</b>		
Lease liabilities		(345,046,554)
Amount due to related parties		(32,592,474)
Accounts payable and accruals		(17,236,124)
Employee benefits		(11,774,882)
		<b>(406,650,034)</b>
<b>Net assets acquired</b>		<b>140,383,641</b>
Share of non-controlling interest		(8,210,674)
<b>Group's share of net assets acquired</b>		<b>132,172,967</b>
<b>Consideration for acquisition</b>	(i)	<b>340,000,000</b>
<b>Goodwill on acquisition</b>		<b>207,827,033</b>

The following table summarizes the acquisition date value of consideration transferred for acquisition;

	Note	Date of Acquisition
Other receivables	13	157,681,478
Receivable from disposal of subsidiaries	16(i)	129,454,285
Investment in associates	10	52,864,237
		<b>340,000,000</b>



28. 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:

31 March 2021	Retail Group Azerbaijan LLC 15%	Retail Group Armenia CJSC 4%	Models Own Holding Limited 49%	Food Gate Company* 30%	Azal Restaurants Company* 35%	Other non-material subsidiaries	Total
NCI percentage							
Non-current assets	92,412,469	12,074,354	--	127,481,635	57,897,988	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)
Net assets	44,270,896	(12,673,307)	(135,410,578)	(16,861,457)	(26,242,819)	152,011,682	5,094,417
Net assets attributable to NCI	(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
Profit / (loss)	(18,288,259)	(8,320,962)	--	(36,302,380)	(11,747,234)	(9,543,792)	(84,202,627)
Profit / (loss) allocated to NCI	(2,743,239)	(332,838)	--	(10,890,714)	(4,111,532)	204,860	(17,873,463)

31 March 2020	Retail Group Azerbaijan LLC 15%	Retail Group Armenia CJSC 4%	Models Own Holding Limited 49%	Food Gate Company* 30%	Azal Restaurants Company* 35%	Total
NCI percentage						
Non-current assets	108,017,787	23,641,933	--	183,567,610	71,972,223	161,147,350
Current assets	59,514,343	53,809,115	2,163,710	30,144,743	16,500,548	172,471,037
Non-current liabilities	(81,319,707)	(12,501,084)	--	(116,948,957)	(44,863,068)	(154,439,161)
Current liabilities	(160,630,538)	(210,464,862)	(135,711,991)	(76,345,372)	(58,105,288)	(370,394,863)
Net assets	(74,418,115)	(145,514,898)	(133,548,281)	(20,418,024)	(14,495,585)	(191,215,637)
Net assets attributable to NCI	(11,162,717)	(5,820,596)	(65,438,658)	(6,125,407)	(5,073,455)	(3,500,382)
Revenue	192,190,100	123,505,120	10,177,971	25,112,920	77,955,600	149,795,897
Profit / (loss)	4,065,572	(12,372,681)	(37,008,302)	(4,721,107)	(14,467,501)	(16,988,518)
Profit / (loss) allocated to NCI	609,836	(494,907)	(18,134,068)	(1,416,332)	(5,063,625)	(396,790)

\*These subsidiaries are owned through a wholly owned subsidiary of the Group, Innovative Union Company, Right-of-use assets and lease liabilities



29. 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

Note	31 March 2021	31 March 2020
Balance at 1 April	4,058,005,277	--
Recognition of right-of-use asset on initial application of IFRS 16	--	4,724,686,394
Additions on acquisition	27	--
Additions		324,335,858
Adjustment for termination		444,009,164
Adjustment for reassessment		74,803,175
Depreciation charge for the year		(340,405,120)
Forex gain / (loss)		(417,866,110)
Balance at 31 March		(59,974,835)
		(588,031,437)
		52,232
	3,401,916,309	4,058,005,277

B. Lease liabilities

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

Note	31 March 2021	31 March 2020
Non-current portion of lease liabilities	2,837,596,213	3,611,204,334
Current portion of lease liabilities	802,856,040	646,747,985
Balance at 31 March	3,640,452,253	4,257,952,319

Note	31 March 2021	31 March 2020
Balance at 1 April	4,257,952,319	--
Recognition of lease liability on initial application of IFRS 16	--	4,902,297,967
Additions on acquisition	27	--
Interest expense		345,046,554
Additions		208,962,148
Adjustment for termination		247,530,613
Adjustment for re-assessment		444,009,164
Rental concession	24E	74,803,175
Forex Gain and Loss		(359,442,630)
Payment of lease liability		(425,638,176)
– principal		(160,959,088)
– interest		(59,974,835)
Balance at 31 March		(52,527,936)
		19,735,672
		--
		(350,121,627)
		(208,962,148)
	3,640,452,253	4,257,952,319

C. Amounts recognized in profit or loss

Note	2021	2020
Depreciation of right-of-use assets	29A	592,963,723
Interest on lease liabilities	29B	588,031,437
Expenses relating to short-term / variable rent leases	24C	247,530,613
		24,099,391
		65,234,199

D. Rent concessions

The Group negotiated rent concessions with its landlords for the majority of its retail store leases as a result of the severe impact of the COVID-19 pandemic during the 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 for the reporting period 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 210 million (2020: SR 52 million).

30. Commitments

As at the reporting date, the Group is committed to capital expenditures of SR 255 million (2020: SR 123.5 million) to purchase property and equipment.

31. Contingencies

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

Type	Nature	2021	2020
Letter of credits	Purchase of retail trading inventory	468,253,215	584,000,000
Letter of guarantees	Bid bonds, contracts advance payments and performance bonds	476,054,026	485,000,000

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.

A. Key management personnel compensation

Key management personnel compensation is comprised as follows:

	31 March 2021	31 March 2020
Salaries and short-term benefits	13,403,697	12,794,972
Post-employment benefits	1,383,453	2,179,582
Board of Directors and board committees’ remuneration and compensation	3,808,000	2,359,000
<b>Total key management compensation</b>	<b>18,595,150</b>	<b>17,333,554</b>



B. Other related party transactions

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

Name of related party	Relationship	Nature of transaction	Notes	Transaction values for the year ended		Balance outstanding at	
				31 March		31 March	
				2021	2020	2021	2020
Arabian Centres Company	Affiliate	Prepaid rentals	14	--	--	--	14,146,401
Saudi FAS Holding Company	Parent Company	Expenses paid on behalf of Company		74,473,868	109,284,003	183,750,983	109,277,116
Egyptian Centers for Real Estate Development	Affiliate	Rental		6,378,761	--	--	84,322,156
Al Farida Trading Agencies	Equity accounted investees	Services / payment made on behalf of Company		5,123,771	1,218,056	6,341,828	1,218,056
Amwal Al Khaleeja Al Oula		Management services		--	--	2,271,205	2,271,205
Shy7lo Co. Ltd.	Affiliate	Revenue		--	203,903	--	--
			13	85,976,400	110,705,962	192,364,016	197,088,533
<b>Due from related parties</b>				<b>85,976,400</b>	<b>110,705,962</b>	<b>192,364,016</b>	<b>211,234,934</b>
Arabian Centers Company	Affiliate	lease payments / rental expense		303,397,543	362,470,264	(90,211,773)	(77,131,260)
Food and Entertainment Co.	Affiliate	Payments made on behalf of Group/ Other receivables		15,490,641	17,049,746	(14,131,637)	(24,446,976)
Wonderful Meals Co. Ltd.	Affiliate	Purchase of goods		(6,517,505)	20,236,283	(16,671,369)	(9,708,817)
Noura Bint Mohammed	Affiliate	Other		50,000	--	(14,703,592)	--
Hajen Co. Ltd.	Affiliate	Printing and advertisement		1,719,302	5,554,694	(820,795)	(2,666,348)
<b>Due to related parties</b>				<b>314,139,981</b>	<b>405,310,987</b>	<b>(136,539,166)</b>	<b>(113,953,401)</b>



### 33. Standards issued but not yet effective

There are no new standards issued that were effective from 1 April 2020, however, there are number of amendments to the existing standards, but they do not have a material effect on the consolidated financial statements of the Group except as detailed in note 6.

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

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018–2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

These amended standards and interpretations are not expected to have a significant impact on the consolidated financial statements.

### 34. Impact of covid-19

The COVID-19 pandemic, which commenced at the beginning of 2020, has caused significant disruption in the economic and commercial sectors in general at both the global and local levels. The government of the Kingdom of Saudi Arabia has taken stimulus measures and launched initiatives to support the economy to reduce the adverse effects of this pandemic.

While the Group has been able to continue to trade through eCommerce portals, sale from retail outlet stores and food franchise stores were closed. Given the global political and economic uncertainty resulting from the COVID-19 pandemic, coupled with the fast-paced changes taking place across the retail sector, the Group expects to see significant volatility and business disruption in year 2021 - 2022.

Accordingly, the Group has reviewed all its assets including the inventory levels in light of future expectations of sales, impacting the recoverability of the cost of inventories and the level of provisioning required. When estimating provision for inventory, management has considered the nature and condition of inventory and performed a detailed assessment of inventory, including all items in stores, warehouses and outlets, taking into consideration the period of trading disruption, current sales and sale plans.

As a result, management has considered to provide for inventory items from old seasons which are unlikely to be sold upon reopening of stores or will be sold below cost to clear the inventory which has resulted in an increase in inventory provision level in the current year. Further, the Group has also written off certain aged inventory items as these were not considered saleable in the current environment.

The Group's management continues to study and follow up all the variables that affect the Group's activities, however, due to the inability to determine the time period of this pandemic and the precautionary measures and procedures as to what will emerge in the future, it is currently difficult to

determine the size and extent of any financial impact accurately on the results of the Group up to the date of issuance of these consolidated financial statements. However, the Group does not anticipate any significant adverse implication in the future related to the Group remaining as a going concern.

### 35. Approval of the consolidated financial statements

These consolidated financial statements were approved by the Board of Directors for issuance on 27 Dhul Qi'dah 1442H (corresponding to 7 July 2021).





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